COVER SHEET

P W 1 0 5

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

ANNUAL REPORT

For the Fiscal Year Ended December 31, 2021

Ending December 31

Month Day

Fiscal Year

1 7 - A

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 Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1.	For the fiscal year ended	:	December 31, 2021
2.	SEC Identification Number	:	PW-105
3.	BIR Tax Identification Code	:	034-000-541-102
4.	Exact name of issuer as specified in its charter	:	Philippine Trust Company (also known as PHILTRUST BANK)
5.	Province, Country of Incorporation	:	Manila, Philippines
6.	Industry Classification Code	:	____________________
7.	Address of Principal Office	:	Philtrust Bank Building 1000 United Nations Avenue corner San Marcelino Street, Manila
8.	Telephone Number	:	(062) 8524-9061
9.	Former name, former address, former fiscal year	:	Not applicable

10. Securities registered pursuant to Sections 8 and 12 of the SRC:

Common	1,000,000,000 shares

11. Are any or all of registrant's securities listed on a Stock Exchange?

The Bank's 1,000,000,000 total outstanding common shares are listed in the Philippine Stock Exchange, Inc. (PSE).

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)?

Yes.

(b) has been subject to such filing requirements for the past ninety (90) days?

Yes.

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

Not applicable.

I. BUSINESS

(A) Description of Business

(1) Business Development

The Philippine Trust Company, also known as PHILTRUST BANK, was established more than a hundred years ago on October 21, 1916. It is one of the oldest private commercial banks in the country that started as a trust institution. It 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. This guiding policy has enabled the Bank to grow and expand steadily.

Philtrust Bank has been favorably rated for its liquid position, consistently lending to the Bangko Sentral ng Pilipinas and to other financial institutions.

The principal office is located at Philtrust Bank Building, 1000 United Nations Avenue corner San Marcelino Street, Manila. Aside from the Head Office, the Bank has a network of sixty (60) branches, 39 in Metro Manila and 21 provincial.

The Bank looks forward to buying or leasing suitable locations in Metro Manila and in other key cities and provinces to further augment its branch network and to optimize its market presence and its service availability felt in major financial, commercial and population centers nationwide. Greater emphasis is being given to regional operations and financing of priority industries supportive of national economic growth.

The Bank does not anticipate any material reclassification, merger, consolidation or purchase/sale of significant 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).

(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.

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. Sec. 11 of the RCC provides that corporations with certificates of incorporation issued prior to the effectively 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.

The ratio of foreign exchange profits with respect to the net income of the Bank for the past 3 years are as follows:

Details	2021	2020	2019
Exchange Profits	P48,553,860.13	P22,094,624.97	P27,660,409.84
Net Income	P826,338,715.08	1,156,583,226.37	902,818,233.85
Percentage	5.88	1.91	3.06

A significant percentage of the above foreign exchange transactions involved U.S. dollars.

Improvements in information technology are continuously being undertaken. For better market access, 51 on-site and 25 off-site ATMs operational as of December 31, 2021.

The Bank's principal competitors are the other financial institutions offering similar services.

The Bank's guiding principle is anchored on conservatism, efficiency and personalized service to gain clients' trust and continued patronage. It has effectively generated more business making the Bank a worthy participant in the financial community.

The Bank's operations are not dependent on transactions with related parties, or upon a single customer/client or a few customers/clients. No single customer/client or group of clients' accounts for twenty percent (20%) or more of the Bank's business operations.

Other than the licenses issued by the BSP and the SEC, the Bank's operations do not depend on any other patents, trademarks, copyrights, licenses, franchises, concessions or royalties.

The Corona Virus Disease (COVID-19) pandemic, although global in scope and disastrous to human lives, economy and business was effectively managed by the Bank strictly complying with health and safety protocols/directives issued by BSP, SEC, Inter-Agency Task Force on COVID, and the local and national governments. The Bank is not aware of any other existing or probable governmental regulations which will have a material effect on its business.

For the last three (3) fiscal years, the Bank has adequately invested on research and development and on information technology.

The directors and key officers have likewise actively participated in relevant trainings, conventions and seminars, the latest of which being the Corporate Governance Seminars conducted by the Institute of Corporate Directors held on November 6, 2021 in compliance with the Bank’s Manual on Corporate Governance and the Code of Corporate Governance for Publicly Listed Companies (SEC Memo Circular No. 19, Series of 2016).

During the fourth quarter of the fiscal year ended December 31, 2021, there were no matters submitted to a vote of security holders through the solicitation of proxies or otherwise.

Manpower complement totaled 776 consisting of 385 officers and 391 rank-and-file employees as of December 31, 2021. The Bank continues to pursue manpower recruitment. Within the ensuing twelve (12) months, based on the number of new branches that are projected to be opened in 2022 and the previous years’ experience notwithstanding the Corona virus pandemic, the Bank anticipates manpower to increase by at least 50 personnel for a total of 826, consisting of 395 officers and 431 rank and file employees.

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

Article VII of the Bank’s Amended By-Laws provides for a percentual bonus or profit sharing (PS) equivalent to ten percent (10%) of the total yearly net profits of the Bank before payment of income tax. The PS is distributed to the staff, officers and directors as an incentive to them to help promote the business of the corporation.

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 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.

Outstanding Warrants or Options

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

Major Risks

The bulk of loan portfolio are fully secured by collaterals. Some major loan accounts are also backed by guarantees. Available cash and assets are more than sufficient to cover short and long-term obligations. The bank maintains its conservative position leaning towards having a strong liquidity position. As the bank transitioned to the new-normal so as its operations to meet client requirements and comply with its regulators.

Risk from market, liquidity and credit considerations are constantly monitored by Management and Board of Directors. This is supported by prudent approval of limits, established procedures, careful day-to-day management to ensure compliance with check-balance and transparency.

Approved policies and procedures are constantly reviewed and updated, with the aim of reducing and controlling quantifiable and non-quantifiable risks. The bank transactions and best practices of other financial institutions are routinely evaluated as basis for improving the Bank's Risk Management System.

(B) Description of Property

Please refer to the list of Bank-Owned Properties as Existing Bank Sites, Leased Bank Sites, and Bank-Owned Properties for Future Bank Sites, hereto attached as Annexes "D", "D-1" and "D-2", respectively. As shown therein, no Bank-owned lot or building is subject to mortgage, lien or limitations on ownership or usage. The branch sites, whether owned or leased, are all in good condition.

(C) Legal Proceedings

Neither the Bank nor any of its properties is involved in any material legal proceeding.

II. OPERATIONAL AND FINANCIAL INFORMATION

(A) Market Price and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) 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

2020	High	Low
March 31	P103.20	P103.20
June 30	107.50	107.00
September 30	107.00	107.00
December 29	120.00	101.00

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

(b) 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 29, 2022	P115.9	P115.9	P115.9	P115.9	P107.9

(2) 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 April 30, 2022, there are 82 holders of the Bank's 1,000,000,000 issued and outstanding shares, including PCD Nominee Corporation comprised of several brokers/participants holding shares on behalf of their client beneficial owners.

The Top Twenty Stockholders as of April 30, 2022 are 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, Enrique 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 because 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 0.07% while the aggregate holdings of the Officers is insignificant.

The total public ownership is 14.071% inclusive of the 1.9259% in the name of PCD Nominee Corporation.

There were no transfers of shares during the previous year except for very minor changes within PCD Nominee Corporation due to stock trades among its broker-participants.

(3) 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 was subsequently approved, confirmed and ratified by the stockholders at their annual meeting held on the same day, April 25, 2017.

(4) 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.

From November 5, 2019 to date, no transfers of shares involving change in beneficial ownership were reported to the Bank.

III. FINANCIAL INFORMATION

(A) Management's Discussion and Analysis or Plan of Operation

Please refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations for the Calendar Years 2019, 2020 and 2021 hereto attached as Annexes "C-1", "C-2" and "C-3", respectively.

(B) Financial Statements

The Statement of Management's Responsibility for Financial Statements and the Bank's 2021 Audited Financial Statements are hereto attached as Annexes "B" and "B-1", respectively.

(C) Changes in and disagreement with accountants on accounting and financial disclosure

In their annual meeting held on July 21, 2021, the stockholders have authorized and empowered the Board of Directors to appoint and/or change the Bank's external auditor for the year 2021 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 21, 2021, approved the re-appointment of Reyes Tacandong & Co. as the Bank's external auditor for the year 2021. 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 2022 Annual Stockholders' Meeting with opportunity to make a statement, if they so desire, and respond to questions that may be raised regarding the 2021 Audited Financial Statements.

Information on Independent Accountant

The address of the Bank's external auditor is as follows:

Reyes Tacandong & Co.
Certified Public Accountants
Citibank Tower
8741 Paseo de Roxas
Makati City

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.

SCHEDULE OF EXTERNAL AUDIT FEES AND SERVICES

	REYES TACANDONG & CO.	
	2020	2021
Audit and Audit-Related Fees (Retainer Fees and Audit Engagement Fees)	P3,920,000.00	P3,920,000.00
Tax Fees	-	-
All Other Fees (Reimbursements of various Audit-Related Expenses)	252,000.00	89,600.00
Total	P4,172,000.00	P4,009,600.00

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.

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 organization to conduct the annual audit. This firm will report directly to the audit committee.

2. Resolve any disagreement between management and the auditor regarding financial reporting.

3. Pre-approve all auditing and permit non-audit services performed by the company's external audit firm.

4. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.

5. Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties.

6. Meet with company officers, external auditors, or outside counsel, as necessary.

7. The 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.

IV. MANAGEMENT AND CERTAIN SECURITY HOLDERS

(A) Directors and Executive Officers

(1) <u>Incumbent Directors:</u>

Name	Position	Age*	Citizenship	Length of Service
1. Dr. Jaime C. Laya	Chairman	83	Filipino	More than 5 years
2. Senior Justice Josue N. Bellosillo (Ret.)	Vice Chairman	88	Filipino	More than 5 years
3. Dr. Emilio C. Yap, III	Vice Chairman	50	Filipino	More than 5 years
4. Carlos A. Pinpin, Jr.	Director	65	Filipino	1 year
5. Chief Justice Hilario G. Davide, Jr. (Ret.)	Independent Director	86	Filipino	9th year as ID
6. Maria Georgina P. De Venecia	Independent Director	73	Filipino	1 year
7. Calixto V. Chikiamco	Independent Director	71	Filipino	1 year
8. Atty. Daniel Y. Laogan	Independent Director	66	Filipino	1 year
9. Ernesto O. Chan	Director	75	Filipino	More than 5 years
10. Benjamin C. Yap	Director	76	Filipino	More than 5 years
11. Miriam C. Cu	Director	63	Filipino	More than 5 years
12. Tomas V. Apacible	Director	76	Filipino	More than 5 years

*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, the aforesaid twelve (12) Directors were elected on July 21, 2021 to hold office for one year and until their successors are elected and, shall have qualified.

All of them possess all the qualifications and none of the disqualifications of directors as mandated by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission. In particular, the Bank has consistently adopted and complied with the requirements on Nomination and Election of Independent Directors under SRC Rule 38.

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

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 such seminar was conducted by the Institute of Corporate Governance Directors on November 6, 2021. The annual continuing training program makes certain that director 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" to "A-3" hereto attached for the qualifications, business affiliations, trainings and seminars attended by the Directors.

(2) <u>Incumbent Corporate/Executive Officers:</u>

At its Organizational Meeting held on July 21, 2021, immediately after the adjournment of the annual stockholders' meeting, the Board re-elected/re-appointed the following corporate/executive officers for the year 2021-2022, to wit:

Name	Position	Age*	Citizenship
1. Mr. Basilio C. Yap	Chairman Emeritus	72	Filipino
2. Dr. Jaime C. Laya	Chairman of the Board *(Former Chairman, Monetary Board and Governor, Central Bank of the Philippines)*	83	Filipino
3. Mr. Carlos A. Pinpin, Jr.	President	65	Filipino
4. Senior Justice Josue N. Bellosillo (Ret.)	Vice Chairman of the Board and Corporate Counsel *(Retired Senior Justice of the Supreme Court)*	88	Filipino
5. Dr. Emilio C. Yap III	Vice Chairman of the Board	50	Filipino
6. Atty. Agnes B. Urbano	Asst. Corporate Secretary	60	Filipino
7. Atty. Renniel C. Mailom	Asst. Corporate Secretary	47	Filipino
8. Ms. Virginia S. Choa-Shi	Executive Vice President	67	Filipino
9. Mr. Benito D. Chua	VP/Treasurer	65	Filipino
10. Mr. Pompeyo A. Claveria	VP/Compliance Officer	68	Filipino

*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.

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 August 2, 2021 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 said Committees were duly represented in the last two (2) Annual Meetings of the Stockholders.

(3) <u>Nominees for Directors for the Ensuing Year 2022-2023:</u>

The twelve (12) members of the Board of Directors of the Bank for the ensuing year 2022-2023 will be elected by the stockholders in their annual meeting which will be held on May 31, 2022 at 8:00 A.M. at the Manila Hotel, Grand Ballroom, 1000 San Marcelino Street, Ermita, Manila.

The Corporate Governance, Nomination and Remuneration Committee (Corp. Gov. Committee) had screened, evaluated, approved and endorsed the final list of nominees for the said positions. 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 2022-2023 consists of the following:

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

The nominees possess all the qualifications and none of the disqualifications as mandated by 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. Tomas V. Apacible. Mr. Apacible 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 2022 ASM, other than their election as Directors of the Bank;

2. Currently holds government position;

3. Is connected with the government.

In addition to Annex "A", please refer to Annexes "A-1", Annex "A-2" and "A-3" for the Certifications of Independent Director Nominees Chikiamco, Laogan and De Venecia, respectively.

(4) <u>Corporate/Executive Officers for the Ensuing Year 2022-2023:</u>

The Bank's corporate and executive officers for the ensuing year 2022-2023 will be elected by the Board of Directors in its organizational meeting to be held immediately after the adjournment of the 2022 ASM. The incumbent officers are expected to be re-elected/re-appointed to their respective positions.

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.

Family Relations

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

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:

(a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior thereto;

(b) 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;

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

(d) 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.

(B) Executive Compensation

(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 diem x x x.

Philtrust Bank Directors do not receive compensation in their capacity as directors because 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 the Directors.

The estimated per diem and profit sharing to be paid to Directors in 2022 is P32.08 Million while P26 Million was paid in 2021 and P18.88 Million in 2020. 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 most highly compensated executive officers are presented below. The 2022 figures are estimates based on the immediately preceding year.

	Year	*Salary*	*Bonus*	*Others*
Carlos A. Pinpin, Jr. *Director/President** Miriam C. Cu *Director/SVP* Virginia S. Choa-Shi *Executive Vice President* Luisa A. Lucin *Senior Vice President* Corazon L. Ho *Senior Vice President*	2022**	P8.25	P3.29	P6.06
	2021	P8.13	P3.24	P4.27
	2020	P9.837	P3.295	P6.114

* Elected Director and President effective July 21, 2021.
**Estimated Amount.

	Year	*Salary*	*Bonus*	*Others*
All Directors and Officers As a group unnamed	2022*	P348.334	P124.182	P89.419
	2021	P338.854	P120.232	P91.766
	2020	P335.436	P119.399	P80.077

*Estimated Amount.

(C) Security Ownership of Certain Record and Beneficial Owners of More Than 5% as of April 30, 2022:

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. *Major Stockholder* Dr. Emilio C. Yap III *Authorized Representative*	Filipino	269,000,014	26.9000%
Common Shares	U.S. Automotive Co., Inc. P.O. Box 3399, Manila Major Stockholder	Yap Family *Major Stockholders* Basilio C. Yap *Authorized Representative*	Filipino	209,873,774	20.9874%
Common Shares	Seabreeze Enterprises, Inc. P.O. Box 4279, Manila Major Stockholder	Basilio C. Yap *Major Stockholder* Basilio C. Yap *Authorized Representative*	Filipino	194,746,709	19.4747%

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	Orient Enterprises, Inc. P.O. Box 3435, Manila Major Stockholder	Gaw Family *Major Stockholders* Anthony Joseph Y. Gaw *Authorized Representative*	Filipino	184,783,230	18.4783%
Common Shares	Pioneer Insurance & Surety Corporation P.O. Box 1437 MCC, Makati Major Stockholder	Pioneer Inc. *Major Stockholder* Ernesto O. Chan *Authorized Representative*	Filipino	70,950,696	7.0951%

Philtrust Realty Corporation, which owns 26.9% of Philtrust Bank's one billion 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 family of the late spouses Atty. Francis Y. Gaw and Dr. Rosalinda Y. Gaw.

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. They also 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, 2022, 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.

(2) **Security Ownership of Management as of April 30, 2022:**

DIRECTORS

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

OFFICERS

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership		Citizenship	Percent of Class
Common Shares	Virginia S. Choa-Shi *(Executive Vice President)*	P5,050.00	Direct	Filipino	0.0001%
Common Shares	Luisa A. Lucin *(SVP/Principal Accounting Officer)*	P52,600.00	Direct	Filipino	0.0005%
Common Shares	Atty. Agnes B. Urbano *(FVP/Asst. Corporate Secretary)*	P66,710.00	Direct	Filipino	0.0007%
Common Shares	Benito D. Chua *(VP/Treasurer)*	P15,120.00	Direct	Filipino	0.0002%

DIRECTORS AND OFFICERS AS A GROUP

Common Shares	P8,207,170.00	0.0821%
	===============	=========

Voting Trust Holders of 5% or more

The Bank has no voting trust holders.

Change in control since the beginning of the last fiscal year

No change in control has occurred since January 1, 2021.

(D) Certain Relationships and Related Transactions

The Bank does not have a parent company and does not have any transaction with promoters.

The Bank had not undertaken any transaction during the last two (2) years involving directly the material interest of any director, executive officer or stockholder owning ten percent (10%) or more of the total issued and outstanding shares, and members of their immediate family. However, in the ordinary course of business, the Bank can enter into loan and other transactions with its related parties.

Based on SEC Memo Circular 19 and BSP Circular 969, 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 person or judicial entity 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.

As shown in the Notes to financial statements for the years 2020 and 2021, the RPTs consisted of loans and receivables, investments in equity securities, deposit liabilities, rent income/expense.

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 2021 and 2020.

Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the BSP regulations.

Investments in equity securities pertain to investments in quoted equity securities that are classified as financial assets.

Deposit liabilities consist of deposits made by related parties with interest rates ranging from 0.25% to 3.25% in 2021 and 2020.

Rent income earned as lessor are from lease transactions having terms of one to 10 years and renewable upon mutual agreement of the parties.

Rent expense paid as a lessee are from lease transactions having terms of one to two years and renewable upon mutual agreement of the parties.

