

COVER SHEET

P W 0 0 0 0 0 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

DEFINITIVE INFORMATION STATEMENT

1 2 3 1

Month Day
Fiscal Year

2 0 - I S

FORM TYPE

0 5 3 1 2 0 2 2

Annual Meeting

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

PHILTRUST BANK
Philippine Trust Company

NOTICE OF THE ANNUAL MEETING OF THE STOCKHOLDERS

TO ALL STOCKHOLDERS:

Please be informed that the Annual Meeting of the Stockholders of Philippine Trust Company, also known as PHILTRUST BANK, will be held on Tuesday, May 31, 2022 at 8:00 A.M. at Manila Prince Hotel, Grand Ballroom, 1000 San Marcelino Street, Ermita, Manila for the election of Directors and the transaction of the following:

A G E N D A

1. Call to order.
2. Proof of service of the required notice of the meeting.
3. Proof of presence of quorum.
4. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on July 21, 2021.
5. Approval of the Annual Report to the Stockholders and the Audited Financial Statements for the year 2021.
6. Ratification and approval of all the acts and transactions of the Board of Directors, the Committees and the Management, including related party transactions, since the 2021 Annual Meeting of the Stockholders.
7. Appointment of External Auditor.
8. Election of Directors.
9. Other matters.

Only stockholders as of the Record Date of April 29, 2022 are entitled to notice of, and vote at, the said meeting.


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

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

Your kind presence will be highly appreciated.

Manila, April 22, 2022.

By Authority of the Board of Directors,


AGNES B. URBANO
FVP/Asst. Corporate Secretary

AGENDA RATIONALE and DETAILS

Dr. Jaime C. Laya, Chairman of the Board of Directors, will welcome the stockholders present, invite them to the singing of the National Anthem, followed by the opening prayer.

1. Call to order

The 2022 Annual Stockholders' Meeting of Philippine Trust Company, also known as PHILTRUST BANK, will be called to order by the Chairman at 8:00 A.M. in accordance with the Bank's By-Laws.

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

The Asst. Corporate Secretary will submit to the Chairman her Affidavit of Service attesting that all stockholders of Philtrust Bank as of the Record Date of April 29, 2022 were duly notified of the 2022 Annual Stockholders' Meeting to be held on May 31, 2022 at 8:00 A.M.

3. Proof of presence of quorum.

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

4. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on July 21, 2021.

The Minutes of the Annual Stockholders' Meeting held on July 21, 2021 will be presented for the consideration and the approval of the stockholders. The said Minutes is posted on the Bank's website at www.philtrustbank.com.

5. Approval of the Annual Report to the Stockholders and Audited Financial Statements for the year 2021.

The 2021 Annual Report and Audited Financial Statements will be presented to the stockholders for their consideration and approval. The highlights thereof will be discussed by the President.

6. Ratification and approval of all the acts and transactions of the Board of Directors, the Committees and the Management, including related party transactions, since the 2021 Annual Meeting of the Stockholders.

All acts and transactions that were approved and adopted by the Board of Directors and its Committees, including related party transactions, and all Management actions to implement the aforesaid resolutions of the Board and those taken in the ordinary course of the Bank's business, since the Annual Meeting of the Stockholders held on July 21, 2021, will be presented to the stockholders for their consideration, approval and ratification.

7. Appointment of External Auditor.

The Chairman of the Audit Committee will recommend the grant of authority to the Board of Directors to appoint and/or change the Bank's external auditor for the year 2022. The said external auditor must be accredited by both the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission.

8. Election of Directors.

The Chairman of the Corporate Governance, Nomination and Remuneration Committee will endorse the Final List of Nominees who are eligible for election as Directors of the Bank for the ensuing year 2022-2023. The said Committee had evaluated their credentials and had determined that they possess all the qualifications and none of the disqualifications for directors. The twelve (12) Directors to be elected shall hold office for one (1) year and until their successors are elected and, shall have qualified.

Cumulative voting will be followed in the election of directors.

9. Other matters.

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

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

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of registrant as specified in its charter
 Philippine Trust Company also known as PHILTRUST BANK
3. Province, country or other jurisdiction of incorporation
 Manila, Philippines
4. SEC Identification Number - PW00000105
5. BIR Tax Identification Code - 340-000-541-102
6. Address of Principal Office - Philtrust Bank Building
 1000 United Nations Avenue corner
 San Marcelino Street, Manila
 Postal Code - 1007
7. Telephone Number - (632) 8524-90-61
8. Date, time and place of the meeting of security holders
 May 31, 2022 at 8:00 A.M. at Manila Prince Hotel, Grand Ballroom
 1000 San Marcelino Street, Ermita, Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders
 May 10, 2022
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (information on number of shares and amount of debt is applicable only to corporate registrants):

| | |
|----------------|----------------------------------|
| Title of class | Number of shares of common stock |
| Common shares | 1,000,000,000 |
11. Are any or all of registrant's securities listed on a Stock Exchange?
 Yes / No
 If yes, disclose the name of such stock exchange and the class of securities listed therein:
 The Bank's 1,000,000,000 common shares are listed at the Philippine Stock Exchange.

| |
|----------------|
| PART I. |
|----------------|

INFORMATION REQUIRED IN INFORMATION STATEMENT

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

A. GENERAL INFORMATION

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

Date : May 31, 2022
Time : 8:00 A.M.
Place : Manila Prince Hotel
Grand Ballroom
1000 San Marcelino Street, Ermita
Manila

Mailing Address of the Bank:

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

The Information Statement is first to be sent to security holders approximately on May 10, 2022.

Item 2. Right of Appraisal

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

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

- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

Stockholders as of the Record Date of April 29, 2022 shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting to be held on May 31, 2022. Stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the books of the corporation. Each share is entitled to one vote. However, in the election of Directors, every stockholder may cumulate his shares in accordance with the provisions of TITLE III Sec. 23 of the Revised Corporation Code. Hence, the stockholder may (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: Provided, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number of directors to be elected.

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

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

Equity Ownership of Foreigners as of March 31, 2022:

| Name of Stockholders | Citizenship | Class of Share | No. of Shares Subscribed and Paid | % |
|---|--------------|-------------------|--------------------------------------|---------|
| 1. PCD Nominee Corp. | Non-Filipino | Common | 227,918 | 0.0228 |
| 2. Botschaft N. Cheng or Sevilla Ngo | Taiwanese | Common | 1 | 0.0000 |
| Total | | | 227,919 | 0.0228% |
| | | | ===== | ===== |

Security ownership of certain record and beneficial owners of more than 5% as of March 31, 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. <i>Major Stockholder</i> Dr. Emilio C. Yap III <i>Authorized Representative</i> | Filipino | 269,000,014 | 26.9000% |
| Common Shares | U.S. Automotive Co., Inc. P.O. Box 3399, Manila Major Stockholder | Yap Family <i>Major Stockholders</i> Basilio C. Yap <i>Authorized Representative</i> | Filipino | 209,873,774 | 20.9874% |
| Common Shares | Seabreeze Enterprises, Inc. P.O. Box 4279, Manila Major Stockholder | Basilio C. Yap <i>Major Stockholder</i> Basilio C. Yap <i>Authorized Representative</i> | Filipino | 194,746,709 | 19.4747% |

| 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 <i>Major Stockholders</i> Anthony Joseph Y. Gaw <i>Authorized Representative</i> | Filipino | 184,783,230 | 18.4783% |
| Common Shares | Pioneer Insurance & Surety Corporation P.O. Box 1437 MCC, Makati Major Stockholder | Pioneer Inc. <i>Major Stockholder</i> Ernesto O. Chan <i>Authorized Representative</i> | Filipino | 70,950,696 | 7.0951% |

Philtrust Realty Corporation, which owns 26.9% of Philtrust Bank's 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.

Security ownership of management as of March 31, 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 (<i>Chairman of the Board</i>) | P | 333,250.00 Direct | Filipino | 0.0033 |
| Common Shares | 2. Carlos A. Pinpin, Jr. (<i>President</i>) | P | 1,000.00 Indirect thru PCD Nominee Corp. | Filipino | 0.0000 |
| Common Shares | 3. Sr. Justice Josue N. Bellosillo (Ret.) (<i>Vice Chairman and Corporate Counsel</i>) | P | 15,120.00 Direct | Filipino | 0.0002 |
| Common Shares | 4. Dr. Emilio C. Yap III (<i>Vice Chairman</i>) | P | 1,832,630.00 Direct | Filipino | 0.0183 |
| Common Shares | 5. Chief Justice Hilario G. Davide, Jr. (Ret.) (<i>Independent Director</i>) | P | 10,000.00 Direct | Filipino | 0.0001 |
| Common Shares | 6. Maria Georgina P. De Venecia (<i>Independent Director</i>) | P | 1,000.00 Indirect thru PCD Nominee Corp. | Filipino | 0.0000 |
| Common Shares | 7. Calixto V. Chikiamco (<i>Independent Director</i>) | P | 1,000.00 Indirect thru PCD Nominee Corp. | Filipino | 0.0000 |
| Common Shares | 8. Atty. Daniel Y. Loagan (<i>Independent Director</i>) | 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 (<i>Senior Vice President</i>) | 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 (<i>Executive Vice President</i>) | P5,050.00 | Direct | Filipino | 0.0001% |
| Common Shares | Luisa A. Lucin (<i>SVP/Principal Accounting Officer</i>) | P52,600.00 | Direct | Filipino | 0.0005% |
| Common Shares | Atty. Agnes B. Urbano (<i>FVP/Asst. Corporate Secretary</i>) | P66,710.00 | Direct | Filipino | 0.0007% |
| Common Shares | Benito D. Chua (<i>VP/Treasurer</i>) | 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.