Other transactions with entities under common management pertain to services rendered by related parties that are included under 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 comparable transactions with non-related parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable condition. They were extensively evaluated and reviewed by the RPT Committee prior to their endorsement to the Board of Directors. The Board, on the other hand, 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.

The Rules on Material Related Party Transactions for Publicly-Listed Companies under SEC Memorandum Circular No. 10, Series of 2019 (SEC Memo Circular 10) mandates that the Board of Directors shall have over-all responsibility in ensuing 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 company's shareholders and other 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 2021 that breached the 10% materiality threshold as would necessitate submission of a report to SEC under its Memorandum Circular 10.

(E) 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 6, 2021 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.

(F) Current Reports

Please refer to as Annex "E" hereto attached for a list of Current Reports (SEC Form 17-C) which were submitted in 2021 to date.

(G) Sustainability Report

Please refer to as Annex "F" hereto attached.

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed in behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila this MAY 12 2022.

JAIME C. LAYA
Chairman of the Board

CARLOS A. PINPIN, JR.
President

LUISA A. LUCIN
Principal Accounting Officer
Comptroller

BENITO D. CHUA
Principal Financial Officer

AGNES B. URBANO
Asst. Corporate Secretary

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

Subscribed and sworn to before me this MAY 12 2022, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Name	TIN
Jaime C. Laya	
Carlos A. Pinpin, Jr.	
Luisa A. Lucin	
Benito D. Chua	
Agnes B. Urbano	

Witness my hand and seal on the date and at the place above written.

NEMESIO M. DOMINGO
Commission No. 2020-026
Notary Public for the City of Manila
Extended June 30, 2022

Doc. No. 379
Page No. 77
Book No. II
Series of 2022.

ANNEX "A"

BUSINESS EXPERIENCE OF DIRECTORS, NOMINEES AND OFFICERS

*Name/Citizenship/Age***	*Title*	*Corporate Affiliation**	*Profession/Occupation*
Dr. Jaime C. Laya Filipino 83 years old	Chairman Former President Governor Chairman Minister Minister Independent Director Independent Director Independent Director Trustee Trustee Trustee Trustee Trustee Chairman Trustee Columnist Director Deputy Director General	Philtrust Bank Philtrust Bank Central Bank of the Philippines, 1981- 1984 Monetary Board, Central Bank of the Philippines, 1981-1984 Ministry of the Budget, 1975-1981 Ministry of Education, Culture and Sports, 1984-1986 Philippine AXA Life Insurance Co., Inc. GMA Network, Inc. and GMA Holdings, Inc. Charter Ping An Insurance Corporation Cultural Center of the Philippines Metropolitan Museum of Manila Yuchengco Museum St. Paul's 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	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 – 2014-2021 d. BASEL III SEMINAR – 2017 e. AML – 2018-2021

*Corporate affiliations held for the last five years unless otherwise specified.
**As of last birthday.

*Name/Citizenship/Age***	*Title*	*Corporate Affiliation**	*Profession/Occupation*
Senior Justice Josue N. Bellosillo (Ret.) Filipino 87 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- 2021 b. AML– 2020-2021 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
Dr. Emilio C. Yap III Filipino 50 years old	Vice Chairman Vice Chairman/President Chairman Vice Chairman Director Director/Vice President Director/Asst. Treasurer/ Asst. Corp. Sec. Director/Vice President Director Director Director Director Director Director Director/VP/Treasurer Former Director	Philtrust Bank Manila Bulletin Publishing Corporation Manila Prime Land Holdings, Inc. 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, 2014-2021 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 AMLA Law - 2014 f. BASEL III – 2017 g. AML – 2018-2021

*Corporate affiliations held for the last five years unless otherwise specified.
**As of last birthday.

*Name/Citizenship/Age***	*Title*	*Corporate Affiliation**	*Profession/Occupation*
Carlos A. Pinpin, Jr. Filipino 65 years old	Director/President Former Executive Vice President Former International Loan Officer Former EVP/Group Head	Philtrust Bank (effective July 21, 2021) Philtrust Bank, (January 2020-July 20, 2021) Bank of America, 1981-1986 RCBC Savings Bank, 1996-2016	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- 2021 i. AML – 2019-2021
Chief Justice Hilario G. Davide, Jr. (Ret.) Filipino 86 years old	Independent Director Independent Director/ Vice Chairman Chairman Trustee Chairman Trustee Trustee Chairman Supreme Commander Emeritus Member Independent Director Member Retired Chief Justice	Philtrust Bank (April 30, 2013 to date) 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 – 2017-2021 b. AML – 2020-2021 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. 22nd Biennal Conference of the World Jurist Association – 2005 i. 13th Annual International Judicial Conference – 2005 j. 2004 Ramon Magsaysay Awardees Conference – 2004 k. 22nd Annual International Law and Religion Symposium - 2015

*Corporate affiliations held for the last five years unless otherwise specified.
**As of last birthday.

*Name/Citizenship/Age***	*Title*	*Corporate Affiliation**	*Profession/Occupation*
Maria Georgina P. De Venecia Filipino 73 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, 2019-2021 b. AML - 2021
Calixto V. Chikiamco Filipino 71 years old	Independent Director Founder and CEO Founder and CEO Chairman Vice Chairman/Director 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 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, 2015-2021 b. AML – 2021
Atty. Daniel Y. Laogan Filipino 66 years old	Independent Director Senior Adviser Senior Adviser President Emeritus Chairman Managing Partner Former Director Former Director Director Director Director	Philtrust Bank (July 21, 2021 to date) Manila Economic & Cultural Center, MECO Federation of Filipino Chinese Chambers of Commerce & Industry Inc. Chinese Filipino Business Club, Inc. ADDMORE GROUP OF COMPANIES Daniel Y. Laogan Law Offices Development Bank of the Philippines (Aug. 2010 – Sept. 2015) Philippine Savings Bank (1998 – 2004) Dagdag Kabuhayan Lending Corp. Hosuana Properties, Inc. Lucky Laogan Realty Corp.	Lawyer Attended the following seminars/trainings: a. Annual Corporate Governance Training Program – 2021 b. AML – 2001, 2021

*Corporate affiliations held for the last five years unless otherwise specified.
**As of last birthday.

*Name/Citizenship/Age***	*Title*	*Corporate Affiliation**	*Profession/Occupation*
Ernesto O. Chan Filipino 75 years old	Director Former Independent Director Chairman/Treasurer/SVP Chairman Director 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, 2014-2021 b. AML – 2018-2021
Benjamin C. Yap Filipino 76 years old	Director President/Chairman of the Board Chairman of the Board Director 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. Cocusphil Development Corp. U.N. Properties Development Corp. Manila Bulletin Publishing Corporation	Business Executive Attended the following seminars/trainings: a. Annual Corporate Governance Training Program – 2015-2021 b. AML – 2019-2021
Miriam C. Cu Filipino 63 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, 2018-2021 b. Annual Corporate Governance Training Program-2008-2009, 2014-2016, 2020-2021 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

*Corporate affiliations held for the last five years unless otherwise specified.
**As of last birthday.

*Name/Citizenship/Age***	*Title*	*Corporate Affiliation**	*Profession/Occupation*
Tomas V. Apacible Filipino 76 years old	Director Former Independent Director Adviser Fellow Former Congressman	Philtrust Bank Philtrust Bank (April 2012-April 2021) Philippine Cancer Society Institute of Corporate Directors Batangas, First District (June 2010 – June 2013)	Master in Business Management Attended the following seminars/trainings: a. Workshop on Corporate Governance – 2000 b. Basic course on Corporate Governance – 2001 c. Orientation Course on Corporate Governance- 2002 d. AICD-2002 e. Director Education Program by Yale International Institute of Corporate Governance -2002 f. Annual Corporate Governance Training Program – 2014-2021 g. AML- 2019-2021

*Corporate affiliations held for the last five years unless otherwise specified.
**As of last birthday.

*Name/Citizenship/Age***	*Title*	*Corporate Affiliation**	*Profession/Occupation*
Virginia S. Choa-Shi Filipino 67 years old	Executive Vice President	Philtrust Bank	Bank Executive Attended the following seminars/trainings: a. Annual Corporate Governance Training Program – 2009, 2015- 2020 b. AML - 2020
Luisa A. Lucin Filipino 65 years	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 - 2021 b. AML – 2019-2021
Atty. Agnes B. Urbano Filipino 60 years old	Asst. Corporate Secretary First Vice President	Philtrust Bank Philtrust Bank	Lawyer Attended the following seminars/trainings: a. Annual Corporate Governance Training Program – 2009, 2014 – 2021 b. AML – 2007, 2018-2021 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

*Corporate affiliations held for the last five years unless otherwise specified.
**As of last birthday.

*Name/Citizenship/Age***	*Title*	*Corporate Affiliation**	*Profession/Occupation*
Benito D. Chua Filipino 65 years old	Treasurer Vice President	Philtrust Bank Philtrust Bank	Bank Executive Attended the following seminars/trainings: a. Annual Corporate Governance Training Program – 2014-2021 b. AML – 2019-2021
Pompeyo A. Claveria Filipino 68 years old	Compliance Officer Vice President Former Sr. AVP/ Asst. Compliance Officer Former AVP Former Sr. FVP Former AVP Former Bank Examiner	Philtrust Bank Philtrust Bank Philtrust Bank, 2017-2019 Philtrust Bank, 2014-2017 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 – 2017-2021 c. AML – 2019-2021 d. BSP Cir. 989 – 2018

*Corporate affiliations held for the last five years unless otherwise specified.
**As of last birthday.

Annex “A-1”

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Calixto V. Chikiamco, Filipino, of legal age and with office address at 15th Floor, Pacific Star Building, Sen. Gil Puyat corner Makati Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for re-election as Independent Director of Philippine Trust Company, also known as PHILTRUST BANK.

2. I am also affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
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/Director	1999 to date
Golden Sunrise, Inc.	Director	1984 to date
Foundation for Economic Freedom, Inc.	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 2022 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 2022 at the City of Manila affiant exhibiting to me his Tax Identification Number

Doc. No. 130;
Page No. 27;
Book No. I;
Series of 2022.

ATTY. AGNES B. URBANO
Notary Public for the City of Manila
Commission No. 2019-150 Until 6-30-2022
Roll of Attorneys-43309; IBP-624469
MCLE VI-0002910; PTR-MLA 0232546 2-11-2022
1000 U.N. Avenue, Manila

Annex “A-2”

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Daniel Y. Laogan, Filipino, of legal age and with office address at 8th Floor, L & S Building, 1414 Roxas Boulevard, Ermita, Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for re-election as Independent Director of Philippine Trust Company, also known as PHILTRUST BANK.

2. I am also affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Manila Economic & Cultural Center, MECO	Senior Adviser for Investment Promotions and Investor Relations	2019-present
Federation of Filipino Chinese Chambers of Commerce & Industry Inc.	Senior Adviser	1986-present
Chinese Filipino Business Club, Inc.	President Emeritus	1992-present
ADDMORE GROUP OF COMPANIES	Chairman	1995 - present
DANIEL Y. LAOGAN LAW OFFICES	Managing Partner	1982-present
Dagdag Kabuhayan Lending Corp.	Director	2016-present
Hosuana Properties, Inc.	Director	1987-present
Addmore Properties Inc.	Director	1995-present
LuckyLaogan Realty Corp.	Director	2013-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/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 2022 at the City of Manila.

DANIEL Y. LAOGAN
Affiant

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

SUBSCRIBED AND SWORN to before me this APR 19 2022 at the City of Manila affiant exhibiting to me his Tax Identification Number

Doc. No. 131;
Page No. 28;
Book No. I;
Series of 2022.

ATTY. AGNES B. URBANO
Notary Public for the City of Manila
Commission No. 2019-150 Until 6-30-2022
Roll of Atterneys-43309; IBP-624469
MCLE VI-0002910; PTR-MLA 0232546 2-11-2022
1000 U.N. Avenue, Manila

Annex "A-3"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Maria Georgina P. De Venecia, Filipino, of legal age and a resident of Units 2503 and 2504, Grand Tower Condominium, 150 L. P. Levise St., Salcedo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for re-election as Independent Director of Philippine Trust Company, also known as PHILTRUST BANK.

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 Philtust 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 2022 at the City of Manila.

Ma. Georgina P. de Venecia

MARIA GEORGINA P. DE VENECIA
Affiant

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

SUBSCRIBED AND SWORN to before me this APR 19 2022 at the City of Manila affiant exhibiting to me her Tax Identification Number

ATTY. AGNES B. URBANO
Notary Public for the City of Manila
Commission No. 2019-150 Until 6-30-2022
Roll of Attorneys-43309; IBP-624469
MCLE VI-0002910; PTR-MLA 0232546 2-11-2022
1000 U.N. Avenue, Manila

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Book No. I ;
Series of 2022.

Annex "B"

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, 2021 and 2020, 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.

JAIME C. LAYA	**CARLOS A. PINPIN JR.**	**LUISA A. LUCIN**
Chairman of the Board	President	Chief Finance Officer

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

Subscribed and sworn to before me this APR 2 6 2022, affiants exhibiting to me their respective Tax Identification Numbers, as follows:

Jaime C. Laya
Carlos A. Pinpin Jr.
Luisa A. Lucin

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Page No. 50
Book No. II
Series of 2022

NEMESIO M. DOMINGO
Commission No. 2020-026
Notary Public for the City of Manila
Extended June 30, 2022

April 26, 2022

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

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, 2021 and 2020, 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, 2021, 2020 and 2019, 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, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019 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, 2021. 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.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 05 2022 TSIS

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, 2021 amounting to ₱22,484.5 million, net of allowance for credit and impairment losses, represent 13.06% of the Bank's total assets. Moreover, the related interest income on loans and receivables amounting to ₱1,048.4 million represents 23.80% of the total revenue.

Due to the significant volume of transactions and various payment terms and conditions of the loan accounts, additional 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 excel summary of significant loan accounts prepared by the Bank by comparing the same with relevant loan documents and ensuring 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 loan summaries; and (d) validating the status of the significant loan accounts on a sample basis.

The potential effect of item (e) 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 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, 2021 amounting to ₱4,252.4 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 and variables 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. 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, 2021, 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, 2021 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 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.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 83522-SEC Group A
Issued March 10, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-006-2019
Valid until October 20, 2022
PTR No. 8851707
Issued January 3, 2022, Makati City

April 26, 2022
Makati City, Metro Manila

BUREAU OF INT... ...ENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 05 2022 TSIS

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands

	Note	December 31 2021	2020
ASSETS			
Cash and other cash items	6	**₱966,923**	₱1,053,253
Due from Bangko Sentral ng Pilipinas	6	**41,936,529**	53,609,068
Due from other banks	6	**2,196,721**	2,056,689
Securities purchased under resale agreement	7	**12,951,080**	12,759,152
Investment securities	8	**86,288,697**	70,589,080
Loans and receivables	9	**22,484,461**	22,941,384
Property and equipment	10	**2,960,414**	2,900,675
Investment properties	11	**1,661,528**	1,659,589
Deferred tax assets	26	**579,019**	697,983
Other assets	12	**253,705**	202,961
		₱172,279,077	₱168,469,834
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	14	**₱145,314,679**	₱140,827,581
Accrued taxes, interest and other expenses	15	**156,061**	229,235
Manager's checks		**328,803**	94,165
Lease liabilities	24	**180,508**	183,170
Other liabilities	16	**236,053**	226,573
Total Liabilities		**146,216,104**	141,560,724
Equity			
Capital stock	18	**10,000,000**	10,000,000
Reserves	18	**72,320**	72,320
Retained earnings	5	**14,675,066**	13,848,728
Other equity reserves		**1,315,587**	2,988,062
Total Equity		**26,062,973**	26,909,110
		₱172,279,077	₱168,469,834

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	**2021**	2020	2019
INTEREST INCOME ON:				
Investment securities	8	**₱2,746,773**	₱3,107,686	₱3,473,869
Loans and receivables	9	**1,048,431**	1,276,845	2,053,141
Deposits from Bangko Sentral ng Pilipinas and other banks	6	**560,440**	870,278	797,014
Securities purchased under resale agreement	7	**49,287**	116,198	324,811
		4,404,931	5,371,007	6,648,835
INTEREST EXPENSE ON DEPOSIT LIABILITIES	14	**1,936,965**	3,295,586	4,080,899
NET INTEREST INCOME		**2,467,966**	2,075,421	2,567,936
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	13	**254,429**	152,700	37,349
OTHER INCOME				
Gain on sale of investment securities	8	**770,545**	1,944,966	676,879
Gain on sale and foreclosure of properties	11	**301,557**	183,923	141,802
Service fees and commissions		**46,846**	46,255	76,552
Net foreign exchange gains		**49,473**	17,610	24,805
Others - net	20	**87,962**	39,206	144,428
		1,256,383	2,231,960	1,064,466
OPERATING EXPENSES				
Compensation and employee benefits	21	**874,323**	922,236	852,805
Occupancy and equipment-related expenses	22	**176,255**	169,746	150,679
Others	23	**1,037,612**	1,113,843	1,101,755
		2,088,190	2,205,825	2,105,239
INCOME BEFORE INCOME TAX		**1,381,730**	1,948,856	1,489,814
INCOME TAX EXPENSE	26	**555,392**	1,000,318	709,384
NET INCOME		**₱826,338**	₱948,538	₱780,430
BASIC AND DILUTED EARNINGS PER SHARE	19	**₱0.83**	₱0.95	₱0.78

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 05 2022 TSIS

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Thousands

	Note	2021	2020	2019
		Years Ended December 31		
NET INCOME		**₱ 826,338**	₱948,538	₱780,430
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit or loss:				
Net unrealized gains (losses) on fair value changes of debt securities	8	**(1,167,794)**	12,237	3,799,735
Translation adjustment		**48,968**	(93,832)	(20,776)
Items not to be reclassified to profit or loss:				
Net unrealized gains (losses) on fair value changes of equity securities	8	**(553,175)**	345,952	(13,950)
Remeasurement gain (loss) on retirement liability, net of deferred tax	21	**(1,059)**	325	(126)
Change in tax rates	21	**585**	–	–
		(1,672,475)	264,682	3,764,883
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱846,137)**	₱1,213,220	₱4,545,313

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 05 2022 TSIS

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF CHANGES IN EQUITY

Amounts in Thousands

	Note	2021	2020	2019
		Years Ended December 31		
CAPITAL STOCK	18	**₱10,000,000**	₱10,000,000	₱10,000,000
RESERVES	18	**72,320**	72,320	72,320
RETAINED EARNINGS				
Balance at beginning of year		**13,848,728**	12,900,190	12,119,760
Net income		**826,338**	948,538	780,430
Balance at end of year		**14,675,066**	13,848,728	12,900,190
OTHER EQUITY RESERVES				
Cumulative Unrealized Gains (Losses) on Fair Value Changes of Investment Securities	8			
Balance at beginning of year		**2,839,575**	2,481,386	(1,304,399)
Net unrealized gains (losses)		**(1,720,969)**	358,189	3,785,785
Balance at end of year		**1,118,606**	2,839,575	2,481,386
Cumulative Translation Adjustment				
Balance at beginning of year		**140,292**	234,124	254,900
Translation adjustment		**48,968**	(93,832)	(20,776)
Balance at end of year		**189,260**	140,292	234,124
Cumulative Remeasurement Gains on Retirement Liability	21			
Balance at beginning of year		**8,195**	7,870	7,996
Net remeasurement gain (loss), net of deferred tax		**(1,059)**	325	(126)
Change in tax rate		**585**	–	–
Balance at end of year		**7,721**	8,195	7,870
		1,315,587	2,988,062	2,723,380
		₱26,062,973	₱26,909,110	₱25,695,890

See accompanying Notes to Financial Statements.