Item 5. Directors and Executive Officers:

(a) Incumbent Directors:

| 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.

The Directors' attendance in the 2021 ASM is presented under Item 18 while their attendance in the 2021 Board meetings and Board Committee meetings are detailed as follows:

Attendance
Board of Directors' Meetings
2021
(Total of Meetings Held = 14)

| Name of Directors | No. of Meetings Attended |
|---|---------------------------------|
| Dr. Jaime C. Laya, Chairman | 14 |
| Sr. Justice Josue N. Bellosillo (Ret.), Vice Chairman | 13 |
| Dr. Emilio C. Yap III, Vice Chairman | 14 |
| Mr. Carlos A. Pinpin, Jr., President* | 7 |
| Chief Justice Hilario G. Davide, Jr. (Ret.), Independent Director | 13 |
| Mrs. Maria Georgina P. De Venecia, Independent Director* | 7 |
| Mr. Calixto V. Chikiamco, Independent Director* | 7 |
| Atty. Daniel Y. Laogan, Independent Director* | 7 |
| Mr. Ernesto O. Chan | 14 |
| Mr. Benjamin C. Yap | 14 |
| Ms. Miriam C. Cu | 14 |
| Mr. Tomas V. Apacible | 14 |

*First-time Directors elected on July 21, 2021.

Attendance
Board Committee Meetings
2021

| Executive Committee | Total of Meetings Held | No. of Meetings Attended |
|--|-------------------------------|---------------------------------|
| Dr. Jaime C. Laya, Chairman | 5 | 5 |
| Sr. Justice Josue N. Bellosillo (Ret.), Member | 5 | 5 |
| Dr. Emilio C. Yap III, Member | 5 | 5 |
| Mr. Carlos A. Pinpin, Jr., Member | 5 | 5 |
| Ms. Miriam C. Cu, Member | 5 | 5 |
| Mr. Ernesto O. Chan, Member | 5 | 5 |

| Audit Committee | Total of Meetings Held | No. of Meetings Attended |
|---------------------------------------|-------------------------------|---------------------------------|
| Atty. Daniel Y. Laogan, Chairman (ID) | 5 | 3 |
| Mr. Calixto V. Chikiamco, Member (ID) | 5 | 3 |
| Mr. Ernesto O. Chan, Member | 5 | 5 |
| Mr. Tomas V. Apacible* | 3 | 2 |
| Dr. Rosalinda Y. Gaw** | 3 | 1 |

*Committee member until August 2, 2021.

**Passed away on March 30, 2021.

| Board Risk Oversight Committee | Total of Meetings Held | No. of Meetings Attended |
|---|-------------------------------|---------------------------------|
| Mr. Calixto V. Chikiamco, Chairman (ID) | 4 | 3 |
| Chief Jus. Hilario G. Davide, Jr. (Ret.), Member (ID) | 4 | 4 |
| Mr. Tomas V. Apacible, Member | 4 | 4 |
| Mr. Jose M. Fernandez* | 4 | 0 |

*Committee member until July 21, 2021.

| Corporate Governance, Nomination, and Remuneration Committee | Total of Meetings Held | No. of Meetings Attended |
|---|-------------------------------|---------------------------------|
| Chief Jus. Hilario G. Davide, Jr. (Ret.), Chairman (ID) | 2 | 2 |
| Atty. Daniel Y. Laogan, Member (ID) | - | - |
| Mrs. Ma. Georgina P. De Venecia, Member (ID) | - | - |
| Mr. Ernesto O. Chan* | 2 | 2 |
| Mr. Tomas V. Apacible* | 2 | 1 |

*Committee members until August 2, 2021.

| Related Party Transactions Committee | Total of Meetings Held | No. of Meetings Attended |
|---|-------------------------------|---------------------------------|
| Chief Jus. Hilario G. Davide, Jr. (Ret.), Chairman (ID) | 1 | 1 |
| Mr. Calixto V. Chikiamco, Member (ID) | - | - |
| Atty. Daniel Y. Laogan, Member (ID) | - | - |
| Mr. Ernesto O. Chan* | 1 | 1 |
| Mr. Tomas V. Apacible* | 1 | 1 |

*Committee members until August 2, 2021.

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.

(b) Incumbent Corporate/Executive Officers:

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 (<i>Former Chairman, Monetary Board and Governor, Central Bank of the Philippines</i>) | 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 (<i>Retired Senior Justice of the Supreme Court</i>) | 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 |

*Age as of last birthday.

No one of the aforesaid Officers:

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

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.

(c) Nominees for Directors for the Ensuing Year 2022-2023:

The Corporate Governance, Nomination and Remuneration Committee (Corp. Gov. Committee) had screened, evaluated, approved and endorsed the final list of nominees for the positions of twelve (12) Directors of the Bank for the ensuing year 2022-2023. 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.

(d) Corporate/Executive Officers for the Ensuing Year 2022-2023:

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.

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 ensuring that RPTs are handled with integrity, in a sound and prudent manner, on arm's length basis and compliant with applicable laws and regulations to protect the interest of the 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.

Item 6. Compensation of Directors and Executive Officers

(a) Directors:

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

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

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

* Elected Director and President effective July 21, 2021.

**Estimated Amount.

| | <i>Year</i> | <i>Salary</i> | <i>Bonus</i> | <i>Others</i> |
|--|-------------|---------------|--------------|---------------|
| 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.

Employee Retirement Benefit Plan

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

Other employee benefits which are higher than the statutory requirements are provided for in the Collective Bargaining Agreement (CBA) between the Management and the Union which was executed on October 16, 2019 covering a five-year period from January 1, 2020 to December 31, 2024.

Profit Sharing

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

Outstanding Warrants or Options

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

Item 7. Independent Public Accountant

In their annual meeting held on 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.

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

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.

Item 8. Compensation Plans

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

Standard Arrangement and Material Terms of Other Arrangements

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

Terms and Conditions of Employment of Executive Officers

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

NOT APPLICABLE

Item 10. Modification or Exchange of Securities

NOT APPLICABLE

Item 11. Financial and other Information

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

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

NOT APPLICABLE

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

In the forthcoming 2022 annual stockholders' meeting, only the matters included in the Agenda will be considered and acted upon, including the following reports:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 21, 2021.
2. Approval of the Annual Report to Stockholders and the Audited Financial Statements for the year 2021.
3. Approval/ratification of all the acts and transactions of the Board of Directors, the Committees and the Management, including related party transactions, since the last annual meeting of the stockholders held in 2021.

Hereunder is a brief summary of the 2021-2022 resolutions of the Board, the Committees and the Management for ratification of the stockholders:

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

Item 16. Matters Not Required to be Submitted

NOT APPLICABLE

Item 17. Amendment of Charters, By-Laws or other Documents

NOT APPLICABLE

Item 18. Other proposed Action

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

Consistent therewith, the Minutes of the 2021 ASM will be presented to the stockholders for their consideration and approval during the 2022 ASM. The resolutions contained in the said 2021 ASM Minutes were voted upon via remote communication.

Out of the 1,000,000,000 total issued and outstanding shares, 948,755,855, or 94.88%, attended the 2021 ASM. Each share was equivalent to one vote, except in the election of directors where cumulative voting was allowed.

The rules and voting procedure which were adopted during the 2021 ASM is hereunder summarized, as follows:

1. The stockholders and proxies who have successfully completed the registration and validation procedure within the period July 12 to July 15, 2021 were: (1) allowed to participate in the 2021 ASM; (2) deemed present for the purpose of determining the quorum; and (3) provided with the link, meeting ID and passcode to enable them to view the proceedings.
2. The aforesaid stockholders and proxies were given the opportunity to ask questions on any item in the Agenda by allowing them to submit their questions thru email to the Office of the Corporate Secretary at ptcorsec@philtrustbank.com on or before July 15, 2021. Questions, if there be any, were to be answered as the corresponding agenda item is taken up. Those questions which could not be addressed immediately, would be referred to, and responded by, the Department concerned.

No questions on any item of the Agenda, or on any matters that are relevant to, or appropriate for, the ASM, were received by the Office of the Corporate Secretary during the allotted period.

3. There were only five (5) items voted upon, Items 4 to 8 of Agenda. For Items 4 to 7, one share was equal to one vote and a majority vote of all shares present in the meeting was required to approve a resolution. For Item No. 8, election of directors, cumulative voting was allowed.

4. Stockholders and proxies voted by submitting their ballots to the office of the Corporate Secretary or by email at ptcorces@philtrustbank.com from July 12 to July 15, 2021.

The matters discussed, resolutions and votes for each Agenda item of the 2021 ASM are presented below:

| Discussion/Resolution | Votes Received | | |
|---|----------------|---------|-----------|
| | For | Against | Abstained |
| 1. Approval of the Minutes of the ASM held on July 28, 2020. | 948,755,855 | 0 | 0 |
| 2. Approval of the Annual Report to the Stockholders and Audited Financial Statements for the year 2020. | 948,755,855 | 0 | 0 |
| 3. Ratification and approval of all the acts and transactions of the Board of Directors, the Committees and the Management, including related party transactions, since the Annual Meeting of the Stockholders on July 28, 2020. | 948,755,679 | 0 | 176 |
| 4. Grant of authority for the Board of Directors to appoint/change the Bank's external auditors for the year 2021. | 948,755,679 | 0 | 176 |
| 5. To cast in favor of each of the 12 nominees for the positions of 12 Directors of the Bank the unanimously votes all the shares present. | 948,755,855 | 0 | 0 |
| <p>Thereafter, the following were declared the duly Elected Directors of the Bank for the ensuing year 2021- 2022, to hold office for one year and until their successors are elected and shall have qualified, to wit:</p> <ol style="list-style-type: none"> 1. Dr. Jaime C. Laya 2. Sr. Justice Josue N. Bellosillo 3. Dr. Emilio C. Yap III 4. Chief Justice Hilario G. Davide, Jr., Independent Director 5. Mrs. Maria Georgina P. De Venecia, Independent Director 6. Mr. Calixto V. Chikiamco Independent Director 7. Atty. Daniel Y. Laogan Independent Director 8. Mr. Ernesto O. Chan 9. Mr. Benjamin C. Yap 10. Ms. Miriam C. Cu 11. Mr. Tomas V. Apacible 12. Mr. Carlos A. Pinpin, Jr. | | | |

Hereunder is the list of Directors, Officers and Stockholders who attended the 2021 ASM:

I. Directors

| | | |
|---|---|---------|
| 1. Dr. Jaime C. Laya | | |
| 2. Sr. Justice Josue N. Bellosillo | | |
| 3. Dr. Emilio C. Yap | | |
| 4. Chief Justice Hilario G. Davide, Jr., Independent Director | | |
| 5. Maria Georgina P. De Venecia, Independent Director | | |
| 6. Calixto V. Chikiamco, Independent Director | | |
| 7. Atty. Daniel Y. Laogan, Independent Director | | |
| 8. Ernesto O. Chan | | |
| 9. Benjamin C. Yap | | |
| 10. Miriam C. Cu | | |
| 11. Tomas V. Apacible | | |
| 12. Carlos A. Pinpin, Jr. | | |
| Sub-Total | - | 806,769 |

II. Officers

| | | |
|---------------------------------|---|--------|
| 1. Corazon L. Ho, SVP | | |
| 2. Victoria C. Lu, SVP | | |
| 3. Luisa A. Lucin, SVP | | |
| 4. Atty. Agnes B. Urbano, FVP | | |
| 5. George P. Castro, VP | | |
| 6. Benito D. Chua, VP | | |
| 7. Amelita G. Cua, VP | | |
| 8. Atty. Nemesio M. Domingo, VP | | |
| 9. Romana G. Lambengco, VP | | |
| Sub-Total | - | 81,268 |

III. Principal Stockholders

| | | |
|---------------------------------|---|-------------|
| 1. Philtrust Realty Corporation | | |
| 2. U.S. Automotive Co., Inc. | | |
| 3. Seabreeze Enterprises, Inc. | | |
| 4. Orient Enterprises, Inc. | | |
| Sub-Total | - | 858,403,727 |

| | | |
|------------------------|---|-------------|
| IV. Other Stockholders | - | 89,464,091 |
| | | ----- |
| Total shares present | - | 948,755,855 |
| | | ===== |

Item 19. Voting Procedures for the 2022 ASM

Every stockholder entitled to vote at the 2022 Annual Stockholders' Meeting shall have the right to vote in person or by proxy the number of shares standing in his name. Each share is entitled to one (1) vote.

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

Dr. Jaime C. Laya, Chairman of the Board shall preside over the 2022 ASM, while the Assistant Corporate Secretary shall count the votes to be cast thereat.

Dr. Laya presided over the 2021 ASM while Mr. Basilio C. Yap presided over the 2020 ASM.

Item 20. Statement of Management's Responsibility for Financial Statements and Audited 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.

The Interim Financial Statements for the quarter ended March 31, 2022 are likewise submitted herewith as Annex "B-2".

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

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

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila on the 5th day of May 2022.

Philippine Trust Company
(PHILTRUST BANK)
Issuer

By:

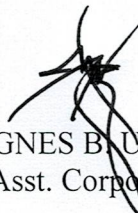


AGNES B. URBANO
FVP/Asst. Corporate Secretary

NOTICE

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

1. Copies of the Definitive Information Statement (SEC Form 20-IS) shall be made available to the stockholders at least 21 calendar days prior to the 2022 ASM. The Annual Report (SEC Form 17-A) shall be available not later than May 16, 2022, consistent with the SEC extended deadline. The Unaudited Interim Financial Statements for the Quarter Ended March 31, 2022 (SEC Form 17-Q) are hereto attached as Annex "B-2";
2. The said reports may be viewed on the Bank's website at www.philtrustbank.com after their submission to the regulatory bodies concerned.
3. Hard copies of the Annual Report (SEC Form 17-A) shall be provided upon request of any stockholder.



AGNES B. URBANO
FVP/Asst. Corporate Secretary

ANNEX “A”

BUSINESS EXPERIENCE OF DIRECTORS, NOMINEES AND OFFICERS

| <i>Name/Citizenship/Age</i> | <i>Title</i> | <i>Corporate Affiliation*</i> | <i>Profession/Occupation</i> |
|---|---|--|---|
| Dr. Jaime C. Laya Filipino 83 years old | Chairman Former President Former Governor Former Chairman Independent Director Independent Director Independent Director Independent Director Trustee Trustee Trustee Trustee Chairman Chairman Trustee Columnist Director Former Deputy Director General | Philtrust Bank Philtrust Bank Central Bank of the Philippines, 1981- 1984 Monetary Board, Central Bank of the Philippines, 1981-1984 Philippine AXA Life Insurance Co., Inc. GMA Network, Inc. and GMA Holdings, Inc. Ayala Land, Inc., Manila Water Company, 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 (Elected in 2021) 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.

| <i>Name/Citizenship/Age</i> | <i>Title</i> | <i>Corporate Affiliation*</i> | <i>Profession/Occupation</i> |
|---|--|--|--|
| 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/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.

| <i>Name/Citizenship/Age</i> | <i>Title</i> | <i>Corporate Affiliation*</i> | <i>Profession/Occupation</i> |
|---|--|---|---|
| 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. 22 nd Biennial Conference of the World Jurist Association – 2005 i. 13 th Annual International Judicial Conference – 2005 j. 2004 Ramon Magsaysay Awardees Conference – 2004 k. 22 nd Annual International Law and Religion Symposium - 2015 |

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

| <i>Name/Citizenship/Age</i> | <i>Title</i> | <i>Corporate Affiliation*</i> | <i>Profession/Occupation</i> |
|--|--|--|--|
| 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.

| <i>Name/Citizenship/Age</i> | <i>Title</i> | <i>Corporate Affiliation*</i> | <i>Profession/Occupation</i> |
|---|---|---|--|
| 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.

| <i>Name/Citizenship/Age</i> | <i>Title</i> | <i>Corporate Affiliation*</i> | <i>Profession/Occupation</i> |
|---|--|---|---|
| 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.

| <i>Name/Citizenship/Age</i> | <i>Title</i> | <i>Corporate Affiliation*</i> | <i>Profession/Occupation</i> |
|---|---|----------------------------------|--|
| 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.

| <i>Name/Citizenship/Age</i> | <i>Title</i> | <i>Corporate Affiliation*</i> | <i>Profession/Occupation</i> |
|---|---|--|--|
| 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.

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:

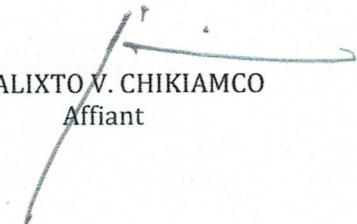
1. I am a nominee for re-election as Independent Director of Philippine Trust Company, also known as PHILTRUST BANK.
2. I am also affiliated with the following companies or organizations:

| 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
1008 U.N. Avenue, Manila

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. 29 ;
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-MLA0232546 2-11-2022
1000 U.N. Avenue, Manila

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. Levis 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 Philtrust Bank and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding
6. I am not in government services/affiliated with a government agency or GOCC.

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


Done this APR 19 2022 at the City of Manila.


MARIA GEORGINA P. DE VENECIA
Affiant

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

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

Doc. No. 132 ;
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 Attorneys-43309; IBP-624469
MCLE VI-0002910; PTR-MLA 0232546 2-11-2022
1000 U.N. Avenue, Manila



PHILTRUST BANK PHILIPPINE TRUST COMPANY

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

Annex "B"

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.

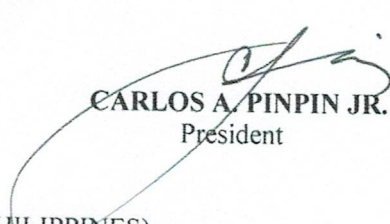
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease 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
Chairman of the Board


CARLOS A. PINPIN JR.
President

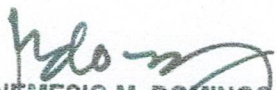

LUISA A. LUCIN
Chief Finance Officer

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

Subscribed and sworn to before me this APR 26 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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Book No. 1
Series of 2022


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

April 26, 2022



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.

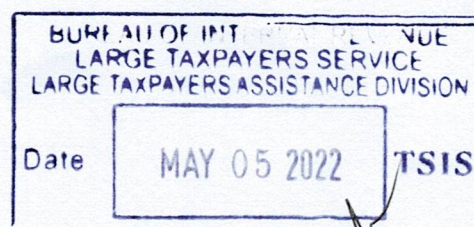
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting 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.