BUREAU OF INT[illegible] [illegible]NUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 05 2022 TSIS

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF CASH FLOWS

Amounts in Thousands

		Years Ended December 31		
	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱1,381,730**	₱1,948,856	₱1,489,814
Adjustments for:				
Amortization of premium/discount of investment securities	8	**(2,159,825)**	854,369	1,505,405
Gain on sale of:				
Investment securities	8	**(770,545)**	(1,944,966)	(676,879)
Investment properties	11	**(265,347)**	(10,295)	(99,728)
Property and equipment	10	**(2,237)**	(8,131)	(11,771)
Computer software	12	**–**	–	(1,526)
Net provision (reversal of allowance) for credit and impairment losses:	13			
Investment securities		**141,107**	(41,205)	9,744
Loans and receivables		**113,322**	199,084	21,627
Commitments and other contingent assets		**–**	(5,178)	5,978
Depreciation and amortization	10	**148,379**	163,226	124,140
Retirement benefits	21	**51,067**	52,675	43,514
Gain on foreclosure of properties	11	**(36,210)**	(173,628)	(42,074)
Dividend income	20	**(15,223)**	(27,845)	(29,073)
Interest expense on lease liabilities	24	**8,961**	10,211	10,470
Loss on derecognition of investment property	11	–	84,765	–
Gain on pre-termination of lease contract	10	**–**	(493)	–
Operating income (loss) before working capital changes		**(1,404,821)**	1,101,445	2,349,641
Decrease (increase) in:				
Loans and receivables		**283,841**	(648,932)	3,182,851
Other assets		**(32,259)**	41,553	(36,868)
Increase (decrease) in:				
Deposit liabilities		**4,487,098**	6,481,413	3,169,080
Manager's checks		**234,638**	(61,771)	43,968
Accrued taxes, interest and other expenses		**(73,174)**	5,899	(65,922)
Other liabilities		**8,010**	6,901	(46,748)
Net cash generated from operations		**3,503,333**	6,926,508	8,596,002
Income tax paid		**(435,490)**	(737,314)	(606,018)
Contributions to the retirement fund	21	**(51,009)**	(52,588)	(49,245)
Net cash provided by operating activities		**3,016,834**	6,136,606	7,940,739
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment securities	8	**(289,667,719)**	(28,926,613)	(8,651,025)
Property and equipment	10	**(269,543)**	(51,583)	(76,251)
Computer software	12	**(24,763)**	(9,085)	(594)

(Forward)

LARGE TAXPAYERS SERVICE
ARGE TAXPAYERS ASSISTANCE DIVISION
MAY 05 2022
TSIS

	Note	2021	2020	2019
		Years Ended December 31		
Proceeds from:				
Maturities/disposal of investment securities		**₱275,036,396**	₱38,202,432	₱6,231,907
Sale of investment properties	11	**340,218**	25,417	111,854
Sale of property and equipment	10	**132,004**	8,372	11,819
Sale of computer software	12	**–**	–	1,586
Dividend received		**15,223**	27,845	29,073
Net cash provided by (used in) investing activities		**(14,438,184)**	9,276,785	(2,341,631)
CASH FLOWS FROM FINANCING ACTIVITY				
Payments of lease liabilities	24	**(54,527)**	(69,964)	(46,131)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**48,968**	(93,832)	(20,777)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(11,426,909)**	15,249,595	5,532,200
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		**1,053,253**	904,496	1,134,062
Due from Bangko Sentral ng Pilipinas		**53,609,068**	30,355,961	18,390,980
Due from other banks		**2,056,689**	2,631,549	3,491,325
Securities purchased under resale agreement		**12,759,152**	20,336,561	25,680,000
		69,478,162	54,228,567	48,696,367
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items	6	**966,923**	1,053,253	904,496
Due from Bangko Sentral ng Pilipinas	6	**41,936,529**	53,609,068	30,355,961
Due from other banks	6	**2,196,721**	2,056,689	2,631,549
Securities purchased under resale agreement	7	**12,951,080**	12,759,152	20,336,561
		₱58,051,253	₱69,478,162	₱54,228,567
OPERATING CASH FLOWS FROM INTEREST				
Interest received		**₱4,481,248**	₱5,613,534	₱6,673,855
Interest paid		**1,985,170**	3,336,536	4,087,531
NONCASH INFORMATION				
Foreclosure of properties	11	**₱95,970**	₱263,262	₱140,335
Recognition of:				
Right-of-use assets	10	**42,904**	102,976	170,421
Lease liabilities	24	**42,904**	102,976	180,527

See accompanying Notes to Financial Statements.

BUREAU OF INT... ...NUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 05 2022 TSIS

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, 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, 2021 and 2020, the Bank operates a total of 61 branches. The Bank has 76 automated teller machines (ATM): 51 on-site distributed at its head office and branches and 25 off-site in 2021 and 72 ATM: 49 on-site and 23 off-site ATMs in 2020.

The Bank has a wholly-owned subsidiary, Muralla Grande, Inc. (MGI), which is primarily engaged in real estate business. On July 31, 2018, the Board of Directors (BOD) approved the closure of business and dissolution of MGI. On September 5, 2019, the Bank already obtained the tax clearance for the dissolution from the Bureau of Internal Revenue (BIR). On February 17, 2020, the SEC approved the amended Articles of Incorporation of MGI, shortening the term of its existence thereby dissolving the corporation.

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, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issuance by the BOD on April 26, 2022, as recommended for approval by the Audit Committee on April 26, 2022.

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 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 Group 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
- lease liabilities that are carried at initial recognition at the present value of remaining lease payments, discounted using an appropriate discount rate.

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, *Maturity Analysis of Assets and Liabilities.*

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 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 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, 2022:

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- 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. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 9, *Financial Instruments* – The amendment clarifies which fees an entity includes when it applies the “10% test” in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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

- Amendments to PAS 1, *Presentation of Financial Statements - 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.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgements - 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. Earlier application is permitted.

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.

<u>Financial Instruments</u>

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, 2021 and 2020.

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 and corporate bonds 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. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

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, 2021 and 2020.

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 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.

An asset is written down immediately to its recoverable amount if its carrying amount is greater than the estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

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 when these have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal. Gains and losses on retirement or disposal are determined by comparing proceeds with carrying amount.

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.

Gains or losses arising from the disposal of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset 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 lest 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.

Gain on Sale of Investment Securities. Gain on sale of investment securities is recognized during the year the investment securities are sold.

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.

Net Foreign Exchange Gains. Foreign exchange gains and losses arising from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except for foreign exchange gains and losses from equity instruments classified as financial assets at FVOCI, which are recognized in other comprehensive income.

Gains or Losses from Sale and Foreclosure of Properties. Gain or loss from sale of investment properties is recognized in profit or loss upon completion of the earnings process and the collectibility of the sales price is reasonably assured. Gain or loss on foreclosure of properties is determined as the difference between the fair value upon foreclosure and the carrying amount of the loan. Gain or loss on foreclosure of properties is recognized when the risks and rewards of the property have been transferred to the Bank.

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 recognized in 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.

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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, 2021 and 2020, 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 BOD of PBCOM.

Accordingly, existence of significant influence cannot be demonstrated. Investment in PBCOM amounting to ₱1,067.6 million 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 2021 and 2020, 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 (Note 24):

	2021	2020
ROU assets	**₱160,751**	₱165,230
Lease liabilities	**180,508**	183,170
Amortization of ROU assets	**47,383**	63,161
Rent expense	**27,876**	6,520
Interest expense on lease liabilities	**8,961**	10,211

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 (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.

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 on) for impairment losses on debt securities classified as financial assets at FVOCI amounting to ₱81.0 million, (₱17.5 million) and ₱7.6 million in 2021, 2020 and 2019, respectively (see Note 13).

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

	Note	**2021**	2020
Gross amount		**₱26,127,308**	₱26,364,513
Allowance for impairment losses	13	**(107,623)**	(26,616)
Carrying amount	8	**₱26,019,685**	₱26,337,897

Financial Assets at Amortized Cost
The Bank recognized provision (reversal of allowance on) for impairment losses on government securities and corporate bonds classified under financial assets at amortized cost amounting to ₱60.1 million, (₱23.7 million) and ₱2.2 million in 2021, 2020 and 2019, respectively (see Note 13).

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

	Note	**2021**	2020
Gross amount		**₱60,348,220**	₱44,270,291
Allowance for impairment losses	13	**(79,208)**	(19,108)
Carrying amount	8	**₱60,269,012**	₱44,251,183

Loans and Receivables
Provision for credit and impairment losses on loans and receivables amounted to ₱113.3 million, ₱199.1 million and ₱21.6 million in 2021, 2020 and 2019, respectively (see Note 13).

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

	Note	**2021**	2020
Gross amount	9	**₱26,736,889**	₱27,142,899
Allowance for credit and impairment losses	13	**(4,252,428)**	(4,201,515)
Carrying amount	9	**₱22,482,659**	₱22,941,384

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 to ₱58,101.5 million and ₱69,522.3 million as at December 31, 2021 and 2020, respectively (see Notes 6, 7 and 12).

Commitments and Other Contingent Assets
The Bank recognized provision (reversal of allowance on) for impairment losses on commitments and other contingent assets amounting to (₱5.2 million) and ₱6.0 million in 2020 and 2019, respectively (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 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	**2021**	2020
Property and equipment*	10	**₱924,957**	₱891,026
Investment properties*	11	**238,497**	206,406
Computer software	12	**33,777**	15,292
		₱1,197,231	₱1,112,724

**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, investment properties and computer software in 2021, 2020 and 2019.

The carrying amounts of the nonfinancial assets are:

	Note	**2021**	2020
Property and equipment	10	**₱2,960,414**	₱2,900,675
Investment properties	11	**1,661,528**	1,659,589
Computer software	12	**33,777**	15,292
		₱4,655,719	₱4,575,556

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, 2021 and 2020, retirement liability amounted to ₱2.4 million and ₱946,822, 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, 2021 and 2020, deferred tax assets amounted to ₱640.6 million and ₱767.7 million, respectively (see Note 26).

As at December 31, 2021 and 2020, deferred tax assets amounting ₱2,074.1 million and ₱2,186.3 million, 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.

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 Board of Directors (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 in 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 placed 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, 2021 and 2020, 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	**2021**	2020
Due from BSP	6	**₱41,936,529**	₱53,609,068
Due from other banks	6	**2,196,721**	2,056,689
Securities purchased under resale agreement	7	**12,951,080**	12,759,152
Investment securities*	8	**84,700,560**	68,447,767
Loans and receivables	9	**22,484,461**	22,941,384
		₱164,269,351	₱159,814,060

**Excluding equity securities*

The above table represents the maximum credit exposure of the Group 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:

	2021	2020
Trust department accounts	**₱1,117,265**	₱1,138,264
Unused commercial letters of credit	**188,671**	209,594
Outward bills for collection	**18,775**	12,966
Inward bills for collection	**2,186**	8,706
Items held as collateral	**12**	34
	₱1,326,909	₱1,369,564

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.

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets at amortized cost				
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	**60,115,612**	**–**	**–**	**60,115,612**
Corporate bonds				
High grade	**153,400**	**–**	**–**	**153,400**
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**

(Forward)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Accrued interest income				
High grade	**₱606,006**	**₱1,486**	**₱168,596**	**₱776,088**
Sales contracts receivables				
High grade	**22,294**	**–**	**–**	**22,294**
Other receivables				
High grade	**110,828**	**–**	**–**	**110,828**
Other assets*				
High grade	**50,262**	**–**	**–**	**50,262**
Financial assets at FVOCI				
Government securities				
High grade	**24,431,548**	**–**	**–**	**24,431,548**
	₱162,394,540	**₱2,059,193**	**₱ 4,118,308**	**₱168,572,041**

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
Financial assets at amortized cost				
Due from BSP				
High grade	₱53,609,068	₱–	₱–	₱53,609,068
Due from other banks				
High grade	2,056,689	–	–	2,056,689
Securities purchased under resale agreement				
High grade	12,759,152	–	–	12,759,152
Government securities				
High grade	44,105,886	–	–	44,105,886
Corporate bonds				
High grade	145,297	–	–	145,297
Loans receivable from customers				
Corporate:				
High grade	17,764,185	–	–	17,764,185
Standard grade	–	80,133	–	80,133
Past due	–	–	3,085,212	3,085,212
Individual:				
High grade	4,219,222	–	–	4,219,222
Standard grade	–	144,719	–	144,719
Past due	–	–	955,266	955,266
Accrued interest income				
High grade	821,720	–	30,685	852,405
Sales contracts receivables				
High grade	21,837	–	–	21,837
Other receivables				
High grade	19,920	–	–	19,920
Other assets*				
High grade	44,180	–	–	44,180
Financial assets at FVOCI				
Government securities				
High grade	23,474,603	–	–	23,474,603
Corporate bonds				
High grade	721,981	–	–	721,981
	₱159,763,740	₱224,852	₱4,071,163	₱164,059,755

**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, 2021 and 2020:

	2021			
	Loans Receivables from Customers	**Investment Securities[1]**	**Others[2]**	**Total**
Financial intermediaries	**₱693,681**	**₱–**	**₱57,134**	**750,815**
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**
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**	**323,530,462**
Allowance for credit and impairment losses	**(4,125,432)**	**(186,831)**	**–**	**(4,423,465)**
	₱21,702,247	**₱84,700,560**	**₱57,134**	**₱319,106,997**

[1]*Comprised of financial assets at FVOCI and amortized cost (excluding equity securities).*
[2]*Comprised of due from BSP, due from other banks, securities purchased under resale agreement, refundable deposits, other investments, and RCOCI.*

	2020			
	Loans Receivables from Customers	Investment Securities[1]	Others[2]	Total
Philippine government	₱–	₱67,580,489	₱–	₱67,580,489
Financial intermediaries	831,096	–	68,469,089	69,300,185
Real estate, renting and business activities	6,062,227	–	–	6,062,227
Wholesale and retail trade	6,105,368	886,386	–	6,991,754
Manufacturing	2,935,362	–	–	2,935,362
Agriculture	1,967,559	–	–	1,967,559
Construction	1,198,651	–	–	1,198,651
Accommodation and food service activities	2,227,552	–	–	2,227,552
Information and communication	1,055,038	–	–	1,055,038
Transportation, storage and communication	406,700	–	–	406,700
Education	725,128	–	–	725,128
Health and social work	334,975	–	–	334,975
Arts, entertainment and recreation	268,326	–	–	268,326
Professional, scientific and technical activities	49,149	–	–	49,149
Administrative and support service activities	127,840	–	–	127,840
Private households with employed persons	12,965	–	–	12,965
Mining and quarrying	4,336	–	–	4,336
Water Supply, Sewerage, Waste Management	2,566	–	–	2,566
Other service activities	1,933,900	–	23,423	1,957,323
	26,248,738	68,466,875	68,492,512	163,208,125
Allowance for credit and impairment losses	(4,123,313)	(45,724)	–	(4,169,037)
	₱22,125,425	₱68,421,151	₱68,492,512	₱159,039,088

[1]*Comprised of financial assets at FVOCI and amortized cost (excluding equity securities).*
[2]*Comprised of due from BSP, due from other banks, securities purchased under resale agreement, refundable deposits, other investments, and RCOCI.*

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 on 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):

	2021				
	On Demand	Less than One Year	One to Five Years	Over Five Years	Total
Financial Assets					
Cash and other cash items	₱966	₱–	₱–	₱–	₱966
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	–	–	–	–	–
	53,380	53,736	26,715	54,518	188,349
Financial Liabilities					
Deposit liabilities	–	135,138	2,077	8,100	145,315
Manager's checks	–	329	–	–	329
Accrued interest, taxes and others expenses	–	156	–	–	156
Lease liabilities	–	163	–	–	163
Other liabilities	–	148	–	–	148
	–	135,934	2,077	8,100	146,111
	₱53,380	(82,198)	₱24,638	₱46,418	₱42,238

	2020				
	On Demand	Less than One Year	One to Five Years	Over Five Years	Total
Financial Assets					
Cash and other cash items	₱1,053	₱–	₱–	₱–	₱1,053
Due from BSP	53,609	–	–	–	53,609
Due from other banks	2,057	–	–	–	2,057
Securities purchased under resale agreement	12,759	–	–	–	12,759
Loans and receivables	8,688	11,655	6,676	1,798	28,817
Investment securities:					
Financial assets at FVOCI	2,141	1,678	5,145	22,567	31,531
Financial assets at amortized cost	–	10,431	14,013	32,674	57,118
Other assets	–	–	44	–	44
	80,307	23,764	25,878	57,039	186,988
Financial Liabilities					
Deposit liabilities	–	129,273	1,978	9,577	140,828
Manager's checks	–	94	–	–	94
Accrued interest, taxes and others expenses	–	229	–	–	229
Lease liabilities	–	48	140	21	209
Other liabilities	–	184	–	–	184
	–	129,828	2,118	9,598	141,544
	₱80,307	(₱106,064)	₱23,760	₱47,441	₱45,444

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, 2021 and 2020, 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):

	2021	2020
Available stable funding	**₱145,391**	₱142,711
Required stable funding	**36,889**	37,106
NSFR	**3.94**	3.85

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):

	2021				
	Repricing				
	Less than One Year	One to Five Years	Over Five Years	Non-Repricing	Total
Financial Assets					
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**
Financial Liabilities					
Deposit liabilities	**135,138**	**2,077**	**8,100**	**–**	**145,315**
Lease liabilities	**–**	**–**	**–**	**180**	**180**
	135,138	**2,077**	**8,100**	**180**	**145,495**
Total Interest Gap	**(₱114,955)**	**(₱248)**	**(₱7,601)**	**₱141,606**	**₱18,802**