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

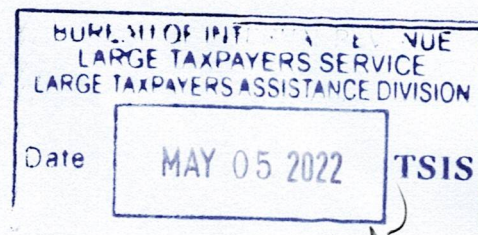
Valid until October 20, 2022

PTR No. 8851707

Issued January 3, 2022, Makati City

April 26, 2022

Makati City, Metro Manila



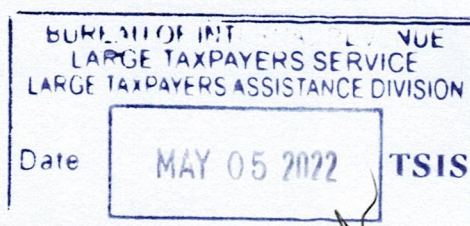
PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands

| | | December 31 | |
|---|------|---------------------|--------------|
| | Note | 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.



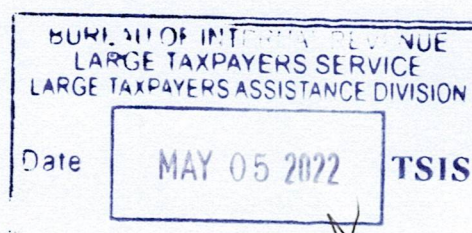
PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

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.



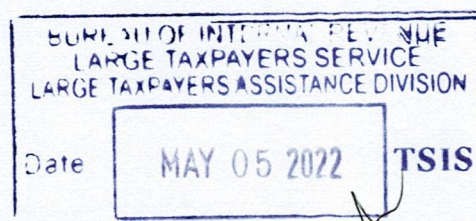
PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Thousands

| | | Years Ended December 31 | | |
|--|------|-------------------------|-------------------|-------------------|
| | Note | 2021 | 2020 | 2019 |
| NET INCOME | | ₱ 826,338 | ₱948,538 | ₱780,430 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| <i>Items to be reclassified to profit or loss:</i> | | | | |
| 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) |
| <i>Items not to be reclassified to profit or loss:</i> | | | | |
| 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.



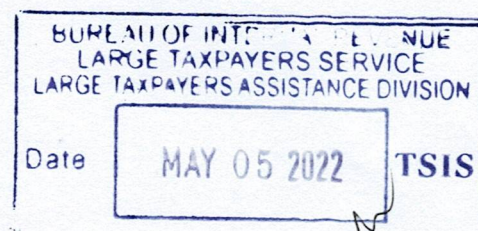
PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF CHANGES IN EQUITY

Amounts in Thousands

| | Note | Years Ended December 31 | | |
|--|------|-------------------------|-------------|-------------|
| | | 2021 | 2020 | 2019 |
| 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.



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)

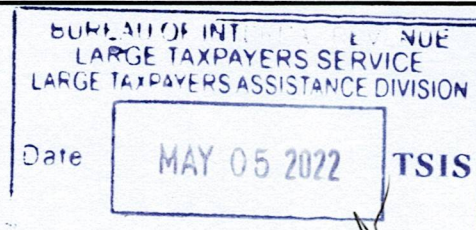
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

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| Years Ended December 31 | | | | |
|---|------|---------------------|-------------|-------------|
| | Note | 2021 | 2020 | 2019 |
| 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.



PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

NOTES TO FINANCIAL STATEMENTS

Amounts in Thousands

1. General Information

Philippine Trust Company (Philtrust Bank) (the Bank) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP). The Bank is primarily engaged in commercial banking. The Bank offers a wide range of products and services such as deposit products, loans, international, 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.

Financial Instruments

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

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

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

Financial Assets

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

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

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

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

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

The Bank does not have financial assets at FVPL as at December 31, 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 at 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 less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

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

Equity

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

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

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

Dividend Declaration. Dividends are recognized as a liability and deducted from equity when approved by the BOD of the Bank. Dividends for the year that are approved after year end are dealt with as an event after the reporting date.

Other Comprehensive Income (Loss)

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

Revenue Recognition

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

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

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

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

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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.

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 independent business function that is tasked to identify, measure, mitigate, monitor and report risks from the Bank's trading, position-taking, lending, borrowing, and other transactional activities.

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

Credit Risk

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

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

Credit Risk Management

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

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

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

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

As at December 31, 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 creditworthiness 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 | P41,936,529 | P– | P– | P41,936,529 |
| 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 |

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

²Comprised 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 |

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

²Comprised 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 or shortfall over the time frame for the liquidity assessment. Such analysis of net funding requirements involves construction of a Maturity Ladder and calculation of cumulative net excess or deficit. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities. Scenario stress tests are conducted periodically wherein liquidity managers analyze the behavior of cash flows under different conditions, i.e. from "normal" conditions to "extreme" situations. Finally, the BOD sets the Maximum Cumulative Outflow (MCO) Limit in order to control liquidity gap for each currency.

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

| | 2021 | | | | Total |
|---|----------------|--------------------|-------------------|-----------------|----------------|
| | On Demand | Less than One Year | One to Five Years | Over Five Years | |
| Financial Assets | | | | | |
| Cash and other cash items | P966 | P— | P— | P— | P966 |
| 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 |
| | P53,380 | (82,198) | P24,638 | P46,418 | P42,238 |

| | 2020 | | | | Total |
|---|-----------|--------------------|-------------------|-----------------|---------|
| | On Demand | Less than One Year | One to Five Years | Over Five Years | |
| 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 | | | Non-Repricing | Total |
| | Less than One Year | One to Five Years | Over Five Years | | |
| Financial Assets | | | | | |
| Due from BSP | P-- | P-- | P-- | P41,937 | P41,937 |
| 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 | (P114,955) | (P248) | (P7,601) | P141,606 | P18,802 |

| | 2020 | | | | |
|---|-----------------------|----------------------|--------------------|---------------|---------|
| | Repricing | | | Non-Repricing | Total |
| | Less than One Year | One to Five Years | Over Five Years | | |
| Financial Assets | | | | | |
| Due from BSP | P-- | P-- | P-- | P53,609 | P53,609 |
| 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 | | | Non-Repricing | Total |
| | Less than One Year | One to Five Years | Over Five Years | | |
| 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 | | | Total |
|---|------------------------|------------------------|----------------------|---------------|
| | Less than One Month | One to Three Months | Over Three Months | |
| 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 | | | Total |
|---|------------------------|------------------------|----------------------|---------|
| | Less than One Month | One to Three Months | Over Three Months | |
| 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 | | | | |
|---|---------------------|---------------------|---------------------|--------------------|---------------------|
| | Carrying Amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| 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 | | | | |
|---|-----------------|------------|---------|------------|------------|
| | Carrying Amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| 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:

| | Note | 2021 | | |
|---------------------------------|------|---------------------|-------------|---------------|
| | | Financial Assets at | | Total |
| | | Amortized Cost | FVOCI | |
| Balances at beginning of year | | ₱44,270,291 | ₱26,364,513 | ₱70,634,804 |
| Additions | | 285,403,659 | 4,264,060 | 289,667,719 |
| Disposals/maturities | | (270,297,175) | (3,968,676) | (274,265,851) |
| Net amortization of 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 |

| | Note | 2020 | | |
|---------------------------------|------|---------------------|--------------|--------------|
| | | Financial Assets at | | Total |
| | | Amortized Cost | FVOCI | |
| 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% to 7.39% | 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 |

| | | 2020 | | |
|--|------|-------------------|----------------------------|-------------------|
| | Note | 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 assets are 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 | 56,215 | — | 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 |
| | <u>₱72,320</u> |

In compliance with the existing BSP regulations, the Bank should, before the declaration of dividends, carry to retained earnings at least 10% of its income from trust operations since the last preceding dividend declaration until the retained earnings amount to 20% of its authorized capital stock.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Bank's personnel or third parties.

Cash Dividends

The Bank has not declared cash dividends in 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) |
| Balance at beginning of year | ₱11,707 | ₱3,512 |
| Remeasurement loss | (1,413) | (354) |
| Change in tax rates | — | (585) |
| Balance at end of year | ₱10,294 | ₱2,573 |

| | 2021 | |
|------------------------------|--------------------------------|----------------------------|
| | Cumulative Remeasurement Gains | Deferred Tax (see Note 26) |
| Balance at beginning of year | ₱11,243 | (₱3,373) |
| Remeasurement loss | 464 | (139) |
| Balance at end of year | ₱11,707 | (₱3,512) |

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:

| Nature of Transactions | 2021 | | 2020 | |
|---|------------------------------|----------------------|------------------------------|----------------------|
| | 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 | | Total |
|--|---------------------|--------------------|---------------------|
| | Treasury Group | Lending Group | |
| 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 | | Total |
| | Treasury Group | Lending Group | |
| 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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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 |
|--|--------------------|---|---|-----------------------------|
| <i>Equity Securities</i> | | | | |
| 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 |
|--|------------------------------------|---|---|-----------------------------|
| <i>Peso-denominated Debt Securities</i> | | | | |
| Government Securities | | | | |
| Fixed Treasury Notes | ₱760,000 | ₱771,723 | ₱771,723 | ₱49,378 |
| <i>Foreign currency-denominated Debt Securities</i> | | | | |
| 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 |
|--|------------------------------------|---|---|-----------------------------|
| <i>Peso-denominated Debt Securities</i> | | | | |
| 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 |
| <i>Foreign currency-denominated Debt Securities</i> | | | | |
| 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. *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 filed | Title of issue of each class of securities guaranteed | Total amount of guaranteed and outstanding (i) | Amount owned by person of which statement is filed | Nature of Guarantee (ii) |
|---|--|---|---|---------------------------------|
|---|--|---|---|---------------------------------|

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.

SEC Number : PW 105
File Number

PHILTRUST BANK

(PHILIPPINE TRUST COMPANY)

(Company's Full Name)

UNITED NATIONS AVENUE COR. SAN MARCELINO ST. MANILA

(Company's Address)

524- 90 - 61

(Telephone Number)

(Fiscal Year Ending)

(month & day)

SEC 17- Q

(Form Type)

N / A

(Amendment Designation (If applicable))

QUARTER ENDED MARCH 31, 2022

(Period Encoded Date)

NONE

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 - Q

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

1. For the quarterly period ended March 31, 2022
2. Commission Identification Number 105
3. BIR Tax Identification Number 000-541-102
4. Exact name of issuer as specified in its charter PHILIPPINE TRUST COMPANY-PHILTRUST BANK
5. Province, country or other jurisdiction of incorporation or organization MANILA
6. Industry Classification Code (SEC Use Only) _____
7. Address of issuer's principal office United Nations Avenue corner San Marcelino St. Manila
8. Issuer's telephone number, including area code 524-90-61 02
9. Former name, former address and former fiscal year, if changed since last report NA
10. Securities registered pursuant to Section 8 & 12 of the Code or Section 4 & 8 of the RSA

| Title of each class | Number of Shares of common stock outstanding and amount of debt outstanding |
|---------------------|--|
| <u>COMMON</u> | <u>1,000,000,000</u> |

11. Are any or all of the securities listed on a Stock Exchange?

Yes (/) No ()

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

PHILIPPINE STOCK EXCHANGE COMMON

12. Indicate by check mark whether the registrant

(a) has filed all reports required to be filed Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes (/) No ()

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

Yes () No (/)

Part 1 - Financial Information

Item 1. Financial Statements

SCHEDULE 1

**PHILTRUST BANK
PHILIPPINE TRUST COMPANY
COMPARATIVE STATEMENT OF CONDITION**

| | UNAUDITED | AUDITED |
|---|---------------------------|---------------------------|
| | MARCH 31, 2022 | DECEMBER 31, 2021 |
| <u>ASSETS</u> | | |
| Cash and Other Cash Items | 1,021,071,434.52 | 966,923,251.07 |
| Due from Bangko Sentral ng Pilipinas | 48,510,969,133.34 | 41,936,528,597.31 |
| Due from Other Banks | 1,600,114,802.77 | 2,196,720,698.74 |
| Available-for-Sale Investments | 23,448,445,635.86 | 26,019,685,185.70 |
| Held-to-Maturity Investments | 66,850,417,547.50 | 60,269,011,572.97 |
| Reverse Repurchase Agreements with the BSP | 3,095,277,722.00 | 12,951,079,737.00 |
| Loans and Receivables, net | 21,301,313,173.34 | 22,484,460,964.22 |
| Property and equipment | 2,975,089,344.73 | 2,960,414,262.35 |
| Investment properties | 1,683,458,849.33 | 1,661,528,255.69 |
| Deferred Tax Assets | 697,982,528.43 | 579,019,171.90 |
| Other Assets | 326,030,389.93 | 253,705,388.15 |
| TOTAL ASSETS | 171,510,170,561.75 | 172,279,077,085.10 |
| <u>LIABILITIES AND EQUITY</u> | | |
| <u>LIABILITIES</u> | | |
| Deposits - Demand | 1,338,277,640.39 | 1,249,327,516.27 |
| - Savings | 102,008,152,432.00 | 100,445,174,160.81 |
| - Time Certificate of Deposits | 43,321,005,288.52 | 43,620,177,216.23 |
| Total Deposits | 146,667,435,360.91 | 145,314,678,893.31 |
| Manager's Checks and Demand Drafts Outstanding | 383,580,072.32 | 328,803,100.70 |
| Accrued Taxes, Interest and Other Expenses | 207,686,171.78 | 156,060,807.60 |
| Deferred Credits and Other Liabilities | 460,829,786.03 | 416,560,362.40 |
| TOTAL LIABILITIES | 147,719,531,391.04 | 146,216,103,164.01 |
| <u>EQUITY ACCOUNTS</u> | | |
| Capital Stock | 10,000,000,000.00 | 10,000,000,000.00 |
| Reserves | 72,320,381.78 | 72,320,381.78 |
| Surplus | 14,657,777,171.80 | 13,848,728,364.11 |
| Undivided Profits | 180,664,406.81 | 826,338,715.08 |
| Net Unrealized Gains/(Losses) | (1,268,610,100.74) | 1,118,605,657.06 |
| Cummulative Translation Adjustments | 140,292,323.66 | 189,259,904.66 |
| Remeasurements of retirement benefit obligation | 8,194,987.40 | 7,720,898.40 |
| TOTAL EQUITY ACCOUNTS | 23,790,639,170.71 | 26,062,973,921.09 |
| TOTAL LIABILITIES & EQUITY ACCOUNTS | 171,510,170,561.75 | 172,279,077,085.10 |
| <u>CONTINGENT ACCOUNTS</u> | | |
| Financial Standby Letters of Credit | 0.00 | 0.00 |
| Performance Standby Letters of Credit | 19,304,500.00 | 19,248,925.00 |
| Commercial Letters of Credit | 306,058,383.15 | 169,422,563.56 |
| Trade Related Guarantees | 8,820,893.90 | 0.00 |
| Trust Department Accounts | 1,092,484,195.49 | 1,117,264,823.84 |
| Others | 31,155,347.44 | 20,973,219.05 |
| TOTAL CONTINGENT ACCOUNTS | 1,457,823,319.98 | 1,326,909,531.45 |

PHILTRUST BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2022 & 2021

| | <u>March 31, 2022</u> | <u>March 31, 2021</u> |
|--|----------------------------------|----------------------------------|
| Net Income | 180,664,406.81 | 140,137,320.06 |
| Other Comprehensive Income | <u>(2,435,709,249.80)</u> | <u>(1,487,801,291.58)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u><u>(2,255,044,842.99)</u></u> | <u><u>(1,347,663,971.52)</u></u> |

PHILTRUST BANK
STATEMENTS OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2022 & 2021

| | March 31, 2022 | March 31, 2021 |
|--|-------------------------|-------------------------|
| INTEREST INCOME | | |
| On Loans and Advances | 244,877,944.90 | 290,530,736.74 |
| On Investments & Trading Account Securities | 507,992,689.46 | 452,935,246.94 |
| On Available for Sale Securities | 173,294,405.55 | 181,093,213.73 |
| On Securities Purchased under Resale Agreement | 17,392,095.88 | 13,966,984.41 |
| On Deposits with Banks | 159,479,322.82 | 150,617,085.92 |
| TOTAL INTEREST INCOME | <u>1,103,036,458.61</u> | <u>1,089,143,267.74</u> |
| INTEREST EXPENSE | | |
| On Deposits | <u>645,919,067.22</u> | <u>527,286,835.85</u> |
| NET INTEREST INCOME | 457,117,391.39 | 561,856,431.89 |
| PROVISION FOR PROBABLE LOSSES | <u>-131,374,115.85</u> | <u>118,637,559.46</u> |
| NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES | 588,491,507.24 | 443,218,872.43 |
| OTHER INCOME | | |
| Income from Foreign Exchange Profit | 35,047,674.90 | 10,441,335.56 |
| Service Charges and Commissions | 11,686,008.21 | 11,099,650.19 |
| Gains/(Losses) from Sale/Redemption/Derecognition of Non-Trading Financial Assets and Liabilities | 77,628,023.05 | 202,783,035.95 |
| Other Operating Income | 77,384,274.01 | 29,033,968.35 |
| TOTAL OTHER INCOME | <u>201,745,980.17</u> | <u>253,357,990.05</u> |
| OTHER EXPENSES | | |
| Compensation and Fringe Benefits | 194,948,220.89 | 184,163,944.66 |
| Occupancy and Equipment-related Expenses-Rental | 8,847,119.50 | 18,866,236.68 |
| Depreciation/Amortization | 26,182,298.61 | 22,756,425.97 |
| Taxes and Licenses | 62,835,647.47 | 51,438,971.70 |
| Other Operating Expenses | 199,856,584.98 | 182,303,842.88 |
| TOTAL OTHER EXPENSES | <u>492,669,871.45</u> | <u>459,529,421.89</u> |
| INCOME BEFORE INCOME TAX | 297,567,615.96 | 237,047,440.59 |
| PROVISION FOR INCOME TAX | <u>116,903,209.15</u> | <u>96,910,120.53</u> |
| NET INCOME FOR THE QUARTER | <u>180,664,406.81</u> | <u>140,137,320.06</u> |
| EARNINGS PER SHARE | 0.18 | 0.14 |

PHILTRUST BANK

Computation of Earnings Per Share

No. of Shares - 1,000,000,000

| | March 31, 2022 | March 31, 2021 |
|-------------------------------------|----------------|----------------|
| Net Income for the period | 180,664,406.81 | 140,137,320.06 |
| Net Income Divided by No. of Shares | 180,664,406.81 | 140,137,320.06 |
| | 1,000,000,000 | 1,000,000,000 |
| Earnings Per Share | 0.18 | 0.14 |