	2020				
	Repricing				
	Less than One Year	One to Five Years	Over Five Years	Non-Repricing	Total
Financial Assets					
Due from BSP	₱–	₱–	₱–	₱53,609	₱53,609
Due from other banks	–	–	–	2,057	2,057
Securities purchased under resale agreement	–	–	–	12,759	12,759
Loans and receivables	17,419	4,581	941	–	22,941
Investment securities:					
Debt securities at FVOCI	1,022	2,945	20,230	–	24,197
Financial assets at amortized cost	9,148	10,264	24,839	–	44,251
	27,589	17,790	46,010	68,425	159,814

(Forward)

	2020				
	Repricing				
	Less than One Year	One to Five Years	Over Five Years	Non-Repricing	Total
Financial Liabilities					
Deposit liabilities	₱129,273	₱1,978	₱9,577	₱–	₱140,828
Lease liabilities	43	121	19	–	183
	129,316	2,099	9,596	–	141,011
Total Interest Gap	(₱101,727)	₱15,691	₱36,414	₱68,425	₱18,803

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:

	2021			
	Less than One Month	**One to Three Months**	**Over Three Months**	**Total**
Peso-denominated Interest Sensitive Assets and Liabilities				
Assets	**90,740**	**1,718**	**7,639**	**100,097**
Liabilities	**99,309**	**775**	**890**	**100,974**
Gap	**(8,569)**	**943**	**6,749**	**(877)**
Cumulative Asset - Liability Gap	**(₱8,569)**	**₱943**	**₱6,749**	**(₱877)**
Foreign-denominated Interest Sensitive Assets and Liabilities				
Assets	**38**	**–**	**–**	**38**
Liabilities	**60**	**448**	**161**	**669**
Gap	**(22)**	**(448)**	**(161)**	**(707)**
Cumulative Asset - Liability Gap	**(₱22)**	**(₱448)**	**(₱161)**	**(₱707)**

	2020			
	Less than One Month	One to Three Months	Over Three Months	Total
Peso-denominated Interest Sensitive Assets and Liabilities				
Assets	₱76,456	₱6,087	₱10,910	₱93,453
Liabilities	16,947	792	912	18,651
Gap	59,509	5,295	9,998	74,802
Cumulative Asset - Liability Gap	₱59,509	₱64,804	₱74,802	
Foreign-denominated Interest Sensitive Assets and Liabilities				
Assets	₱39	₱–	₱–	₱39
Liabilities	22	421	163	606
Gap	17	(421)	(163)	(567)
Cumulative Asset - Liability Gap	₱17	(₱404)	(₱567)	

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

	2021		2020	
	Amount	**Percentage to Net Income**	Amount	Percentage to Net Income
Peso-denominated				
50 bps increase in Php interest rates	**(4.38)**	**(0.54%)**	(₱374.00)	(32.34%)
100 bps increase in Php interest rates	**(8.77)**	**(1.08%)**	(748.01)	(64.67%)
Foreign-denominated				
50 bps increase in USD interest rates (in USD)	**(3.16)**	**(0.25%)**	(2.84)	(0.25%)
100 bps increase in USD interest rates (in USD)	**(6.14)**	**(0.48%)**	(5.67)	(0.49%)
50 bps increase in USD interest rates (in Php)	**(₱161.05)**	**(19.91%)**	(₱136.17)	(11.77%)
100 bps increase in USD interest rates (in Php)	**(322.09)**	**(39.81%)**	(272.35)	(23.55%)
Peso-denominated				
50 bps decrease in Php interest rates	**4.38**	**0.54%**	374.00	32.34%
100 bps decrease in Php interest rates	**8.77**	**1.08%**	748.01	64.67%
Foreign-denominated				
50 bps decrease in USD interest rates (in USD)	**3.16**	**0.25%**	2.84	0.25%
100 bps decrease in USD interest rates (in USD)	**6.32**	**0.48%**	5.67	0.49%
50 bps decrease in USD interest rates (in Php)	**161.05**	**19.91%**	136.17	11.77%
100 bps decrease in USD interest rates (in Php)	**322.09**	**39.81**	272.35	23.55%

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:

	2021				
	Market value	**- 50 bps**	**- 100 bps**	**+ 50 bps**	**+ 100 bps**
Peso-denominated:					
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)**
Foreign-denominated:					
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)**
As percentage of financial assets at FVOCI	**5.22%**	**10.44%**	**(5.22%)**	**(10.44%)**	**5.22%**

	2020				
	Market value	- 50 bps	- 100 bps	+ 50 bps	+ 100 bps
Peso-denominated:					
Less than one year	₱1,005,035	₱1,091	₱2,181	(₱1,091)	(₱2,181)
One to three years	887,354	101,084	202,169	(101,084)	(202,169)
Three to five years	56,848	1,088	2,176	(1,088)	(2,176)
Five to 15 years	19,464	973	1,946	(973)	(1,946)
Over 15 years	–	–	–	–	–
	1,968,701	104,236	208,472	(104,236)	(208,472)
Foreign-denominated:					
Less than one year	₱338	₱–	₱–	₱–	₱–
One to three years	32,905	478	957	(478)	(957)
Three to five years	8,753	159	318	(159)	(318)
Five to 15 years	229,749	9,476	18,952	(9,476)	(18,952)
Over 15 years	191,114	13,651	27,302	(13,651)	(27,302)
Total in USD	462,859	23,764	47,529	(23,764)	(47,529)
Total in Philippine Peso	22,227,883	1,141,238	2,282,477	(1,141,238)	(2,282,477)
Total (Philippine Peso and FX)	₱24,196,584	₱1,245,474	₱2,490,949	(₱1,245,474)	(₱2,490,949)
As percentage of financial assets at FVOCI		5.15%	10.29%	-5.15%	-10.29%

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 ₱51.00 to US$1 as at December 31, 2021 and ₱48.02 to US$1 as at December 31, 2020.

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

	2021	
	USD	**In Peso**
Financial Assets:		
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**	**16,489,453**
	824,987	**42,073,503**
Financial Liabilities:		
Deposit liabilities:		
Savings	**60,425**	**3,081,597**
Time	**708,157**	**36,115,297**
Other liabilities	**810**	**41,300**
	769,392	**39,238,194**
Net foreign currency-denominated assets	**$55,595**	**₱2,835,309**

	2020	
	USD	In Peso
Financial Assets:		
Cash and other cash items	$4,574	₱219,666
Due from other banks	34,894	1,675,692
Accrued interest receivables	7,717	370,582
Investment securities		
Financial assets at FVOCI	454,234	21,813,687
Financial assets at amortized cost	366,698	17,609,937
	868,117	41,689,564
Financial Liabilities:		
Deposit liabilities		
Savings	$721,577	₱34,652,267
Time	63,044	3,027,582
Other liabilities	930	44,657
	785,551	37,724,506
Net foreign currency-denominated assets	$82,566	₱3,965,058

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, 2021 and 2020, the fair value hierarchy of the Bank's financial assets and liabilities measured at fair values is presented below (amounts in thousands):

	2021				
		Fair Value			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
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**
Financial assets at FVOCI:					
Debt securities:					
Government securities	**24,431,548**	**24,431,548**	**–**	**–**	**24,431,548**
Corporate bonds	**–**	**–**	**–**	**–**	**–**
Equity securities:					
Quoted equity securities	**1,587,969**	**1,587,969**	**–**	**–**	**1,587,969**
Unquoted equity securities	**168**	**–**	**–**	**168**	**168**
Financial assets at amortized cost:					
Government securities	**60,115,611**	**60,608,141**	**–**	**–**	**60,608,141**
Corporate bonds	**153,400**	**153,813**	**–**	**–**	**153,813**
Other assets*	**50,262**	**6,245**	**–**	**44,017**	**50,262**
	₱166,874,672	**₱144,838,969**	**–**	**₱22,528,646**	**₱167,367,615**
Liabilities					
Deposit liabilities	**₱145,314,679**	**₱–**	**₱145,314,679**	**₱–**	**₱145,314,679**
Manager's check	**328,803**	**328,803**	**–**	**–**	**328,803**
Lease liabilities	**180,508**	**–**	**180,508**	**–**	**180,508**
Other liabilities	**134,382**	**–**	**–**	**134,382**	**134,382**
	₱145,958,372	**₱328,803**	**₱145,495,187**	**₱134,382**	**₱145,958,372**

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

	2020				
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Assets					
Cash and other cash items	₱1,053,253	₱1,053,253	₱–	₱–	₱1,053,253
Due from BSP	53,609,068	53,609,068	–	–	53,609,068
Due from other banks	2,056,689	2,056,689	–	–	2,056,689
Securities purchased under resale agreement	12,759,152	12,759,152	–	–	12,759,152
Loans and receivables	22,941,384	–	–	22,941,384	22,941,384

(Forward)

	2020				
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI:					
Debt securities:					
Government securities	₱23,474,603	₱23,474,603	₱–	₱–	₱23,474,603
Corporate bonds	721,981	721,981	–	–	721,981
Equity securities:					
Quoted equity securities	2,141,145	2,141,145	–	–	2,141,145
Unquoted equity securities	168	–	–	168	168
Financial assets at amortized cost:					
Government securities	44,105,886	43,586,354	–	–	43,586,354
Corporate bonds	145,297	811,444	–	–	811,444
Other assets*	44,180	163	–	44,017	44,180
	₱163,052,806	₱140,213,852	₱–	₱22,985,569	₱163,199,421
Liabilities					
Deposit liabilities	₱140,827,581	₱–	₱140,827,581	₱–	₱140,827,581
Manager's check	94,165	94,165	–	–	94,165
Lease liabilities	183,170	–	183,170	–	183,170
Other liabilities	183,775	–	–	175,327	175,327
	₱141,288,691	₱94,165	₱141,010,751	₱175,327	₱141,280,243

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

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 includes government securities and corporate bonds. 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.

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.

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, 2021, and 2020.

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):

	2021	2020
Tier 1 capital	**₱26,063**	₱27,211
Tier 2 capital	**120**	50
Gross qualifying capital	**26,183**	27,261
Less: regulatory adjustments/ required deductions	**1,649**	2,805
Total qualifying capital	**24,534**	24,456
Risk weighted assets	**48,419**	48,199
CAR (%)	**50.67%**	50.74%
Common Equity Tier 1 (%)	**50.42%**	50.64%

The Bank has fully complied with the CAR requirement of the BSP as at and for the years ended December 31, 2021 and 2020. The decrease in Tier 1 capital from ₱27.2 billion in 2020 to ₱26.1 billion in 2021 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, the BLR reported to the BSP is as follows (amounts in millions):

	2021	2020
Tier 1 capital	**₱24,414**	₱24,406
Total exposure measure	**171,468**	166,039
BLR	**14.24%**	14.70%

The BLR is computed based on the RAP. The Bank is compliant with the BSP requirements as at December 31, 2021 and 2020.

6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash and other cash items	**₱966,923**	₱1,053,253
Due from BSP	**41,936,529**	53,609,068
Due from other banks	**2,196,721**	2,056,689
	₱45,100,173	₱56,719,010

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 4.80% in 2021, 1.50% to 4.48% in 2020 and 3.50% to 5.25% in 2019. Effective interest earned on deposits with other banks is 0.05% to 1.50% in 2021, 0.25% to 1.25% in 2020 and 0.25% to 1.50% in 2019.

Interest income amounted to ₱560.4 million, ₱870.3 million and ₱797.0 million in 2021, 2020 and 2019, respectively.

7. Securities Purchased under Resale Agreement

These pertain to the overnight placements with the BSP as at December 31, 2021 and 2020, where the underlying securities cannot be sold or repledged to parties other than the BSP. Effective interest earned from these placements ranges from 2.00% to 4.50% in 2021, 2.00% to 4.00% in 2020 and 4.00% to 4.80% in 2019.

As at December 31, 2021 and 2020, the account amounted to ₱12,951.1 million and ₱12,759.2 million, respectively.

Interest income amounted to ₱49.3 million, ₱116.2 million and ₱324.8 million in 2021, 2020 and 2019, respectively.

8. Investment Securities

Details and movements of this account are as follows:

		2021		
		Financial Assets at		
	Note	**Amortized Cost**	**FVOCI**	**Total**
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 premium		**971,445**	**1,188,380**	**2,159,825**
Net fair value gain		**–**	**(1,720,969)**	**(1,720,969)**
		60,348,220	**26,127,308**	**86,475,528**
Allowance for impairment losses	13	**(79,208)**	**(107,623)**	**(186,831)**
Balances at end of year		**₱60,269,012**	**₱26,019,685**	**₱86,288,697**

		2020		
		Financial Assets at		
	Note	Amortized Cost	FVOCI	Total
Balances at beginning of year		₱41,439,535	₱37,022,302	₱78,461,837
Disposals/maturities		(16,778,454)	(19,479,012)	(36,257,466)
Additions		19,899,741	9,026,872	28,926,613
Net amortization of discount		(290,531)	(563,838)	(854,369)
Net fair value loss		–	358,189	358,189
		44,270,291	26,364,513	70,634,804
Allowance for impairment losses	13	(19,108)	(26,616)	(45,724)
Balances at end of year		₱44,251,183	₱26,337,897	₱70,589,080

Financial Assets at Amortized Cost

This account consists of:

	2021	2020
Government securities	**₱60,115,612**	₱44,105,886
Corporate bonds	**153,400**	145,297
	₱60,269,012	₱44,251,183

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

	2021	2020	2019
Peso-denominated	**1.69% to 6.88%**	**1.69% to 6.88%**	3.25% to 7.75%
Foreign-denominated	**1.65% to 5.00%**	**2.46% to 4.38%**	3.70% to 4.38%

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

	2021	2020
Proceeds	**₱270,706,873**	₱17,008,683
Carrying amount	**270,297,175**	16,778,454
Gain on sale	**₱409,698**	₱230,229

Financial Assets at FVOCI

This account consists of:

	2021	2020
Debt securities:		
Government securities	**₱24,431,548**	₱23,474,603
Corporate bonds	**–**	721,981
	24,431,548	24,196,584
Equity securities:		
Quoted	**1,587,969**	2,141,145
Unquoted	**168**	168
	1,588,137	2,141,313
	₱26,019,685	₱26,337,897

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 on fair value changes of financial assets at FVOCI are as follows:

	2021	2020
Balance at beginning of year	**₱2,839,575**	₱2,481,386
Net unrealized gains	**(1,720,969)**	358,189
Balance at end of year	**₱1,118,606**	₱2,839,575

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

	2021	2020	2019
Peso-denominated	**3.50% to 5.75%**	3.50% to 5.75%	3.38% to 6.50%
Foreign-denominated	**1.65% to 6.38%**	1.65% to7.39%	2.75% to 7.39%

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

	2021	2020	2019
Proceeds	**₱4,329,523**	₱21,193,749	₱6,231,907
Carrying amount	**3,968,676**	19,479,012	5,555,028
Gain on sale	**₱360,847**	₱1,714,737	₱676,879

Interest income on investment securities consists of:

	2021	2020	2019
Financial assets at amortized cost	**₱1,998,008**	₱1,976,651	₱1,813,532
Financial assets at FVOCI	**748,765**	1,131,035	1,660,337
	₱2,746,773	₱3,107,686	₱3,473,869

9. **Loans and Receivables**

This account consists of:

	Note	**2021**	2020
Loans receivable from customers:			
Corporate		**₱21,046,443**	₱20,929,530
Individual		**4,781,236**	5,319,207
Accrued interest		**776,088**	852,405
Sales contract receivables		**22,294**	21,837
Others		**110,828**	19,920
		26,736,889	27,142,899
Allowance for credit and impairment losses	13	**(4,252,428)**	(4,201,515)
		₱22,484,461	₱22,941,384

Loans receivable from customers consists of:

	2021	2020
Bills discounted loans	**₱13,797,044**	₱14,525,661
Term loans	**8,565,342**	8,470,227
Agrarian reform	**2,244,423**	2,269,606
Trust receipts	**1,220,870**	983,243
	₱25,827,679	₱26,248,737

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

	2021	**2020**	2019
Corporate loans	**2.00% to 10.00%**	**1.75% to 13.25%**	1.25% to 13.25%
Individual loans	**1.25% to 16.85%**	**1.25% to 16.85%**	1.75% to 12.00%

Interest income on loans and receivables consists of:

	2021	2020	2019
Loans receivable from customers	**₱1,046,869**	₱1,274,638	₱2,051,465
Sales contract receivables	**1,562**	2,207	1,676
	₱1,048,431	₱1,276,845	₱2,053,141

10. Property and Equipment

Details and movements of this account are as follows:

			2021			
	Land	**Buildings and Improvements**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**ROU Assets**	**Total**
Cost						
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**
Accumulated Depreciation and Amortization						
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**	**506,291**	**52,836**	**105,994**	**1,238,325**
Carrying Amount	**₱2,035,457**	**₱693,086**	**₱57,229**	**₱13,888**	**₱160,751**	**₱2,960,414**

			2020			
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets	Total
Cost						
Balance at beginning of year	₱2,009,649	₱1,184,481	₱541,784	₱62,682	₱170,421	₱3,969,017
Additions	–	26,016	22,423	3,144	102,976	154,559
Disposals	–	(8,206)	(34,716)	(692)	–	(43,614)
Pre-termination	–	–	–	–	(10,328)	(10,328)
Balance at end of year	2,009,649	1,202,291	529,491	65,134	263,069	4,069,634

(Forward)

	2020					
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets	Total
Accumulated Depreciation and Amortization						
Balance at beginning of year	₱–	₱521,189	₱494,321	₱26,262	₱40,580	₱1,082,352
Depreciation and amortization	–	16,900	25,926	29,895	63,161	135,882
Disposals	–	(8,108)	(34,573)	(692)	–	(43,373)
Pre-termination	–	–	–	–	(5,902)	(5,902)
Balance at end of year	–	529,981	485,674	55,465	97,839	1,168,959
Carrying Amount	₱2,009,649	₱672,310	₱43,817	₱9,669	₱165,230	₱2,900,675

Details of depreciation and amortization are as follows:

	Note	**2021**	2020	2019
Property and equipment		**₱122,941**	₱135,882	₱111,604
Investment properties	11	**19,160**	22,735	7,776
Computer software	12	**6,278**	4,609	4,760
	22	**₱148,379**	₱163,226	₱124,140

Cost of fully depreciated property and equipment still being used in the operations amounted to ₱482.4 million and ₱484.2 as at December 31, 2021 and 2020, respectively.