PHILTRUST BANK
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
AS OF MARCH 31, 2022 & 2021

| AS OF MARCH 31, 2022 | COMMON | SURPLUS | RESERVE | UNDIVIDED PROFIT | NET UNREALIZED GAINS/(LOSSES) | CUMMULATIVE TRANS. ADJUSTMENTS | RETIREMENT BENEFIT |
|---|-------------------|-------------------|----------------|-----------------------------|--|---|-------------------------------|
| Balance, Dec. 31, 2021 | 10,000,000,000.00 | 13,848,728,364.11 | 72,320,381.78 | 809,048,807.69 | | | |
| Transfer of Undivided Profit to Surplus | | 809,048,807.69 | | (809,048,807.69) | | | |
| Adjustment on Undivided Profit | | 0.00 | | 0.00 | | | |
| Net Income for the period March 31, 2022 | | | | 180,664,406.81 | | | |
| Net Unrealized Gains/(Losses) | | | | | (1,268,610,100.74) | | |
| Cummulative Translation Adjustments | | | | | | 140,292,323.66 | |
| Retirement Benefit | | | | | | | 8,194,987.40 |
| Balance, March 31, 2022 | 10,000,000,000.00 | 14,657,777,171.80 | 72,320,381.78 | 180,664,406.81 | (1,268,610,100.74) | 140,292,323.66 | 8,194,987.40 |

| AS OF MARCH 31, 2021 | COMMON | SURPLUS | RESERVE | UNDIVIDED PROFIT | NET UNREALIZED GAINS/(LOSSES) | CUMMULATIVE TRANS. ADJUSTMENTS | RETIREMENT BENEFIT |
|---|-------------------|-------------------|----------------|-----------------------------|--|---|-------------------------------|
| Balance, Dec. 31, 2020 | 10,000,000,000.00 | 12,900,189,674.22 | 72,320,381.78 | 1,156,583,226.37 | | | |
| Transfer of Undivided Profit to Surplus | | 1,156,583,226.37 | | (1,156,583,226.37) | | | |
| Adjustment on Undivided Profit | | 0.00 | | 0.00 | | | |
| Net Income for the period March 31, 2021 | | | | 140,137,320.06 | | | |
| Net Unrealized Gains/(Losses) | | | | | 1,258,267,958.76 | | |
| Cummulative Translation Adjustments | | | | | | 234,123,523.66 | |
| Retirement Benefit | | | | | | | 7,870,031.40 |
| Balance, March 31, 2021 | 10,000,000,000.00 | 14,056,772,900.59 | 72,320,381.78 | 140,137,320.06 | 1,258,267,958.76 | 234,123,523.66 | 7,870,031.40 |

PHILTRUST BANK
STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2022 & 2021

| | <u>MARCH 31, 2022</u> | <u>MARCH 31, 2021</u> |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before tax | 297,567,615.96 | 237,047,440.59 |
| Adjustments for: | | |
| Allowance for Losses | (131,374,115.85) | 118,637,559.46 |
| Depreciation/Amortization | 26,182,298.61 | 22,756,425.97 |
| Auditor's adjustments | - | 262,086,388.47 |
| Operating Income before working capital changes | 192,375,798.72 | 640,527,814.49 |
| Decrease(Increase) in: | | |
| Loans & Receivables | 11,037,148,208.66 | 1,164,298,800.49 |
| Investment Properties | (21,930,594.33) | 120,424,866.83 |
| Other Resources | 242,740,898.36 | (370,357,490.84) |
| Increase (Decrease) in: | | |
| Deposit Liabilities | 1,352,756,467.60 | (2,365,637,573.35) |
| Manager's Checks | 54,776,971.62 | 138,804,240.65 |
| Accrued Taxes | 51,625,361.78 | (18,457,209.75) |
| Deferred Credits & Other Liabilities | 97,520,786.03 | 182,063,116.76 |
| Cash Generated from Operations | 13,007,013,898.44 | (508,333,434.72) |
| Income Taxes Paid | (116,903,209.15) | (148,349,092.23) |
| Net Cash Provided by Operating Activities | 12,890,110,689.29 | (656,682,526.95) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of Property & Equipment | (40,854,608.34) | 36,433,028.40 |
| Decrease(Increase) in: | | |
| Investment Securities | (6,817,273,257.44) | (4,974,598,106.00) |
| Cash used in Investing Activities | (6,858,127,865.78) | (4,938,165,077.60) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | 6,031,982,823.51 | (5,594,847,604.55) |
| Cash & Cash Equivalents, Beginning | | |
| Cash & Other Cash Items | 966,923,251.07 | 1,053,253,000.00 |
| Due from Bangko Sentral ng Pilipinas | 41,936,528,597.31 | 53,609,068,000.00 |
| Due from Other Banks | 2,196,720,698.74 | 2,056,688,515.31 |
| | 45,100,172,547.12 | 56,719,009,515.31 |
| Cash & Cash Equivalents, End | | |
| Cash & Other Cash Items | 1,021,071,434.52 | 1,009,755,381.21 |
| Due from Bangko Sentral ng Pilipinas | 48,510,969,133.34 | 48,335,088,264.15 |
| Due from Other Banks | 1,600,114,802.77 | 1,779,318,265.40 |
| | 51,132,155,370.63 | 51,124,161,910.76 |

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

The Bank ended the first quarter of 2022 with P171.510 Billion in Total Resources compared to last year's level of P172.225 Billion, a minimal decrease of P715.655 Million. Due from Bangko Sentral ng Pilipinas representing 28.28% of Total Resources increased by 15.68% due to higher volume of placements in Bangko Sentral ng Pilipinas deposits. Due from Other Banks decrease by 27.16% due to lower level of deposits and working balances with local and foreign correspondent banks. Held to Maturity Investments increase by P6.581 Billion or by 10.92% as the Bank rationalized its holdings of investment securities. Securities Purchased under Resale Agreement decreased by P9.855 Billion or by 76.10% as Bangko Sentral ng Pilipinas minimize its allocation with our Bank. With the unaudited figure of Deferred Tax Assets amounting to P697.982 Million increased by 20.55% compared to audited figure of P579.019 Million. Other Asset accounts increased by 61.20% as movements in these asset accounts can be accounted for by transactions in the ordinary course of business.

Deposit Liabilities at the end of the first quarter closed at P146.667 Billion compared from last year's level of P145.315 Billion a P1.352 Billion increase. The increase is attributable to the growth in current and savings deposits. The 16.66% increase in Manager's Checks represents various payable which have not yet been collected from the bank. Accrued Taxes increased by 33.08% due to higher accruals of gross receipts tax and on interest and other expenses. Deferred Credits increased by 26.84% due to higher level of transactions for the quarter. All other payables were paid by the Bank within the stated terms.

Capital Funds for the first quarter closed at P23.791 Billion a P2.272 Billion decrease from last year's level of P26.063 Billion. This is the impact of P180.664 Million earnings for the first quarter and the decrease of Net Unrealized Gain/Loss amounting to P2.387 Billion on account of the mark to market evaluation of investments.

The Bank has outstanding commitments, contingent liabilities, and bank guarantees that arise from normal course of operations. The Bank does not anticipate any losses that will materially affect its financial position and results of operations. Changes in nature and amounts in the financial statements were due more to market related factors inherent in nature of the issuer's business operations and were not considered unusual.

Results of Operations

The Bank generated Gross Earnings for the first quarter amounted to P1.304 Billion compared to P1.342 Billion from the previous year. Interest on Loans and Advances decreased by 15.71% due to lower collection of interest. Interest on Held to Maturity increased by 12.16% as the Bank disposed some of its maturing securities at a higher market rate. Interest on Securities Purchased under Resale Agreement increased by 24.52% due to higher interest rate. Foreign Exchange Profit increased by

P24.606 Million due to higher exchange rate compared to last year's level. Gains/Loss from Sale/Redemption of Investments decreased by 61.72% due to lower volume of transactions for the quarter. Other Operating Income increased by P48.350 Million due to sale of ROPA.

Interest Expenses increased by 22.50% because of higher deposits and higher interest rate compared from last year's level. Occupancy and Equipment related expenses decreased by 53.11%. Depreciation/Amortization increased by 15.05% due to increases in Amortization of office and IT equipment. Taxes and Licenses increased by 22.16% due to higher gross receipt tax compared from last year's level.

The Bank will continue to be conservative in the management of depositors and stockholder's 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.

Key Performance Indicators

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

| | <u>Mar. 31, 2022</u> | <u>Mar. 31, 2021</u> |
|--------------------------|----------------------|----------------------|
| Return on Average Equity | 0.75% | 0.53% |
| Return on Average Assets | 0.11% | 0.09% |
| Net Interest Margin | 0.35% | 0.29% |
| Capital to Risk Assets | 49.47% | 50.81% |
| Cost to Income Ratio | 45.72% | 83.00% |

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

| <u>Key Performance Indicator</u> | <u>Formula</u> |
|----------------------------------|--|
| 1. Return on Average Equity (%) | $\frac{\text{Net Income After Income Tax}}{\text{Average Total Capital Accounts}}$ |
| 2. Return on Average Assets (%) | $\frac{\text{Net Income After Income Tax}}{\text{Average Total Assets}}$ |
| 3. Net Interest Margin (%) | $\frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets}}$ |
| 4. Capital to Risk Assets (%) | $\frac{\text{Total Qualifying Capital}}{\text{Total Risk-Weighted Assets}}$ |
| 5. Cost to Income Ratio (%) | $\frac{\text{Total Operating Expenses}}{\text{Net Interest Income} + \text{Other Income}}$ |

Part II - Other Information

Our financial report for the first quarter of 2022 was prepared in compliance with Generally Accepted Accounting Principles as set forth in Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and SIC/IFRIC interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC pronouncements. The same accounting policies and methods of computation were consistently followed in our financial statements as compared with the annual audited financial statements. There were no cash dividends paid during the year of 2022. There were no material contingencies or any other unusual events or transactions affecting our financial condition since December 31, 2021. There are no known trends, demands, commitments, events or uncertainties that would have had a material conflict on our financial condition or results of operations or unfavorable impact on net revenues from continuing operations. There is no material commitment for capital expenditures. We don't anticipate any events that may cause any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations, including contingent obligations with unconsolidated entities.