Details on sale of property and equipment are as follows:

	Note	**2021**	2020	2019
Proceeds		**₱132,004**	₱8,372	₱11,819
Carrying amount		**129,767**	241	48
Gain on sale	20	**₱2,237**	₱8,131	₱11,771

11. Investment Properties

Details and movements of this account are as follows:

		2021		
	Note	**Land**	**Buildings and Improvements**	**Total**
Cost				
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**
Accumulated Depreciation and Amortization				
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**
Accumulated Impairment Losses				
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**
Carrying Amount		**₱1,423,031**	**₱238,497**	**₱1,661,528**

	Note	2020 Land	Buildings and Improvements	Total
Cost				
Balance at beginning of year		₱1,392,457	₱258,777	₱1,651,234
Foreclosures		191,647	71,615	263,262
Disposals		(14,975)	(201)	(15,176)
Derecognition		(84,765)	–	(84,765)
Balance at end of year		1,484,364	330,191	1,814,555
Accumulated Depreciation and Amortization				
Balance at beginning of year		–	100,073	100,073
Depreciation and amortization	10	–	22,735	22,735
Disposals		–	(54)	(54)
Balance at end of year		–	122,754	122,754
Accumulated Impairment Losses				
Balance at beginning and end of year		31,181	1,031	32,212
Carrying Amount		₱1,453,183	₱206,406	₱1,659,589

Details on the sale of investment properties are as follows:

	Note	**2021**	2020	2019
Proceeds		**₱340,218**	₱25,417	₱111,854
Carrying amount		**74,871**	15,122	12,126
Gain on sale	20	**₱265,347**	₱10,295	₱99,728

In 2020, the Bank derecognized investment properties amounting to ₱84.8 million.

The carrying value of properties for rental purposes amounted to ₱289.8 million, ₱293.9 million and ₱299.0 million as at December 31, 2021, 2020 and 2019. Rent income amounted to ₱54.6 million, ₱46.4 million, and ₱76.8 million in 2021, 2020, and 2019, respectively (see Note 20). Direct operating expenses from investment properties not generating rent income amounted to ₱10.8 million, ₱16.7 million and ₱4.3 million in 2021, 2020 and 2019, respectively.

In 2021, 2020 and 2019, loans with an aggregate carrying amount of ₱53.0 million, ₱95.4 million and ₱107.4 million, respectively, were derecognized in exchange for foreclosed properties. Gain on foreclosure amounted to ₱36.2 million, ₱173.6 million and ₱42.1 million in 2021, 2020 and 2019, respectively.

The aggregate fair value of the investment properties amounted to ₱3,835.3 million and ₱3,800.5 million as at December 31, 2021 and 2020, 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:

	2021	2020
Creditable withholding tax	**₱45,671**	₱38,828
Prepaid expenses	**34,530**	75,612
Computer software	**33,777**	15,292
Documentary stamp tax	**25,228**	17,040
Refundable deposits	**23,260**	23,260
Other investments	**20,757**	20,757
RCOCI	**6,245**	163
Others	**64,237**	12,009
	₱253,705	₱202,961

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

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.

Movements in computer software are as follows:

	Note	2021	2020
Cost			
Balance at beginning of year		**₱64,810**	₱55,725
Additions		**24,763**	9,085
Balance at end of year		**89,573**	64,810
Amortization			
Balance at beginning of year		**49,518**	44,909
Amortization	10	**6,278**	4,609
Balance at end of year		**55,796**	49,518
Carrying Amount		**₱33,777**	₱15,292

The disposal of computer software in 2019 for a consideration of ₱1.6 million resulted to gain amounting to ₱1.5 million, which is included as part of “Other income (charges)” account in the statements of income (see Note 20).

13. **Allowance for Credit and Impairment Losses**

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

	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)**
Balances at end of year	**₱79,208**	**₱107,623**	**₱4,252,428**	**₱14,257**	**₱4,453,516**

	2020				
	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	₱42,834	₱44,095	₱4,002,432	₱19,435	₱4,108,796
Provision	–	–	419,098	–	419,098
Reversal	(23,726)	(17,479)	(220,015)	(5,178)	(266,398)
Balances at end of year	₱19,108	₱26,616	₱4,201,515	₱14,257	₱4,261,496

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:

	2021	2020
Loans receivables from customers	**₱4,125,432**	₱4,123,312
Accrued interest	**126,996**	74,490
Others	**–**	3,713
	₱4,252,428	₱4,201,515

Below is the analysis of movements of corporate accounts:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross Carrying Amount				
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	**(3,896,392)**	**(80,132)**	**(619,677)**	**(4,596,201)**
Foreclosures	**–**	**–**	**–**	**–**
Transfers to stage 1	**(893,152)**	**1,489,989**	**(596,837)**	**–**
Transfers to stage 2	**(198,002)**	**–**	**198,002**	**–**
Balances at end of year	**16,518,554**	**1,509,990**	**3,017,899**	**21,046,443**
Allowance for Impairment and Credit Losses				
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 1	**(367,082)**	**762,091**	**(395,009)**	**–**
Balances at end of year	**203,898**	**807,004**	**2,163,002**	**3,173,904**
Carrying Amount	**₱16,314,656**	**₱702,986**	**₱854,897**	**₱17,872,539**

	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross Carrying Amount				
Balances at beginning of year	₱14,127,244	₱461,247	₱5,244,853	₱19,833,344
Loan releases	2,472,325	–	46,370	2,518,695
Payments	(811,884)	(39,819)	(528,406)	(1,380,109)
Foreclosures	–	–	(42,400)	(42,400)
Transfers to stage 1	1,976,500	(421,428)	(1,555,072)	–
Transfers to stage 2	–	80,133	(80,133)	–
Balances at end of year	17,764,185	80,133	3,085,212	20,929,530
Allowance for Impairment and Credit Losses				
Balances at beginning of year	₱50,000	₱26,347	₱2,955,162	₱3,031,509
Provisions	215,881	–	146,024	361,905
Reversals	–	(26,347)	(30,475)	(56,822)
Transfers to stage 1	358,520	–	(358,520)	–
Balances at end of year	624,401	–	2,712,191	3,336,592
Carrying Amount	₱17,139,784	₱80,133	₱373,021	₱17,592,938

Below is the analysis of movements of individual accounts:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross Carrying Amount				
Balances at beginning of year	**₱4,219,222**	**₱144,719**	**₱955,266**	**₱5,319,207**
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**
Allowance for Impairment and Credit Losses				
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**
Carrying Amount	**₱3,208,776**	**₱261,653**	**₱359,279**	**₱3,829,708**

	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross Carrying Amount				
Balances at beginning of year	₱2,870,107	₱792,398	₱1,931,936	₱5,594,441
Loan releases	762,974	–	10,000	772,974
Payments	(542,806)	(320,394)	(132,058)	(995,258)
Foreclosures	–	–	(52,950)	(52,950)
Transfers to stage 1	1,129,547	(472,004)	(657,543)	–
Transfers to stage 2	–	144,719	(144,719)	–
Transfers to stage 3	(600)	–	600	–
Balances at end of year	4,219,222	144,719	955,266	5,319,207
Allowance for Impairment and Credit Losses				
Balances at beginning of year	–	–	879,706	879,706
Provisions	13,900	–	43,293	57,193
Reversals	–	–	(150,179)	(150,179)
Transfers to stage 1	325,118	–	(325,118)	–
Transfers to stage 2	–	14,472	(14,472)	–
Balances at end of year	339,018	14,472	433,230	786,720
Carrying Amount	₱3,880,204	₱130,247	₱522,036	₱4,532,487

14. **Deposit Liabilities**

This account consists of:

	2021	2020
Demand	**₱1,249,328**	₱1,327,761
Savings	**100,445,174**	97,285,281
Time	**43,620,177**	42,214,539
	₱145,314,679	₱140,827,581

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, 2021 and 2020.

As at December 31, 2021 and 2020, the Bank is in compliance with such requirements. Available reserves of the Bank submitted to the BSP are as follows:

	2021	2020
Cash and other cash items	**₱966,923**	₱1,053,253
Due from BSP	**41,936,529**	53,609,068
	₱42,903,452	₱54,662,321

The deposit liabilities bear annual fixed interest rate of 0.05% to 1.75% in 2021, 0.05% to 3.75% in 2020 and 0.25% to 5.75% in 2019.

Interest expense on deposit liabilities account consists of:

	2021	2020	2019
Savings deposits	**₱1,404,268**	₱2,447,770	₱2,933,485
Time deposits	**532,697**	847,816	1,147,414
	₱1,936,965	₱3,295,586	₱4,080,899

15. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2021	2020
Accrued expenses and other taxes	**₱118,976**	₱184,895
Accrued interest	**37,085**	44,340
	₱156,061	₱229,235

16. Other Liabilities

This account consists of:

	Note	**2021**	2020
Accounts payable		**₱93,397**	₱81,226
Statutory liabilities		**34,023**	41,851
Dormant deposit accounts		**19,602**	36,544
Due to the Treasurer of the Philippines		**16,189**	14,086
Outstanding acceptances and customers' liabilities		**15,703**	23,672
Provision for impairment losses on commitments and other contingent assets	13	**14,257**	14,257
Deposits for safety deposit boxes		**5,183**	3,357
Security deposit		**3,772**	3,772
Retirement liability	21	**2,418**	947
Others		**31,509**	6,861
		₱236,053	₱226,573

Accounts payable mainly consist of unpaid charges pertaining to cash card and trading transactions.

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.

Due to the Treasurer of the Philippines pertains to remaining balances of dormant accounts surrendered to the Treasurer of the Philippines.

Others mainly consist of deferred charges.

17. Maturity Analysis of Assets and Liabilities

The following table presents the assets and liabilities of the Bank analyzed according to whether these are expected to be recovered or settled within one year and beyond one year from the reporting date (amounts in thousands):

		2021			2020		
	Note	**Within One Year**	**Over One Year**	**Total**	Within One Year	Over One Year	Total
Financial Assets							
Cash and other cash items	6	**₱966,923**	**₱–**	**₱966,923**	₱1,053,253	₱–	₱1,053,253
Due from BSP	6	**41,936,529**	**–**	**41,936,529**	53,609,068	–	53,609,068
Due from other banks	6	**2,196,721**	**–**	**2,196,721**	2,056,689	–	2,056,689
Securities purchased under resale agreement	7	**12,951,080**	**–**	**12,951,080**	12,759,152	–	12,759,152
Loans and receivables	9	**21,020,318**	**5,716,571**	**26,736,889**	14,353,472	12,789,428	27,142,900
Investment securities:	8						
Financial assets at FVOCI		**25,000,000**	**35,348,220**	**60,348,220**	1,022,051	25,315,846	26,337,897
Financial assets at amortized cost		**2,140,137**	**23,987,171**	**26,127,308**	9,148,654	35,102,529	44,251,183
Other assets		**6,245**	**44,017**	**50,262**	163	44,017	44,180
		106,217,953	**65,095,979**	**171,313,932**	94,002,502	73,251,820	167,254,322
Nonfinancial Assets							
Property and equipment	10	**–**	**4,198,739**	**4,198,739**	–	4,069,634	4,069,634
Investment properties	11	**–**	**1,832,541**	**1,832,541**	–	1,814,555	1,814,555
Deferred tax assets	26	**–**	**579,019**	**579,019**	–	697,983	697,983
Other assets	12	**157,180**	**102,059**	**259,239**	131,575	76,724	208,299
		157,180	**6,712,358**	**6,869,538**	131,575	6,658,896	6,790,471
Less:							
Allowance for credit and impairment losses	13	**–**	**4,439,259**	**4,439,259**	–	4,247,239	4,247,239
Accumulated depreciation and amortization	10, 11	**–**	**1,465,134**	**1,465,134**	–	1,291,713	1,291,713
		–	**5,904,393**	**5,904,393**	–	5,538,952	5,538,952
		₱106,375,133	**₱65,903,944**	**₱172,279,077**	₱94,169,251	₱74,307,829	₱168,477,080
Financial Liabilities							
Deposit liabilities	14	**₱135,154,238**	**₱10,160,441**	**₱145,314,679**	₱129,272,581	₱11,555,000	₱140,827,581
Manager's checks		**328,803**	**–**	**328,803**	94,165	–	94,165
Accrued interest, taxes and others expenses	15	**104,708**	**–**	**104,708**	172,851	–	172,851
Lease liabilities	24	**45,187**	**135,321**	**180,508**	42,802	140,368	183,170
Other liabilities	16	**134,382**	**–**	**134,382**	170,358	–	183,775
		135,767,318	**10,295,762**	**146,063,080**	129,752,757	11,695,368	141,448,125
Nonfinancial Liabilities							
Accrued interest, taxes and others expenses		**51,353**	**–**	**51,353**	56,384	–	56,384
Other liabilities		**101,671**	**–**	**50,212**	56215	–	56,215
		153,024	**–**	**153,024**	112,599	–	112,599
		₱135,920,342	**₱10,295,762**	**₱146,216,104**	₱129,865,356	₱11,695,368	₱141,560,724

18. **Equity**

Capital Stock
Capital stock as at December 31, 2021 and 2020 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, 2021 and 2020, 1,000 million 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, 2021 and 2020, the Bank has 82 stockholders of record.

Reserves
Reserves as at December 31, 2021 and 2020 consist of:

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

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 2021, 2020 and 2019.

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:

	2021	2020	2019
Net income	**₱826,338**	₱948,538	₱780,430
Weighted average of outstanding common shares	**1,000,000**	1,000,000	1,000,000
	₱0.83	₱0.95	₱0.78

As at December 31, 2021, 2020 and 2019, there were no outstanding dilutive potential common shares

20. Other Income (Charges)

This account consists of:

	Note	2021	2020	2019
Rent income		**₱54,574**	₱46,047	₱76,832
Dividend income		**15,223**	27,845	29,073
Income from trust operations		**3,026**	2,838	2,492
Gain on sale of property and equipment	10	**2,237**	8,131	11,771
Gain on sale of computer software	12	**–**	–	1,526
Others		**12,902**	(45,655)	22,734
		₱87,962	₱39,206	₱144,428

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.

21. Compensation and Employee Benefits

This account consists of:

	2021	2020	2019
Salaries and other employee benefits	**₱778,676**	₱829,904	₱773,596
Retirement benefits	**51,067**	52,675	43,514
Statutory benefits	**24,669**	20,612	18,288
Dental, medical and hospitalization	**19,911**	19,045	17,407
	₱874,323	₱922,236	₱852,805

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 R.A. 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, 2021.

The present value of the DB minimum guarantee under R.A. 7641 amounted to ₱2.4 million and ₱0.9 million as at December 31, 2021 and 2020, respectively. The Bank has no unallocated DC plan assets as at December 31, 2021 and 2020.

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:

	2021	2020
Balance at beginning of year	**₱947**	₱1,324
Interest expense	**35**	53
Current service cost	**23**	34
Remeasurement loss (gain) arising from:		
Experience adjustments	**1,497**	(472)
Changes in financial assumptions	**(84)**	8
Balance at end of year	**₱2,418**	₱947

Details of the retirement benefits recognized in profit or loss are as follows:

	2021	2020	2019
Interest expense	**₱35**	₱53	₱70
Current service cost	**23**	34	27
Adjustments	**–**	–	(5,828)
Retirement benefits (income) recognized	**58**	87	(5,731)
Retirement benefits on DC plan (contributions during the year)	**51,009**	52,588	49,245
	₱51,067	₱52,675	₱43,514

Details of cumulative remeasurement gains on retirement liability follow:

	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**

	2021		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 26)	Net
Balance at beginning of year	₱11,243	(₱3,373)	₱7,870
Remeasurement loss	464	(139)	325
Balance at end of year	₱11,707	(₱3,512)	₱8,195

The average duration of the defined benefit obligation at the end of 2021 is five years.

As at December 31, 2021 and 2020, the Bank's undiscounted benefit payments amounting to ₱2.6 million and ₱1.0 million 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.

22. Occupancy and Equipment-related Expenses

This account consists of:

	Note	**2021**	2020	2019
Depreciation and amortization	10	**₱148,379**	₱163,226	₱124,140
Rent	24	**27,876**	6,520	26,539
		₱176,255	₱169,746	₱150,679

23. Other Operating Expenses

This account consists of:

	Note	**2021**	2020	2019
Insurance		**₱289,201**	₱279,074	₱273,147
Taxes and licenses		**231,837**	373,262	303,011
Security, messengerial and janitorial		**158,663**	158,593	158,127
Supervision and examination fees		**112,590**	50,875	73,203
Communications, light and water		**50,985**	47,146	53,204
Information technology		**36,980**	31,074	31,110
Promotions and business development		**31,189**	17,676	26,901
Litigation expense		**27,719**	27,202	20,943
Professional fees		**17,101**	17,880	14,996
Repairs and maintenance		**14,360**	14,160	12,732
Interest expense on lease liabilities	24	**8,961**	10,211	10,470
Supplies expense		**7,999**	7,667	7,667
Transportation and travel		**7,906**	5,350	6,570
Documentary stamp tax		**2,993**	18,093	38,893
Others		**39,128**	55,580	70,781
		₱1,037,612	₱1,113,843	₱1,101,755

Others pertain to bank charges, meals and service charges.

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.

	2021	2020
Balance as at beginning of year	**₱183,170**	₱144,866
Additions	**42,904**	102,976
Payments	**(54,527)**	(69,964)
Interest expense	**8,961**	10,211
Pre-termination	**–**	(4,919)
	180,508	183,170
Current portion	**45,187**	42,802
Noncurrent portion	**₱135,321**	₱140,368

Lease-related expenses are presented below.

	Note	**2021**	2020	2019
Amortization of ROU assets	10	**₱47,383**	₱63,161	₱40,580
Interest on lease liabilities		**8,961**	10,211	10,470
Rent expense	22	**27,876**	6,520	26,539
		₱84,220	₱79,892	₱77,589

Rent expense in 2021 and 2020 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:

	2021	2020
Not later than one year	**₱42,612**	₱48,491
Later than one year but not more than five years	**112,976**	140,274
Later than five years	**6,996**	20,686
	₱162,584	₱209,451

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:

	2021		2020	
Nature of Transactions	**Transactions during the Year**	**Outstanding Balances**	Transactions during the Year	Outstanding Balances
Entities under Common Management				
Loans and receivables	**₱5,000**	**₱804,002**	₱30,000	₱799,002
Interest income	**214,406**	**–**	29,619	–
Investment in equity securities	**–**	**208,353**	–	206,260
Deposit liabilities	**(10,911)**	**282,794**	42,157	293,705
Interest expense	**2,617**	**–**	2,745	–
Rent income	**29,797**	**–**	27,695	6,000
Rent expense	**13,641**	**–**	8,797	–
Others	**22,344**	**–**	6,012	–
Stockholders				
Loans and receivables	**130,000**	**1,000,000**	–	870,000
Interest income	**25,650**	**–**	27,262	–
Related Interests				
Loans and receivables	**160,000**	**1,313,000**	153,000	1,153,000
Interest income	**35,857**	**–**	38,456	–

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 2021 and 2020.

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 2021 and 2020.

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.