For the first quarter of 2022, the Bank had no transactions that would require the following information or disclosures:

- a. Explanatory comments about the seasonality or cyclicity of interim operations.
- b. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.
- c. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.
- d. Issuances, repurchases and repayments of debt and equity securities.
- e. Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting.
- f. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- g. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discounting operations.
- h. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.
- i. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- j. Any seasonal aspects that had a material effect on the financial condition or results of operations.

1. Proposed Format for Aging of Accounts Receivable

Name of Company: PHILTRUST BANK
Aging of Accounts Receivable
As of March 31, 2022

| Type of Accounts Receivable | TOTAL | 1 Month | 2 - 3 Mos. | 4 - 6 Mos. | 7Mons. To 1 Year | 1 - 2 Yrs. | 3 - 5 Yrs. | 5 Yrs - above | Past due & Items in Lit. |
|---------------------------------------|--------------|------------|------------|------------|---------------------|--------------|------------|------------------|-----------------------------|
| a. Trade Receivbles | | | | | | | | | |
| 1. L & D | 64,372.01 | 64,372.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 2. Trust | 0.00 | 0.00 | | | | | | | |
| 3. Collection | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 4. BIR | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | |
| 5. Various | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Net Trade Rec'ble | 64,372.01 | 64,372.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| b. Non-Trade Receivbles | | | | | | | | | |
| 1. Officer | 261,976.83 | 259,377.42 | 0.00 | 2,599.41 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 2. ATM | 0.00 | 0.00 | | | | | | | |
| 3. Various | 8,848,334.97 | 687,499.25 | 0.00 | 3,071.80 | 0.00 | 8,157,763.92 | 0.00 | 0.00 | 0.00 |
| Subtotal | 9,110,311.80 | 946,876.67 | 0.00 | 5,671.21 | 0.00 | 8,157,763.92 | 0.00 | 0.00 | 0.00 |
| Less: Allow for Doubt- ful Account | 3,713,927.66 | | | | | | | | |
| Net Non-Trade Rec'ble | 5,396,384.14 | | | | | | | | |
| | | | | | | | | | |
| Net Receivables (a+b) | 5,460,756.15 | | | | | | | | |

Notes: If the Company's collection period does not match the above schedule and revision is necessary to make the schedule not misleading. the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

2. Accounts Receivable Description

| Type of Receivable | Nature/Description | Collection Period |
|---|--|-------------------|
| 1. Trade | L & D, Collection - insurance/realty tax | monthly |
| 2. Non-Trade | Officer/Employees - shortage | monthly |
| 3. Non-Trade | Various | monthly |
| Notes: Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivbles captions, both for trade and non-trade accounts. | | |

3. Normal Operating Cycle:

PHILTRUST BANK
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS
FOR THE PERIOD ENDED MARCH 31, 2022 & 2021

| | <u>March 31, 2022</u> | <u>March 31, 2021</u> |
|----------------------------------|-----------------------|-----------------------|
| Current Ratio | 112.26% | 114.35% |
| Debt to Equity Ratio | 620.91% | 541.33% |
| Asset to Equity Ratio | 720.91% | 641.33% |
| Net Interest Margin Ratio | 0.35% | 0.29% |
| PROFITABILITY RATIO: | | |
| Profit Margin Ratio | 187.43% | 245.73% |
| Return to Assets | 0.11% | 0.09% |
| Return on Equity | 0.75% | 0.53% |

**New and Amended Philippine Financial Reporting Standards (PFRS)
effective starting January 1, 2013**

| Title | Subject | Remarks |
|------------------|---|----------------|
| PAS 27 (Amended) | Separate Financial Statements | Adopted |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | Not Applicable |
| PAS 29 | Financial Reporting in Hyperinflationary Economics | Not Applicable |
| PAS 32 | Financial Instruments: Disclosure and Presentation | Adopted |
| PAS 33 | Earnings per Share | Adopted |
| PAS 34 | Interim Financial Reporting | Not Applicable |
| PAS 36 | Impairment of Assets | Adopted |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | Adopted |
| PAS 38 | Intangible Assets | Adopted |
| PAS 40 | Investment Property | Adopted |
| PAS 41 | Agriculture | Not Applicable |
| PFRS 1 (Revised) | Amendments to PFRS 1: Government Loans | Not Applicable |
| PFRS 3 (Revised) | Business Combinations | Adopted |
| PFRS 7 | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | Adopted |
| PFRS 8 | Operating Segments | Not Applicable |
| PFRS 9 | Financial Instruments | Adopted |
| PFRS 10 | Consolidated Financial Statements | Not Applicable |
| PFRS 11 | Joint Arrangements | Not Applicable |
| PFRS 12 | Disclosure of Interests in Other Entities | Not Applicable |
| PFRS 13 | Fair Value Measurement | Adopted |
| PFRS 14 | Regulatory Deferral Accounts | Not Applicable |
| PFRS 15 | Revenue from Contracts with Customers | Adopted |
| PFRS 15 | Amendments PFRS 15: Clarification to PFRS 15 | Adopted |
| PFRS 16 | Leases | Adopted |

FINANCIAL RISK DISCLOSURE

A. Assessment of Financial Risk Exposure of the Bank as of March 31, 2022.

I. Market Risk: Foreign Exchange and Interest Rates.

1.1 Foreign Exchange Position

The net overbought open FX position of the bank as of **March 31, 2022**, the bulk of which is in USD is **USD40million**, the peso equivalent of **Php2.109 billion or 9.228%** 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. 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 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 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 **Php144.526 billion** while loans (net of allowances) amounted to **Php20.848 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 collateral. Some major loan accounts are also backed by guarantees. A small percentage of the loans are on unsecured basis but these are extended to clients with strong financial position, adequate cash flow generating capacity, significant deposits and with strong track record of payments. The lending process begins with credit selection and continues to administration and review of loan accounts on a regular basis. Reporting to and review by the credit committee is an integral part 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. 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.

3. 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.

¹AC – Amortized Cost


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

Registrant PHILIPPINE TRUST COMPANY - CARLOS A. PINPIN JR.

Signature and Title  President 

Date May 05, 2022

Principal Financial/Accounting Officer/Controller LUISA A. LUCIN

Signature and Title  Senior Vice President

Date May 05, 2022

MANAGEMENT REPORT

Description of the general nature and scope of the business of the registrant

(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 a significant amount of its assets outside the course of its business.

Having officially listed on February 17, 1988, Philtrust Bank is one of the first few banks that traded their shares in the then Manila Stock Exchange and Makati Stock Exchange now Philippine Stock Exchange, Inc. (PSE).

(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.

(3) Holders

The Bank has an authorized capital stock of Twenty Two Billion Pesos (P22,000,000,000.00) divided into Two Billion Two Hundred Million shares with the par value of P10.00 per share. The capital stock consists entirely of common shares with the same voting rights. Each share is entitled to one vote except in the election of directors where every stockholder may cumulate his shares in accordance with the provisions of the Title III Sec. 23 of the RCC.

Paid-up capital stands at Ten Billion Pesos (P10,000,000,000.00). There are no unpaid subscriptions and there are no Treasury shares.

As of the Record Date of April 29, 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 Record Date are the same as of those for the quarter ended March 31, 2022, 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.

(4) 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 |

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 19, 2022 | P107.90 | P107.90 | P107.90 | P107.90 | P108.00 |

(5) Recent Sales of Securities

Based on the PDTC* transmittal letter/upliftment report forwarded to the Bank on November 5, 2019, hereunder is the most recent sale/transfer of the Bank's shares, to wit:

| Transaction Date | Title | Amount | To Whom Sold | Terms |
|------------------|---------------|---------------|---|---|
| November 5, 2019 | Common shares | P503,828.60** | Anthony Joseph Y. Gaw or Francis Y. Gaw | 4,321 shares were uplifted from PCD Nominee Corp.- Filipino |

*Philippine Depository and Trust Corp.

**The market price then prevailing was P116.60/share.

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

(6) Dividends

As provided for in the Bank's By-Laws, the Board of Directors may declare dividends only from the profit of the business of the Corporation, and then only after retaining unimpaired the entire subscribed and paid capital stock, the reserve fund required by law, and a sum sufficient to pay all the expenses then incurred by the Corporation, inclusive of taxes.

On April 25, 2017, the Board of Directors declared a cash dividend of P0.20 per share or Two Hundred Million Pesos (P200,000,000.00) to all stockholders of record as of July 11, 2017 and payable on July 12, 2017.

The said cash dividend was subsequently approved, confirmed and ratified by the stockholders at their annual meeting held on the same day, April 25, 2017.

There are no restrictions that would limit the ability of the Bank to pay dividends on its common shares or likely to do so in the future.

(7) Corporate Governance

The Directors and Management of the Bank are fully aware of, and sensitive to, the need for good corporate governance. The Bank Management with its traditional and usual practice strictly observes the tenets of good governance in its dealing with depositors, stockholders, employees and other stakeholders.

- a) Based on the Performance Evaluation System approved by the Board of Directors, a self-assessment is conducted annually by the Members of the Board, the Management, and the Staff to determine and measure the level of their respective compliance with the Bank's MCG.

Evaluation results have shown that the Board, the Directors, the Officers and Staff have complied with their respective duties and responsibilities under the Bank's MCG as well as with relevant laws, regulations, and code of best business practice.

- b) The Board of Directors approved on May 30, 2017 the amendment of the Bank's MCG in accordance with the SEC Memo Circular 19, and with the leading practices on good corporate governance.