Others. 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:

	2021	2020	2019
Short-term employee benefits	**₱138,002**	₱146,546	₱152,288
Post-employment retirement benefits	**48,696**	13,197	5,427
	₱284,548	₱159,743	₱157,715

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 ₱1,117.3 million and ₱1,138.2 million as at December 31, 2021 and 2020, 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:

	2021	2020	2019
Final tax	**₱435,490**	₱737,314	₱606,018
Deferred income tax	**119,902**	263,004	103,366
	₱555,392	₱1,000,318	₱709,384

The reconciliation of the income tax expense at statutory tax rate and income tax expense as presented in the statements of comprehensive income is as follows:

	2021	2020	2019
Income tax expense at statutory tax rate	**₱345,433**	₱584,657	₱446,944
Tax effects of:			
Nontaxable income	**(494,556)**	(1,072,759)	(672,184)
Expiration of NOLCO	**354,627**	128,266	166,183
Nondeductible expenses	**272,339**	454,803	465,517
Change in tax rate	**116,331**	–	–
Interest income subjected to final tax	**(83,337)**	(60,451)	(308,765)
Changes in unrecognized deferred tax assets	**44,555**	961,676	611,689
Expiration of MCIT	**–**	4,126	–
	₱555,392	₱1,000,318	₱709,384

Deferred tax expense (benefit) is recognized as follows:

	2021	2020
Through:		
Profit or loss	**₱119,902**	₱263,004
Other comprehensive income	**(938)**	139
	₱118,964	₱263,143

Deferred tax assets arise from the following:

	2021	2020
Deferred tax assets on:		
Allowance for credit and impairment losses	**₱635,069**	₱762,083
Excess of lease liabilities over ROU assets	**4,939**	5,382
Retirement liability	**604**	284
	640,612	767,749
Deferred tax liabilities on:		
Unrealized gain on foreclosure of investment properties	**(61,585)**	(64,711)
Rent receivable	**–**	(5,044)
Others	**(8)**	(11)
	(61,593)	(69,766)
	₱579,019	₱697,983

Net deferred tax assets are recognized as follows:

	2021	2020
Through:		
Profit or loss	**₱576,445**	₱701,495
Other comprehensive income	**2,573**	(3,512)
	₱579,018	₱697,983

As at December 31, 2021 and 2020, the Bank has not recognized deferred tax assets relating to the following deductible temporary differences:

	2021	2020
NOLCO	**₱1,666,573**	₱1,669,891
Allowance for impairment losses on financial assets	**407,539**	516,365
	₱2,074,112	₱2,186,256

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.

MCIT amounting to ₱4.1 million has expired in 2020.

Details of NOLCO are as follows:

Year of incurrence	Year of expiry	Amount	Expired	Balance
2018	2021	₱1,418,508	(₱1,418,508)	₱–
2019	2022	2,265,529	–	2,265,529
2020	2025	2,712,971	–	2,712,971
2021	2026	1,687,788	–	1,687,788
		₱8,084,796	(₱1,418,508)	₱6,666,288

Under Republic Act 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 shall retrospectively become 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 2021 in accordance with the relevant accounting standards.

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 ₱15.0 million and ₱11.0 million as at December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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:

	2021	2020
Trust department accounts	**₱1,117,265**	₱1,138,264
Unused commercial letters of credit	**188,671**	209,594
Outward bills for collection	**18,775**	12,966
Inward bills for collection	**2,186**	8,706
Items held as collateral	**12**	34
	₱1,326,909	₱1,369,564

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 2021 and 2020 were only segmented into two (2) major business segments, lending and treasury operations. The foregoing segments contributes 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 2021 and 2020. 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, 2021, 2020 and 2019:

	2021		
	Treasury Group	**Lending Group**	**Total**
Segment Revenue			
Interest income from lending operations	**₱–**	**₱1,048,431**	**₱1,048,431**
Interest income from treasury operations	**3,356,500**	**–**	**3,356,500**
Other income	**449,628**	**806,755**	**1,256,383**
Interest expense	**(1,936,965)**	**–**	**(1,936,965)**
Provision for credit and impairment losses	**(116,483)**	**(137,946)**	**(254,429)**
	1,752,680	**1,717,240**	**3,469,920**
Compensation and employee benefits	**(874,324)**	**–**	**(874,324)**
Occupancy and equipment-related expenses	**(173,056)**	**–**	**(173,056)**
Other operating expenses	**(1,040,810)**	**–**	**(1,040,810)**
Income tax expense	**(555,392)**	**–**	**(555,392)**
Segment Operating Profit (Loss)	**(₱890,902)**	**₱1,717,240**	**(₱826,338)**
Segment Assets	**₱148,081,639**	**₱24,144,187**	**₱172,225,826**

	2020		
	Treasury Group	Lending Group	Total
Segment Revenue			
Interest income from lending operations	₱–	₱1,276,845	₱1,276,845
Interest income from treasury operations	4,094,162	–	4,094,162
Other income	113,366	2,118,594	2,231,960
Interest expense	(3,295,586)	–	(3,295,586)
Provision for credit and impairment losses	(193,906)	41,206	(152,700)
	718,036	3,436,645	4,154,681
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)
Income tax expense	(1,000,318)	–	(1,000,318)
Segment Operating Profit (Loss)	(₱2,488,107)	₱3,436,645	₱948,538
Segment Assets	₱143,868,861	₱24,600,973	₱168,469,834

	2019		
	Treasury Group	Lending Group	Total
Segment Revenue			
Interest income from lending operations	₱–	₱2,053,141	₱2,053,141
Interest income from treasury operations	4,595,694	–	4,595,694
Other income	1,064,467	–	1,064,467
Interest expense	(4,080,899)	–	(4,080,899)
Provision for credit and impairment losses	(15,722)	(21,627)	(37,349)
	1,563,540	2,031,514	3,595,054
Compensation and employee benefits	(852,805)	–	(852,805)
Occupancy and equipment-related expenses	(150,679)	–	(150,679)
Other operating expenses	(1,101,756)	–	(1,101,756)
Income tax expense	(709,384)	–	(709,384)
Segment Operating Profit (Loss)	(₱1,251,084)	₱2,031,514	₱780,430
Segment Assets	₱135,730,178	₱25,061,245	₱160,791,423

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Philtrust Bank (Philippine Trust Company)
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, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, and have issued our report dated April 26, 2022. 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, 2021
- Schedule of Financial Soundness Indicators as at December 31, 2021 and 2020
- 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, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, 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. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 83522-SEC Group A
Issued March 10, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-006-2019
Valid until October 20, 2022
PTR No. 8851707
Issued January 3, 2022, Makati City

April 26, 2022
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, 2021

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Part I

Part II

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, 2021

Amounts in Thousands

Retained earnings as shown in the financial statements, at beginning of year		**₱13,848,728**
Adjustments for deferred tax assets at beginning of year		(697,983)
Retained earnings, at beginning of year, as adjusted		**13,150,745**
Net income		826,338
Add (Deduct):		
Amortization of premium and discount of investment securities	2,157,952	
Movement in deferred tax assets	118,964	
Fair value adjustment of investment properties resulting to gain	(36,210)	
Net unrealized foreign exchange gain (excluding those attributable to cash and cash equivalents)	(39,612)	2,201,094
Net income actually earned		**3,027,432**
Retained Earnings Available for Dividend Declaration		**₱16,178,177**

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT DECEMBER 31, 2021 AND 2020

Amounts in Thousands

Ratio	**Formula**	**2021**	2020
Current ratio			
	Total current assets	**₱106,375,133**	₱94,134,077
	Divided by: total current liabilities	**135,920,342**	129,865,356
	Current ratio	**0.78:1**	0.73:1
Acid test ratio			
	Cash and other cash items, due from BSP and other banks, investment securities	**₱144,339,950**	₱140,067,242
	Divided by: total current liabilities	**135,920,342**	129,914,156
	Acid test ratio	**1.06:1**	1.08:1
Solvency ratio			
	Net income	**₱826,338**	₱948,538
	Add: interest, depreciation and amortization	**2,085,344**	3,458,812
	Net income before interest, depreciation and amortization	**2,911,682**	4,407,350
	Divided by: total liabilities	**146,164,645**	141,560,724
	Solvency ratio	**0.02:1**	0.03:1
Debt-to-equity ratio			
	Total liabilities	**₱146,164,645**	₱141,560,724
	Divided by: Total equity	**26,062,973**	26,909,110
	Debt-to-equity ratio	**5.61:1**	5.26:1
Asset-to-equity ratio			
	Total assets	**₱172,227,618**	₱168,469,834
	Divided by: total equity	**26,062,973**	26,909,110
	Asset-to-equity ratio	**6.61:1**	6.26:1
Interest rate coverage ratio			
	Earnings before interest expense and taxes	**₱3,318,695**	₱5,244,442
	Divided by: interest expense	**1,936,965**	3,295,586
	Interest rate coverage ratio	**1.71:1**	1.59:1

Ratio	Formula	2021	2020
Return on average equity	Net income	**₱826,338**	₱948,538
	Divided by: average equity	**26,486,042**	26,302,500
	Return on equity	**0.03:1**	0.04:1
Return on average assets	Net income	**₱826,338**	₱948,538
	Divided by: average assets	**170,348,726**	164,630,629
	Return on assets	**0.005:1**	0.006:1
Capital Adequacy Ratio	Tier 1 capital	**₱26,063**	₱27,211
	Tier 2 capital	**120**	50
	Gross qualifying capital	**26,183**	27,261
	Less: regulatory adjustments/required deductions	**1,649**	2,805
	Total qualifying capital	**24,534**	24,456
	Divided by: risk weighted assets	**48,419**	48,199
		0.51:1	0.51:1

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

SCHEDULE A – FINANCIAL ASSETS

DECEMBER 31, 2021

Amounts in Thousands, except for Number of shares

I. Cash and Cash Equivalents

Name of issuing entity and association of each issue	Amount shown on the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Cash and other cash items	₱966,923	₱966,923	₱–
Due from Bangko Sentral ng Pilipinas	41,936,529	41,936,529	609,589
Due from other banks	2,196,721	2,196,721	138
	₱45,100,173	₱45,100,173	₱609,727

II. Financial Assets at Fair Value through Other Comprehensive Income

Name of issuing entity and association of each issue	Number of shares	Amount shown on the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Equity Securities				
Philippine Bank of Communications	46,519,026	₱832,691	₱832,691	₱–
Euromed Lab. Phil., Inc.	365,111,291	533,062	533,062	–
Centro Escolar University	29,892,791	208,353	208,353	–
Manila Electric Railroad and Light Company	34,296	10,124	10,124	–
Philippine Long Distance Corporation	1,868	3,385	3,385	–
San Miguel Corporation	3,083	354	354	4
Casino Espanol De Manila	–	120	120	–
Philippine Columbian Association	–	27	27	–
Manila Executive Center	–	21	21	–
	441,562,355	₱1,588,137	₱1,588,137	₱4

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
Peso-denominated Debt Securities				
Government Securities				
Fixed Treasury Notes	₱760,000	₱771,723	₱771,723	₱49,378
Foreign currency-denominated Debt Securities				
Government Bonds				
ROP Bonds	$425,550	₱23,659,825	₱23,659,825	₱699,387

III. 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
Peso-denominated Debt Securities				
Government Securities:				
Retail Treasury Bond	₱22,429,700	₱22,423,518	₱22,710,658	₱907,615
BSP Bills	20,000,000	20,000,000	20,001,280	391,075
Fixed Treasury Notes	1,355,409	1,356,040	1,487,377	101,256
	₱43,785,109	₱43,779,558	₱44,199,315	₱1,399,946
Foreign currency-denominated Debt Securities				
Government Bonds	$310,342	₱16,336,054	₱16,408,826	₱592,287
Corporate Bond -				
JG Summit Holdings	3,000	153,400	153,813	5,775
	$313,342	₱16,489,454	₱16,562,639	₱598,062

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2021

Amounts in Thousands

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Manila Bulletin Publishing Corp.	₱1,000,000	₱–	₱–	₱–	₱1,000,000	₱–	₱1,000,000
Manila Hotel Corporation	799,002	5,000	–	–	804,002	–	804,002
U.S. Automotive Co. Inc.	870,000	130,000	–	–	1,000,000	–	1,000,000
U.N. Properties Development Corp.	153,000	160,000	–	–	313,000	–	313,000
Centro Escolar University	6,000	–	(6,000)	–	–	–	–
	₱2,828,002	₱295,000	(₱6,000)	₱–	₱3,117,002	₱–	₱3,117,002

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, 2021

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected (i)	Amounts written-off(ii)	Current	Non- current	Balance at the end of period

None to report.

i. *If collected was other than in cash, explain.*

ii. *ii. Give reasons to write-off.*

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

SCHEDULE D – LONG-TERM DEBT

DECEMBER 31, 2020

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt in related balance sheet " (ii)	Amount shown under caption "Long- term debt in related balance sheet " (iii)	Interest Rate %	Maturity Date

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

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2021

Name of Related Parties (i)	Balance at the beginning of the period	Balance at the end of the period (ii)

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, 2021

Name of the issuing entity of securities guaranteed by the company for which this statement is fled	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)

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, 2021

Title of Issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
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.

ANNEX C1

Management's Discussion and Analysis of Financial Condition and Results of Operations for Calendar Year 2019

Financial Condition

The year 2019 proved to be another fruitful year for our Bank, as Total Resources reached a new record high of P160.791 Billion compared to P153.010 Billion in 2018. Growth in resources came primarily from deposit liabilities and due from Bangko Sentral ng Pilipinas representing 83.55% and 18.88% of the Total Resources respectively. Cash and other cash items decreased by 20.24% as funds were shifted to higher yielding investments. The 24.63% or P859.775 Million decrease in Due from Other Banks was due to lower level of deposits and working balances maintained with our correspondent banks. Securities purchased under Resale Agreement decreased by P5.343 Billion or by 20.81% as Bangko Sentral ng Pilipinas minimize its allocation with our Bank. Loans and Receivables, net decreased by 12.76% as the Bank rationalized its loan portfolio. Other Assets increased by 15.74% as movements in these accounts can be accounted for by transactions in the ordinary course of business.

Deposit liabilities stood at P134.346 Billion compared to P131.177 Billion from last year's level, a P3.169 Billion increase. The 39.27% or P43.968 Million increase in Manager's Checks represents various payables which have not yet been collected from the Bank. Accrued taxes and other expenses payable decreased by 25.40% or by P76.028 Million due to tax payments on matured time deposits and gross receipts tax for the quarter. Deferred credits and other liabilities increased by 39.33% due to higher level of transactions for the period. All other payables were paid within stated term.

Capital Funds closed at P25.696 Billion reflecting a P4.545 Billion increase from last year's level of P21.151 Billion. This can be accounted for from the earnings for the year amounting to P780.429 Million, the increase in Net Unrealized Gain of P3.786 Billion and the decrease of Cumulative Translation Adjustments amounting to P20.776 Million. The capital adequacy ratio (CAR) for the year is 45.55% which is well above the Bangko Sentral ng Pilipinas minimum requirements of 10% is indicative of the sufficiency of the Bank's capital to support the current level of fixed assets.

The Bank has outstanding commitments, contingent liabilities and bank guaranties 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 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 Gross Earnings amounting to P7.713 Billion compared to P7.090 Billion from the previous year. Interest on Loans and Advances increased by 42.24% or by P609.758 Million due to collection of interest and accrual of some outstanding loans. Interest on Held to Maturity Investment increased by a remarkable 94.24% or by P879.900 Million as the Bank disposed some of its maturing securities at a higher market rate. Interest on Available for Sale Securities decreased by 23.86% as the Bank hold on its securities due to lower market rate. Income from foreign exchange profit decrease by 78.97% due to lower exchange rate compared from last year level. Service charges and commissions increased by 39.24% due to higher volume of transactions for the period. Other operating income decreased by 23.49% or by P295.621 Million due to lower profits recognized on Sale or Redemption of Investments.

Interest expense increased by 26.71% because of the increase in total deposits. Occupancy and equipment related expenses decrease by 62.59% due to adoptions of PFRS 16. Depreciation and amortization increased by 65.98% due to increases in amortization of IT related equipments. Taxes and licenses increased by 10.31% due to higher gross receipts tax compared from last year’s level. All other expenses increased/decreased by less than 10% which is normal in the ordinary course of business. Net income closed at P780.429 Million, 5.26% lower than last year’s level of P823.761 Million

For the past 102 years, the Bank continued to be conservative in the management of depositors and stockholders 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 and onsite in strategic locations to provide access to new clients. We are hopeful that the continued confidence of Bank stockholders and the dedication and competence of Bank employees will ensure that the Bank continue to focus on its core business and deepen its banking relationship with more prospective clients and to offer more excellent customer service.

Key Performance Indicators

The performance of the bank is reflected in the following financial ratios:

	Dec. 31, 2019	Dec. 31, 2018
Return on Average Equity	3.15%	3.93%
Return on Average Assets	0.50%	0.54%
Net Interest Margin	1.67%	1.66%
Capital to Risk Assets	45.55%	34.12%
Cost to Income Ratio	59.60%	66.78%

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

Key Performance Indicator	Formula
1. Return on Average Equity (%)	$\frac{\text{Net Income After Income Tax}}{\text{Average Total Capital Accounts}}$

2. Return on Average Assets (%)	$\dfrac{\text{Net Income After Income Tax}}{\text{Average Total Assets}}$
3. Net Interest Margin (%)	$\dfrac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$
4. Capital to Risk Assets (%)	$\dfrac{\text{Total Qualifying Capital}}{\text{Market and Credit Risk Weighted Exposures}}$
5. Cost to Income Ratio (%)	$\dfrac{\text{Total Operating Expenses}}{\text{Net Interest Income + Other Income}}$

Part II - Other Information

Our financial report for the year 2019 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 2019. There were no material contingencies or any other unusual events or transactions affecting our financial condition since December 31, 2018. 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 2019, the Bank had no transactions that would require the following information or disclosures:

a. Explanatory comments about the seasonality or cyclicality 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		REMARKS
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;		A. **Assessment of Financial Risk Exposure of the Bank as of December 31, 2019**. **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, 2019,** the bulk of which is in USD is **USD34.24 Million**, the peso equivalent of **Php1.734 Billion** or **8.203% o**f 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 and also 2019. 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: 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 will gradually increase in the medium term 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 **Php132.381 Billion** while loans amounted to **Php21.700 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.
b. Evaluate whether the company could provide clearer and more transparent disclosure regarding its financial instruments including but not limited to the following information:		
1. A description of the financial instruments of the company and the classification and measurements		1. The bank has none of hedging or derivatives financial contracts. The bank main financial contracts are:

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;		Available for Sale Securities (as FVOCI) and Held to Maturity Securities (AC). The bulk of these securities are securitized government obligations.
2. The amount and description of the company's investment in foreign securities;		2. The bank has no investment in foreign securities or equities.
4. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities;		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.
6. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39- Financial instruments.		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.

ANNEX C2

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:

	Dec. 31, 2020	Dec. 31, 2019
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:

Key Performance Indicator	Formula
1. Return on Average Equity (%)	$\dfrac{\text{Net Income After Income Tax}}{\text{Average Total Capital Accounts}}$
2. Return on Average Assets (%)	$\dfrac{\text{Net Income After Income Tax}}{\text{Average Total Assets}}$
3. Net Interest Margin (%)	$\dfrac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$
4. Capital to Risk Assets (%)	$\dfrac{\text{Total Qualifying Capital}}{\text{Market and Credit Risk Weighted Exposures}}$
5. Cost to Income Ratio (%)	$\dfrac{\text{Total Operating Expenses}}{\text{Net Interest Income + Other Income}}$

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 cyclicality 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
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;		A. **Assessment of Financial Risk Exposure of the Bank as of December 31, 2020**. **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, 2020,** the bulk of which is in USD is **USD44.64 Million**, the peso equivalent of **Php2.144 Billion** or **8.779% o**f 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. 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: 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 will remain low (0.05

		to 1.5% 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 **Php140.075 Billion** while loans amounted to **Php22.216 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.
b. Evaluate whether the company could provide clearer and more transparent disclosure regarding its financial instruments including but not limited to the following information:		

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;		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.
2. The amount and description of the company's investment in foreign securities;		2. The bank has no investment in foreign securities or equities.
4. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities;		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.
6. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39- Financial instruments.		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.

ANNEX C3

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:

	Dec. 31, 2021	Dec. 31, 2020
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:

Key Performance Indicator	Formula
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 cyclicality 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)[1]. 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.

[1] AC – Amortized Cost

Annex "D"

Philippine Trust Company (Philtrust Bank)
Bank-Owned Properties (Land & Building) - Existing Bank Sites
As of December 31, 2021

Branch Office	Location	Improvements/Condition of Properties	Mortgage, Lien or Encumbrance and Limitations on Ownership or Usage
Metro Manila Branches			
Bambang Branch	Philtrust Bank Building, 1499 G. Masangkay corner Bambang Sts., Tondo, Manila	3-storey building in good condition. The branch occupies only the ground floor.	None
Binondo Branch	Philtrust Bank Building, Quintin Paredes St. cor. Dasmariñas and Plaza Cervantes Sts., Binondo, Manila	The branch occupies the ground floor of a 6-storey building. The building is in good condition.	None
Divisoria Branch	Philtrust Bank Building, 539 C.M. Recto Ave. cor. Carmen Planas St., Divisoria, Tondo, Manila	4-storey building in good condition. The branch occupies only the ground floor.	None
Elcano Branch	Philtrust Bank Building, Elcano cor. Lavezares Sts., Binondo, Manila	2-storey building in good condition, fully occupied by the branch.	None
Ermita Branch	Philtrust Bank Building, A. Mabini St. cor. U.N. Avenue, Brgy. 667 Zone 72, Ermita, Manila	4-storey building in good condition. The branch occupies only the ground floor.	None
Escolta Branch	Philtrust Bank Building, 277 Escolta St., Binondo, Manila	5-storey building in good condition. The branch occupies only the ground floor.	None
Juan Luna Branch	Philtrust Bank Building, Juan Luna cor. San Fernando Sts., Binondo, Manila	5-storey building in good condition. The branch occupies the ground floor and the 2nd floor.	None
Las Piñas Branch	Philtrust Bank Building, Alabang Zapote Road., Almanza 1, Las Piñas City	1-storey building in good condition, fully occupied by the branch.	None
Libertad Branch	Philtrust Bank Building, Taft Avenue cor. A. Arnaiz Avenue, Pasay City	3-storey building in good condition. The branch occupies only a portion of the ground floor.	None
Mandaluyong Branch	Philtrust Bank Building, Shaw Blvd. cor. Gen. Kalentong St., Mandaluyong City	3-storey building in good condition, fully occupied by the branch.	None

Philippine Trust Company (Philtrust Bank)
Bank-Owned Properties (Land & Building) - Existing Bank Sites
As of December 31, 2021

Branch Office	Location	Improvements/Condition of Properties	Mortgage, Lien or Encumbrance and Limitations on Ownership or Usage
Marikina Branch	Philtrust Bank Building, Sumulong Highway cor. P. Burgos St., Sto. Niño, Marikina City	3-storey building in good condition. The branch occupies only a portion of the ground floor and the 2nd floor.	None
Maypajo Branch	Philtrust Bank Building, A. Mabini cor. L. Lupa St., Maypajo, Caloocan City	4-storey building in good condition. The branch occupies only the ground floor.	None
Morayta Branch	Philtrust Bank Building, 890-892 Dr. Nicanor Reyes cor. R. Papa Sts., Sampaloc, Manila	2-storey building in good condition, fully occupied by the branch.	None
Pasig Branch	Philtrust Bank Building, Dr. S. Antonio Avenue, Caniogan, Pasig City	1-storey building in good condition, fully occupied by the branch.	None
Puyat Ave. Branch	Philtrust Bank Building, 259-263 Sen. Gil Puyat Ave., Makati City	9-storey building in good condition. The branch occupies only a portion of the ground floor.	None
Quezon Ave. Branch	Quezon Avenue cor. Sto. Domingo St., Quezon City	2-storey building in good condition. The branch occupies only a portion of the ground floor.	None
Reina Regente Branch	Philtrust Bank Building, Reina Regente cor. Soler and Alvarado Sts., Binondo, Manila	4-storey building in good condition. The branch occupies the ground floor and the 2nd floor.	None
Sta. Cruz Branch	Philtrust Bank Building, Rizal Ave. cor. Plaza Lacson, Sta. Cruz, Manila	5-storey building in good condition. The branch occupies only the ground floor.	None
Taguig Branch	Unit 101-A, One Global Place, 5th Ave. cor. 25th St., Bonifacio South District, Bonifacio Global City, Taguig	The branch occupies a portion/unit of the ground floor of a 25-storey building. The building is in good condition.	None
Valenzuela Branch	Philtrust Bank Building, McArthur Highway (Fronting Valenzuela City Hall), Brgy. Malinta, Valenzuela City	3-storey building in good condition. The branch occupies a portion of the ground floor.	None

Philippine Trust Company (Philtrust Bank)
Bank-Owned Properties (Land & Building) - Existing Bank Sites
As of December 31, 2021

Branch Office	Location	Improvements/Condition of Properties	Mortgage, Lien or Encumbrance and Limitations on Ownership or Usage
Provincial Branches			
Angeles Branch	Philtrust Bank Building, McArthur Highway cor. B. Aquino St., Angeles City, Pampanga	1-storey building in good condition, fully occupied by the branch.	None
Bacolod Branch	Philtrust Bank Building, Gatuslao cor. Cuadra Sts., Bacolod City	5-storey building in good condition. The branch occupies only the ground floor.	None
Bulacan Branch	Philtrust Bank Building, Paseo Del Congreso, Malolos City, Bulacan	2-storey building in good condition. The branch occupies only the ground floor.	None
Cabanatuan Branch	Philtrust Bank Building, Burgos Ave. cor. Beedle St., Cabanatuan City	2-storey building in good condition, fully occupied by the branch.	None
Cagayan De Oro Branch	Philtrust Bank Building, S. Osmeña cor. J. Ramonal Sts., Cogon, Cagayan De Oro City	3-storey building in good condition. The branch occupies only the ground floor.	None
Cavite Branch	Philtrust Bank Building, Km. 41 Aguinaldo Highway, Silang, Cavite	1-storey building in good condition, fully occupied by the branch.	None
Cebu Colon Branch	Colon St., Cebu City	2-storey building in good condition, fully occupied by the branch.	None
Cebu Magallanes Branch	Philtrust Bank Building, Magallanes cor. F. Gonzales St., Cebu City	4-storey building in good condition. The branch occupies the ground floor and the 2nd floor.	None
Davao Sta. Ana Branch	Philtrust Bank Building, Monteverde Ave. cor. F. Bangoy St., Sta. Ana, Davao City	2-storey building in good condition. The branch occupies only the ground floor.	None
Dumaguete Branch	Philtrust Bank Building, Silliman Avenue cor. Real St., Brgy. Poblacion 007, Dumaguete City	2-storey building in good condition. The branch occupies only the ground floor.	None

Philippine Trust Company (Philtrust Bank)
Bank-Owned Properties (Land & Building) - Existing Bank Sites
As of December 31, 2021

Branch Office	Location	Improvements/Condition of Properties	Mortgage, Lien or Encumbrance and Limitations on Ownership or Usage
Iloilo Branch	Philtrust Bank Building, Quezon cor. Delgado Sts., Iloilo City	5-storey building in good condition. The branch occupies only the ground floor.	None
Limay Branch	Philtrust Bank Building, Brgy. Luz, National Road, Limay, Bataan	1-storey building in good condition, fully occupied by the branch.	None
Naga Branch	Philtrust Bank Building, Caceres cor. E. Angeles Sts., Naga City, Camarines Sur	2-storey building in good condition. The branch occupies only the ground floor.	None
Roxas Branch	Philtrust Bank Building, Roxas Ave. cor. Primero De Mayo St., Roxas City, Capiz	2-storey building in good condition, fully occupied by the branch.	None
Santiago Branch	Maharlika Highway cor. Abauag St., Santiago City, Isabela	4-storey building in good condition. The branch occupies only a portion of the ground floor and the 2nd floor.	None
Urdaneta Branch	Philtrust Bank Building, McArthur Highway cor. Ambrosio St., Urdaneta City, Pangasinan	2-storey building in good condition. The branch occupies only the ground floor.	None

Annex "D-1"

Philippine Trust Company (Philtrust Bank)
Leased Bank Sites
As of December 31, 2021

Branch Office	Location	Amount of Lease Payment Per Month	Lease Expiration Date	Lease Term
Metro Manila Branches				
Aurora Blvd. Branch	Manila Bulletin Bldg., 904 Aurora Blvd. cor. Harvard St., Cubao, Quezon City	Php203,840.00	Jan. 31, 2025	5 years
Ayala Branch	Unit 121 G/F Makati Shangri-la Arcade, Makati Shangri-la Hotel	Php324,576.00	Feb. 14, 2025	5 years
Caloocan Branch	Samson Road cor. Lapu Lapu St., Brgy. 79, Caloocan City	Php170,000.00	Jan. 14, 2022	1 year
Edsa-Muñoz Branch	EDSA cor. Roosevelt Ave., Quezon City	Php218,046.26	June 30, 2028	20 years
Grace Park Branch	225 Rizal Ave. Ext., Grace Park, Caloocan City	Php602,671.47	Sept. 30, 2025	10 years
Greenhills Branch	Metrosquare Building, 224 Ortigas Avenue, North Greenhills, San Juan City	Php193,881.95	Jan. 15, 2024	5 years
Makati-Pasay Road Branch	Liberty Building, 835 A. Arnaiz Ave., Makati City	Php509,927.19	Sept. 30, 2025	5 years
Malabon Branch	Rizal Avenue cor. Leoño St., Tañong, Malabon City	Php130,953.79	Feb. 28, 2022	5 years
Malate Branch	Remedios cor. M.H. Del Pilar Sts., Malate, Manila	Php484,090.99	Dec. 31, 2021	1 year
Morayta Branch Ext. (CEU - Mendiola)	Ground Floor, Generosa De Leon Science Center Building, Centro Escolar University, No. 9 Mendiola St., San Miguel, Manila	Php77,484.29	May 31, 2026	5 years
NAIA Branch (Terminal 1) NAIA Branch Ext. (Terminal 3)	Departure Level, NAIA Terminal 1, Parañaque City Stall No. 12 Arrival Level, NAIA Terminal 3, Pasay City	Php38,612.60 Php47,220.29	Dec. 31, 2021 Dec. 31, 2021	1 year 1 year

Philippine Trust Company (Philtrust Bank)
Leased Bank Sites
As of December 31, 2021

Branch Office	Location	Amount of Lease Payment Per Month	Lease Expiration Date	Lease Term
Ongpin Branch	Ongpin cor. Padilla Sts., Binondo, Manila	Php453,600.00	Oct. 31, 2022	5 years
Ortigas Branch	G102 One Magnificent Mile-CITRA Condo., Ortigas Center, Pasig City	Php179,032.00	July 31, 2025	5 years

Philippine Trust Company (Philtrust Bank)
Leased Bank Sites
As of December 31, 2021

Branch Office	Location	Amount of Lease Payment Per Month	Lease Expiration Date	Lease Term
Paco Branch	Simplicia Bldg., Pedro Gil cor. A. Linao Sts., Paco, Manila	Php65,296.00	-	Monthly
Padre Rada Branch	Padre Rada cor. Ilaya Sts., Tondo, Manila	Php345,744.00	Dec. 31, 2026	25 years
Quiapo Branch	F & C Tower, Plaza Miranda, Quiapo, Manila	Php298,144.00	June 30, 2022	5 years
Sucat Branch	Dr. A. Santos Ave. cor. Sta. Rita St., Parañaque City	Php145,851.66	Jan. 3, 2026	10 years
Tabora Branch	Tabora cor. M. De Santos Sts., San Nicolas, Manila	Php190,591.39	Dec. 31, 2021	1 year
Taft Branch	1844 Taft Avenue, Pasay City	Php274,757.57	June 6, 2022	5 years
Tordesillas Branch	Unit 101 Le Metropole Condominium, Sen. Gil Puyat Ave. cor. Tordesillas St., Makati City	Php206,941.80	Aug. 31, 2023	5 years
Provincial Branches Batangas Branch	Rizal Avenue cor. P. Gomez St., Batangas City	Php144,300.80	March 14, 2023	5 years
Cebu Fuente Branch	Osmeña Blvd. cor. J. Llorente St., Cebu City	Php202,796.74	March 31, 2022	5 years
Davao Recto Branch	Caritas Building, C.M. Recto St., San Pedro, Davao City	Php49,516.90	Oct. 1, 2022	1 year
La Union Branch	Diocesan Building, P. Gomez St., San Fernando City, La Union	Php91,800.00	Dec. 31, 2021	3 years
Lucena Branch	Quezon Ave. cor. Don Queblar St., Lucena City, Quezon	Php108,226.27	July 31, 2030	10 years

Annex "D-2"

Philippine Trust Company (Philtrust Bank)
Bank-Owned Properties - Future Bank Sites
As of December 31, 2021

Branch Office	Location	Mortgage, Lien or Encumbrance and Limitations on Ownership of Usage
Metro Manila Branches		
Caloocan Branch	Samson Road (near Bonifacio Monument), Caloocan City	None
Grace Park Branch	Rizal Avenue Ext., Grace Park, Caloocan City	None
Parañaque Branch	NAIA Road cor. Quirino Avenue, Parañaque City	None
Roosevelt Branch	274 Roosevelt Avenue, San Francisco Del Monte, Quezon City	None
Taft Avenue Branch	1812 Taft Avenue, Pasay City	None
Provincial Branches		
Gen. Santos Branch	Roxas Avenue cor. Osmeña St., Dadiangas, General Santos City	None
Kalibo Branch	Roxas Blvd. Extension, Brgy. Andagao, Kalibo, Aklan	None
La Union Branch	Quezon Avenue cor. Ancheta St., San Fernando City, La Union	None
Laoag Branch	Brgy. 13, Nuestra Señora de Visitacion, Laoag City	None
Mandaue Branch	A. Del Rosario & Zamora Sts., Centro, Mandaue City, Cebu	None
Ozamiz Branch	Rizal cor. Juan Luna St., Ozamiz City	None
Tarlac Branch	McArthur Highway cor. R. Mercado St., Brgy. Sto. Cristo, Tarlac City	None
Tuguegarao Branch	No. 1 Bonifacio St., Tuguegarao City, Cagayan	None
Vigan Branch	Bonifacio cor. Jacinto Sts., Vigan City, Ilocos Sur	None

ANNEX "E"

ITEMS REPORTED UNDER CURRENT REPORT
(SEC Form 17-C)

Date of Report	Item Reported
February 24, 2021	Board approval on February 23, 2021 setting the ASM on May 25, 2021 at 8:00 a.m. at the Philtrust Building, 1000 United Nations Avenue corner San Marcelino Street, Manila.
March 29, 2021	Resignation of Mr. Armando L. Suratos as Independent Director effective April 16, 2021.
April 5, 2021	Demise of Director Dr. Rosalinda Y. Gaw on March 30, 2021.
April 20, 2021	Board approval on April 19, 2021 of the postponement of the ASM from May 25, 2021 to July 20, 2021 due to COVID-19 pandemic which delayed the completion of the audited financial statements.
July 23, 2021	Authority granted by the Stockholders on July 21, 2021 for the Board to appoint and/or change the Bank's external auditor for the year 2021.
July 23, 2021	Election on July 21, 2021 of the twelve (12) Directors of the Bank for the ensuing year 2021-2022.
July 23, 2021	Results of the July 21, 2021 Organizational Meeting of the Board.
November 23, 2021	Appointment of Officers.
December 21, 2021	Re-appointment of Reyes Tacandong & Co. as the Bank's external auditor for the year 2021, pursuant to the authority granted by the Stockholders.
March 30, 2022	Board approval on March 29, 2022 setting the Annual Stockholders' Meeting (ASM) on May 31, 2022 at 8:00 A.M. at the Philtrust Building, 1000 United Nations Avenue corner San Marcelino Street, Manila.
May 6, 2022	Change of venue of the 2022 ASM to Manila Prince Hotel, Grand Ballroom, 1000 San Marcelino Street, Ermita, Manila.

Philippine Trust Company
(PHILTRUST BANK)
Sustainability Report 2021

Contextual Information

Company Details	
Name of Organization	PHILIPPINE TRUST COMPANY, also known as PHILTRUST BANK
Location of Headquarters	Philtrust Bank Building, 1000 United Nations Avenue corner San Marcelino Street, Manila
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	None
Business Model, including Primary Activities, Brands, Products, and Services	Personal and Corporate Loans Savings, Checking and Time Deposits FCDU and International Services Trust and Investment Services Other Banking Services
Reporting Period	2021
Highest Ranking Person responsible for this report	Mr. Pompeyo A. Claveria Vice President / Compliance Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary*

Materiality Process

This Sustainability Report is in compliance with the SEC Memorandum Circular No. 4 Series of 2019 and has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards.

The material topics for this Report were identified based on their relevance to Philtrust Bank's operations and activities and their importance in reflecting its economic, environmental and social impacts or in substantially influencing its stakeholders' decisions.

Based on the GRI, unless otherwise stated, "impact" refers to the effect Phliltrust Bank has on the economy, the environment and/or the society, which in turn can indicate its contribution (positive or negative) to sustainable development.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	5,661,314,090.80	PhP
Direct economic value distributed:		PhP
a. Operating costs	1,936,964,628.27	PhP
b. Employee wages and benefits	874,323,552.58	PhP
c. Payments to suppliers, other operating costs	1,236,086,792.76	PhP
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government	787,228,702.11	PhP
f. Investments to community (e.g. donations, CSR)	371,700.00	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact is the increased economic value to Philtrust Bank, hereinafter referred to as the "Bank", and to its Stakeholders. The Bank is directly involved in the generation and distribution of the impact. Part of the revenue earned by the Bank was distributed to its stakeholders thru payment of supplies, wages and benefits, dividends, taxes and donations. The difference is retained by the Bank for liquidity and for future investment.	Suppliers Employees Stockholders Government Community	Management ensures the economic policies approved by the Board are faithfully implemented and monitored.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
1. Health Pandemic such Covid-19. 2. Adverse effects of natural calamities such as typhoon, flooding, volcanic eruptions and other natural calamities disrupting banking operations.	Client Employees Suppliers Government Community	Management strictly complies with health and safety protocols imposed by the government and other regulatory bodies.

		Management adheres to the Business Continuity Plan (BCP) which was approved by the Board of Directors. Business continuity is a critical element in the Banks operations and any interruption thereto, whether perceived or real, negatively impacts to the financial resources of the Bank and its stakeholders. Having a BCP will mitigate the ill effects of business disruption by providing counteractive response to each disruptive incident.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Greater focus on digitization	Clients Employees Supplier	Transition to more aggressive computerized banking operations to serve clients unable to physically transact with the Bank.

Climate-related risks and opportunities[1]

Governance	Strategy	Risk Management	Metrics and Targets
N/A	N/A	N/A	N/A
Recommended Disclosures			
a) N/A	a) N/A	a) N/A	a) N/A
b) N/A	b) N/A	b) N/A	b) N/A
	c) N/A	c) N/A	c) N/A

The Bank's Business Continuity Plan which includes strategies pertaining to climate-related risks and opportunities is currently under revision to include, among others, detailed long, medium and short term plans.

[1]Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

Procurement Practices

Proportion of spending on local supplier

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Effective procurement management enabled the Bank to lower costs by procuring supplies and services locally at the best price. It provided the Bank better insight into its budget and how funds are spent.	Suppliers & Government	The Bank adheres to stringent procurement policy that supports its operational requirements. The procurement process is continuously monitored to ensure that it is effective and is aligned with the Bank's sustainability goals.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Supply and logistics risks are the major challenges in the procurement process of the Bank. Common type of risks i.e. market risks, potential frauds, cost and quality risks are also considered by the Bank in the context of risks associated with procurement practice.	Suppliers & Government	The Bank's procurement process involves an in-depth understanding of a business unit's requirements, identifying the right supplier in meeting those requirements, periodically evaluating supplier performance, and negotiating contracts that can provide the highest value at minimum cost.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Cost reduction is one of the benefits of good procurement practice valued by the Bank. Building good relationship with suppliers is another vital consideration for operational sustainability.	Suppliers & Government	The Bank employs sound procurement practice to ensure the right supply of materials, products and services, maintains quality standards, minimizes operational overheads, and preserves business sustainability.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

All new Directors, Officers and Staff are provided orientation which includes the Bank's Anti-Corruption Policy and Employee Code of Conduct.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Communication and training intensify the internal and external awareness of the evils of corruption, and empower the Bank and its stakeholders with the necessary capacity to combat it.	Employees Suppliers Community Government	The Bank is committed to the principle of honesty, integrity and transparency where corruption is not tolerated. Hence, the Board has approved an Anti-Corruption Policy to identify and provide mechanism to prevent and report incidents of corruption.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Operational and reputational risks	Employees Suppliers Community Government	Compliance with the Bank's Anti-Corruption Policy and other pertinent laws, rules and regulations
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Greater resolve to fight corruption could lead to fairer and more arm's length transactions, increased revenue, goodwill and untarnished reputation.	Employees	Compliance with the Bank's Anti-Corruption Policy and other pertinent laws, rules and regulations

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Primary business operations and supply chain	Employees Suppliers Community Government	Strict implementation of Anti-Corruption Policies and the Employee Code of Conduct
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Operational Risk	Employees Suppliers Community Government	Compliance with laws, rules and regulations
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The absence of corruption is an opportunity to highlight the Bank's good reputation and create value. Its positive impact to stakeholders demonstrates the Bank's adherence to integrity, governance and responsible business practice.	Employees Suppliers Community Government	Compliance with laws, rules and regulations

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Amount	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)	8,800.58*	Gallon
Energy consumption (LPG)		GJ
Energy consumption (diesel)	6,772.37*	Gallon
Energy consumption (electricity)	855,047*	kWh

*Energy Consumption for the year 2021

Reduction of energy consumption

Disclosure	Amount	Units
Energy reduction (gasoline)	(73.49)	Gallon
Energy reduction (LPG)		Gallon
Energy reduction (diesel)		Gallon
Energy reduction (electricity)	(2,873.00)	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The environmental dimension of sustainability concerns the Bank's impacts on living and non-living systems, including land, air, water and ecosystems. As a financial institution, the impact of energy consumption particularly electricity within the Bank is very minimal.	Employees, Suppliers, Community, Government, and Vulnerable Groups	Management strives to instill responsible and efficient use of electricity within the Bank in order to reduce operating cost, help combat climate change and lessen the Bank's over-all environmental footprints.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Adverse effects to the environment	Employees, Suppliers, Community, Government, and Vulnerable Groups	Management strives to instill responsible and efficient use of electricity within the Bank in order to reduce operating cost, help combat climate change and lessen the Bank's over-all environmental footprints.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Efficient Resource Management	Employees, Suppliers, Community, Government, and Vulnerable Groups	Management strives to instill responsible and efficient use of electricity within the Bank in order to reduce operating cost, help combat climate change and lessen the Bank's over-all environmental footprints.

Water consumption within the organization

Disclosure	Amount	Units
Water withdrawal		Cubic meters
Water consumption	6,714*	Cubic meters
Water recycled and reused		Cubic meters

*Water consumption for the year 2021

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As a financial institution, the consumption and discharge of water within the Bank have very minimal impact on the ecosystem.	Employees, Suppliers, Community, Government	Management encourages responsible and efficient use of water within the Bank in order to reduce operating cost, help prevent scarcity and other negative impacts to the ecosystem
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Adverse effects to the environment	Employees, Suppliers, Community, Government, and Vulnerable Groups	Management shall be mindful of the negative impacts of improper water discharge and take the necessary corrective action that may be undertaken within the Bank
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Efficient Resource Management	Employees, Suppliers, Community, Government, and Vulnerable Groups	Management shall endeavor to prevent water wastage to help ensure its availability for the next generation.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	N/A	
• Renewable	N/A	kg/liters
• Non-renewable	N/A	kg/liters
Percentage of recycled input materials used to manufacture the organization’s primary products and services	N/A	%

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Ecosystems and biodiversity (whether in upland /watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	ha
IUCN[2] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

[2] International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	N/A	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	N/A	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Air Pollutants

Disclosure	Quantity	Units
NO_x	N/A	kg
SO_x	N/A	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	8.064	Kg/year
Reusable		kg
Recyclable	2.760	kg
Composted		kg
Incinerated		kg
Residuals/Landfilled		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Waste can have significant impacts on the environment and human health when inadequately managed. The Bank is involved in recycling paper and plastic wastes which were accumulated in the regular course of banking operations.	Employees, Community, Suppliers, Government and Vulnerable group	Implementation of environmentally sound waste management in order to prevent or reduce waste through reuse and recycling.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Extensive negative impacts even beyond the location of dumpsites. Depletion of the materials and resources contained in wastes when incinerated or dumped in landfills.	Employees, Community, Suppliers, Government and Vulnerable group	Implementation of environmentally sound waste management in order to prevent or reduce waste through reuse and recycling.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opens opportunities to better understand and communicate waste related impacts and how to manage them.	Employees, Community, Suppliers, Government and Vulnerable group	Implementation of environmentally sound waste management in order to prevent or reduce waste through reuse and recycling.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	N/A	Cubic meters
Percent of wastewater recycled	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	Nil	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	Nil	#
No. of cases resolved through dispute resolution mechanism	Nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee Data

Disclosure	Amount	Units
Total number of employees[3]	810	
a. Number of female employees	561	#
b. Number of male employees	249	#
Attrition rate[4]	2.112	rate
Ratio of lowest paid employee against minimum wage	PH minimum wage= P537/day (21 days/month = P11,277) Lowest Salary = P15,000	Note: The Bank follows a 21 days per month rate.

The 2021 attrition rate of 2.11% may be due to the reason that majority of the employees who resigned are afraid of the COVID-19 pandemic. They would rather stay home rather than travel to their workplace. As the economy is easing in 2021, we have to hire new employees to replace those who have resigned.

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	17.8%	18.8%
PhilHealth	Y	5%	2%
Pag-ibig	Y	2.67%	2.4%
Parental leaves	Y	2.42%	1.8%
Vacation leaves	Y	100%	100%
Sick leaves	Y	65%	47%
Medical benefits (aside from Pag-ibig)	Y	30%	20%
Housing assistance (aside from Pag-ibig)	N	0%	0%
Retirement fund (aside from SSS)	Y	1.4%	1.2%
Further education support	Y	1%	0%
Company stock options	N	0%	0%
Telecommuting	N	0%	0%
Flexible-working Hours	N	0%	0%
(Others)			

[3] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[4] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is investment in human resources occurring in the primary business operations thru the compensation paid and benefits given by the Bank to its regular employees.	The Bank values its most important asset, the human resources. The Bank believes that adequate compensation, quality benefits and opportunity for career development are the key factors in gaining the loyalty of employees and in retaining them.
What are the Risk/s Identified?	**Management Approach**
Transfer of competent employees to other banks and scarcity of potential replacements.	Competitive salaries, benefits and other incentives that would attract and retain competent personnel.
What are the Opportunity/ies Identified?	**Management Approach**
Opportunities for career advancement	Scholarship progress and skills development/enhancement trainings

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	2,244	hours
b. Male employees	996	hours
Average training hours provided to employees		
a. Female employees	4	hours/employee
b. Male employees	4	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Effective training and development positively impact on Bank employees. The acquired upgraded skills and competencies particularly on the primary business operations of the Bank affecting deposits, lending, I.T., branches, audit and accounting. The Bank is directly involved through continuous training, monitoring, assessment and deployment of trained personnel.	Implementation and periodic review of the Bank's Guidelines on Training and Development
What are the Risk/s Identified?	**Management Approach**
Operational and reputational risks	Compliance with pertinent laws, rules and regulations
What are the Opportunity/ies Identified?	**Management Approach**
Employee training and development open opportunities for professional growth, promote employee satisfaction with their job, and strengthen loyalty to the Bank.	The Bank supports the growth and development of its employees who are considered partners in the success of the Bank

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	46	%
Number of consultations conducted with employees concerning employee-related policies		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact is the commitment by the Bank and the Employees Union to respect each other's rights. The Bank shall respect the right of employees to exercise freedom of association and to collectively bargain for a reasonable living wage on services rendered, while the Union shall respect the right of the Bank to a just and fair return on its capital.	Management is cognizant of, and upholds, the collective Bargain Agreement between the Bank and the Employees Union covering the period from January 1, 2020 to December 31, 2024 and granting benefits superior to the statutory provisions of the Labor Code and related issuances.
What are the Risk/s Identified?	**Management Approach**
Disruption of banking operations and supply chain due to grievances.	Referral to grievance and adjustment procedure.
What are the Opportunity/ies Identified?	**Management Approach**
Open opportunities for dialogue and grievance resolutions	The Management-Employee Committee shall meet to resolve grievances of parties involving the meaning, interpretation or application of the provision of the CBA

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	69.25	%
% of male workers in the workforce	30.74	%
Number of employees from indigenous communities and/or vulnerable sector*		#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
While the Bank hired more female employees (69.25%) than male (30.74%) in the primary banking operations, the recruitment, remuneration, and opportunities/training for advancement were equally applied regardless of gender.	The Bank is committed to promote diversity of qualified employees, eliminate gender bias and uphold equality in the recruitment, remuneration and opportunity for career advancement.
What are the Risk/s Identified?	**Management Approach**
Exposing the vulnerable group to disproportionate burden.	The Bank shall endeavor to hire qualified applicants from the said group.
What are the Opportunity/ies Identified?	**Management Approach**
Opportunity for the vulnerable group to prove their worth despite their age, physical disability or ethnic origin.	The Bank shall endeavor to hire qualified applicants from the said group.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,540,944	hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	182.5	hours

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Work related injuries, fatalities and ill-health of employees indirectly give impact to the Company's primary business operations.	The PTC Safety and health Committee facilitated a virtual presentation thru Elearning, the Mandatory Worker's Seminar at no cost to the workers. Employees were enjoined to perform required duties and responsibilities as provided for in the OSH Law to ensure a safe and healthful workplace for all.
What are the Risk/s Identified?	**Management Approach**
Employees exposure to the following most common office hazards: 1. Slips, Trips and Falls 2. Ergonomic Injuries 3. Eye Strain 4. Electrical Hazards	The effective implementation of control measures will definitely reduce or if not totally eliminate accidents related to the mentioned four most common office hazards. Supervisors, Officer in Charge and Staff will implement the following basic control measures: 1. Better housekeeping in all operational areas. 2. Regular inspection of wear and tear of power of cords and extension cords. Replacements of exposed wires. 3. Taking a 10-minute break for every hour you spend looking at the computer screen. Correct positioning of computer monitors slightly below eye level.
What are the Opportunity/ies Identified?	**Management Approach**
Prevention of workplace accidents	The Management conducts risk assessment as required to prevent workplace accidents as well as comply with other provisions of the Company's Occupational Safety and Health Program.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced Labor*	N	N/A
Child Labor*	N	N/A
Human Rights	Y	Policy against Sexual Harassment

*The provisions of the Labor Code are deemed incorporated in the CBA.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Any incident of human rights violation would negatively impact the primary business operations and supply chain. There are no such incidents in the Bank.	Management does not allow any form of forced or child labor.
What are the Risk/s Identified?	**Management Approach**
Operational and reputational risks	Management strictly adheres to Labor Code and the Bill of Rights
What are the Opportunity/ies Identified?	**Management Approach**
The absence of the said violations adds goodwill and value to the Bank.	Adheres to applicable law, rules and regulations.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

No

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance		N/A
Forced Labor		N/A
Child Labor		
Human Rights		
Bribery and Corruption		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	N/A
What are the Risk/s Identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies Identified?	**Management Approach**
N/A	N/A

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Branch Banking	Key cities in several provinces	N/A	N/A	Accessibility of bank services	Transfer/hiring of Officers and Staff who are native or residents of the community and knowledgeable of the preference, norm and culture therein.

*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: N/A

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
Operational risks	Efficiency and constant coordination with the Head Office and higher management.
What are the Opportunity/ies Identified?	**Management Approach**
Business expansion and creation of goodwill and loyalty to the Bank.	To anticipate probable negative impacts from local residents so that the same could be adequately addressed.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N/A

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For more than a hundred years, the Bank's service anchored on the principles of conservatism and efficiency had positive impacts on its primary business operations, the supply chain and other stakeholders. The Bank was directly involved in the impact.	Efficient personalized service to gain client trust and loyalty.
What are the Risk/s Identified?	**Management Approach**
Operational risk	Management shall endeavor to gradually shift to computerized banking without sacrificing its long time valued clients who prefer personalized service.
What are the Opportunity/ies Identified?	**Management Approach**
Bank expansion	To open more provincial branches.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety	0	#
No. of complaints addressed	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Health and safety of the clients indirectly impacts the Company's primary business operations. The Company is concerned with the health and safety and wellbeing of its clients.	The Management adheres to the prescribed government protocols, rules and regulations on health and safety
What are the Risk/s Identified?	**Management Approach**
Disease transmission (e.g., COVID-19)	The Management has implemented the safety and health standards in all workplaces aligned with the objectives of the minimum health standards of the Department of Health. The effective implementation of safety measures will surely prevent the spread of COVID-19 cases within the workplace.
What are the Opportunity/ies Identified?	**Management Approach**
Clients' satisfaction and loyalty	The Management implements the DTI and DOLE interim guidelines on workplace prevention and control of COVID-19, which contribute to client's satisfaction and loyalty.

Marketing and labeling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	N/A	#
No. of complaints addressed	N/A	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	N/A
What are the Risk/s Identified?	**Management Approach**
N/A	N/A
What are the Opportunity/ies Identified?	**Management Approach**
N/A	N/A

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No perceived impact as there is no recorded customer complaints on data privacy.	The Bank has Data Privacy Program approved in November 2018 which includes protocols on how to manage privacy complaints.
What are the Risk/s Identified?	**Management Approach**
Based on 2020 Privacy Impact Assessment an attack/data breach will most likely come/originate from an insider.	Privacy Impact assessment is conducted yearly and employees are given training on Data Privacy every quarter. Moreover, all employees are required to sign and execute a non-disclosure agreement.
What are the Opportunity/ies Identified?	**Management Approach**
The management was able to strengthen existing controls on data privacy and recognized more the value of customers data in a digitized economy.	The Bank shall develop systems/programs to gain more access and offer various products to clients.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No perceived impact as there is no recorded data breach and/or data leaks, thefts and losses.	The Bank has IT Security Policy which includes the creation of Breach Response Team and protocols on how to manage data breach.
What are the Risk/s Identified?	**Management Approach**
An attack may potentially come/originate from an insider. There is a need to strengthen Bank's Backup system.	All employees are required to sign and execute a Non-Disclosure Agreement. Bank entered a contract with ePLDT for co-location of its Backup system.
What are the Opportunity/ies Identified?	**Management Approach**
The management was able to strengthen existing controls on data security and employees get more updated in recent innovation on data security.	The Bank shall strengthen its existing system/program controls to be more resilient on a potential attack or data breach.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs
Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
1. Donation to the Philippine Red Cross	The Board approved the Bank's commitment to donate to the Philippine Red Cross the total amount of Five Million Pesos (P5,000,000.00) by donating One Million Pesos (P1,000,000.00) per year for five (5) years beginning 2017 to help the Philippine Red Cross purchase on installment a vessel equipped to answer the needs of disaster victims around the Philippines.		
2. Bank deposits	To instill the habit of saving for the future		
3. Loans and other credit facilities	Provides working capital for the direct generation and distribution of economic value		
4. Scholarship Program	To assist deserving students earn college or post-college degrees and become productive members of the community.		
5. Provident Fund	To help retirable employees transition from active employment to retirement stage.		

* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.