As mandated by the said SEC Memo Circular 19, the Directors and key Officers annually attend corporate governance seminars, the latest of which was on November 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.

UNDERTAKING

Upon written request by any stockholder, the Bank undertakes to furnish said stockholder a copy of the Bank's Annual Report (SEC Form 17-A), free of charge except for the exhibits attached thereto which shall be charged at cost. Written requests for a copy of SEC Form 17-A shall be addressed to the following:

PHILTRUST BANK
1000 United Nations Avenue
Corner San Marcelino Street, Manila

Attention: **CARLOS A. PINPIN, JR.**
President

PHILTRUST BANK
(Philippine Trust Company)

By:



AGNES B. URBANO
FVP/Asst. Corporate Secretary

**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:

| | <u>Dec. 31, 2019</u> | <u>Dec. 31, 2018</u> |
|--------------------------|----------------------|----------------------|
| 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:

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

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

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 cyclicalities 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 |
|--|--|
| <p>a. Assess the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the company, provide a discussion in the report on the qualitative and quantitative impact of such risks and include a description of any enhancement in the company's risk management policies to address the same;</p> | <p>A. Assessment of Financial Risk Exposure of the Bank as of December 31, 2019.</p> <p>I. Market Risk: Foreign Exchange and Interest Rates.</p> <p>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% 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 and also 2019.</p> <p>It is our view that foreign exchange and interest rates volatility will remain within normal bounds of 2SD because of BSP proactive stance and any variance would be within our level of confidence for the following reasons:</p> <p>1.1.1 BSP's effective management of foreign exchange reserves vis-à-vis the major global currencies, to wit: USD, EURO, SGD, GBP, JPY, HKD and AUD.</p> <p>1.1.2 The interest rate on the USD will gradually increase in the medium term and longer term and in</p> |

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| | | <p>which case the bank will necessarily align its position.</p> <p>1.1.3 Net open position of our bank is not speculative and manageable.</p> <p>II. Liquidity Risk</p> <p>The risk profile of the bank's balance sheet remains low with more concentration in liquid assets and investments in government securities other than lending. Liquid assets and investment securities accounted for 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.</p> <p>III. Credit Risk</p> <p>The bulk of bank loans are fully secured by real estate. Some major loan accounts are backed by guarantees, and a small percentage of the loans are clean, without collateral or guarantee but extended to clients who are known to the bank for their good credit reputation. The lending process begins with credit selection and continues to administration and review of loan accounts on a regular basis. Reporting to and review by the credit committee are parts of the whole credit process and done on a regular basis.</p> |
| 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: |

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| 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. |

Management's Discussion and Analysis of Financial Condition and Results of Operations for Calendar Year 2020

Financial Condition

The Bank closed the year 2020 with Total Resources reaching a new record high of P168.470 Billion, a remarkable increase of P7.678 Billion over the previous year. Growth in resources came primarily from Due from Bangko Sentral ng Pilipinas and Deposit Liabilities representing 31.82% and 83.59% respectively. Due from Bangko Sentral ng Pilipinas increased by 76.60% or by P23.253 Billion because of minimal allocation of Reverse Repurchase Agreement which decreased by 37.26% or by P7.577 Billion. Cash and Other Cash Items increased by 16.45% or by P148.756 Million on account of higher cash placements this period compared from last year's level. Due from Other Banks decreased by 21.84% due to lower level of deposits and working balances with both local and correspondent banks. Available for Sale Investments decreased by P10.640 Billion or by 28.77% as the Bank dispose some of its securities. Deferred Tax Assets decreased by 27.38% compared from last year's level as the Bank did not recognized deferred tax asset for the year 2020. Other Assets increased by 15.45% as movements in these accounts can be accounted for by transactions in the ordinary course of business.

Deposit Liabilities stood at P140.828 Billion, compared to P134.346 Billion from last year's level, a remarkable P6.481 Billion. The increase in Deposit Liabilities came primarily from savings deposit which registered a P7.980 Billion. The 39.61% decrease in Manager's Checks represents lower volume of outstanding checks issued compared from last year's level. Deferred Credits and Other Liabilities increased by 10.71% or by P39.650 Million due to higher level of transactions for the year. All other payables were paid within the stated terms.

Capital Funds now at P26.909 Billion, reflected a P1.213 Billion increase compared to last year's level of P25.696 Billion. This can be accounted from the earnings for the year amounting to P948.538 Million and the increase in Net Unrealized Gains of P358.189 Million due largely on account of mark to market valuation of investments and the decrease of Cumulative Transition Adjustment amounting to P93.506 Million. The Capital Adequacy Ratio (CAR) for the period is 50.74%, which is well above the BSP minimum requirements of 10% is indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

The Bank has outstanding commitments, contingent liabilities, and bank guarantees that arise from the normal course of operations. The Bank does not anticipate any losses that will materially affect its financial position and results of operation. Changes in nature and amounts in the financial statement were due more to market related factors inherent in nature of the issuer's business operations and were not considered unusual.

Results of Operations

Total gross earnings for the period amounted to P7.602 Billion compared to P7.713 Billion of the previous year. Declining interest rates on loans resulted in the decrease on interest on Loans and Receivables by 37.81% or by P776.296 Million. Interest on Available for Sale Securities decreased by 27.59% as the Bank hold on its securities due to lower market rate. Interest on Deposit with Bank decreased by 12.07% due to lower availment of Reverse Repurchase Agreement with the Bangko Sentral ng Pilipinas. Income from Foreign Exchange Profit decreased by 29.01% due to lower exchange rate compared from last year's level. Service Charges and Commissions decreased by 39.58% due to lower volume of transactions. Other Operating Income increased by 125.11% due to higher profits on Sale or Redemption of Investments. We provided additional allowance for credit losses for the year, thus provision for probable losses closed at P152.700 Million compared from P37.349 Million from previous year.

Interest Expense decreased by 19.24% because of lower interest rate compared from last year level. Occupancy and Equipment related expenses increased by 197.38% due to some renovation for relocation of some branches. Depreciation/Amortization decreased by 26.84%. Taxes and Licenses increased by 23.18% due to higher gross receipts tax compared from last year's level. All other expenses with an increase/decrease by less than 10% are normal in the ordinary course of business. Net Income closed at P948.538 Million compared from last year's level of P780.429 Million.

We are confident that we can successfully meet the challenges of times as we have proven in the past and make the Bank an even stronger financial institution. We will continue investing in technology and thereby fully support electronic commerce in the coming years. The Bank will continue to focus on its core business and to deepen its banking relationship with more prospective clients and to offer more excellent customer serve despot with the recent Covid 19 pandemic.

Covid 19 and its effect for the year 2020. The Bank has been determining critically of function on the basis of importance in completing needed transactions. So far the pandemic does not hampered Bank operations whether at the Head Office of in Branches. The Bank has been observing health protocols established by the government agencies concerned.

Key Performance Indicators

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

| | <u>Dec. 31, 2020</u> | <u>Dec. 31, 2019</u> |
|--------------------------|----------------------|----------------------|
| Return on Average Equity | 4.34% | 3.15% |
| Return on Average Assets | 0.71% | 0.50% |
| Net Interest Margin | 1.23% | 1.67% |
| Capital to Risk Assets | 50.74% | 45.55% |
| Cost to Income Ratio | 57.66% | 59.60% |

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

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

Part II - Other Information

Our financial report for the year 2020 was prepared in compliance with Generally Accepted Accounting Principles as set forth in Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and SIC/IFRIC interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC pronouncements. The same accounting policies and methods of computation were consistently followed in our financial statements as compared with the annual audited financial statements. There were no cash dividends paid during the year of 2020. There were no material contingencies or any other unusual events or transactions affecting our financial condition since December 31, 2019. There are no known trends, demands, commitments, events or uncertainties that would have had a material conflict on our financial condition or results of operations or unfavorable impact on net revenues from continuing operations. There is no material commitment for capital expenditures. We don't anticipate any events that may cause any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations, including contingent obligations with unconsolidated entities.

PFRS 9, Financial Instruments: Classification and Measurement

Transition. As allowed under transitory provisions of PFRS 9, the Bank applied the requirements of PFRS 9 retrospectively but opted not to restate the comparative information. Differences in the carrying amounts of financial assets resulting from the adoption of PFRS 9 were recognized in the unrealized gains and losses and beginning balance of cumulative unrealized gains on investment securities and other upon reclassification of the financial assets. The beginning balances of allowance for credit and impairment losses on loans and receivables and surplus were adjusted as a result of the adoption of PFRS 9.

Classification and Measurement. Based on the Bank's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2019, the Bank has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39, except for some of its government securities

Impairment. The Bank has determined that the application for the new requirement for impairment under PFRS 9 resulted in an additional allowance for credit and impairment losses on loans and receivables and investment securities.

PFRS 16, Leases – As at January 1, 2019, the Bank has adopted the modified retrospective approach in initial application of PFRS 16. Accordingly, no adjustment in the beginning retained earnings/surplus and 2018 financial statements were not restated.

As a practical expedient, the Bank applied the exemption not to recognize right-of-use (ROU) assets and liabilities for leases with lease term that ends within 12 months from the date of initial adoption. Rent expense for these leases amounted to P20.2 Million in 2019.

*For the year 2020 bulk of earning liquid assets of P139.014 Billion were invested in high yielding deposits with Bangko Sentral ng Pilipinas at P53.609 Billion, in 2019 majority of earning assets of P131.698 Billion were invested in investments securities totaling P 78.374 Billion. Such earning liquid assets likewise sufficiently cover 98.71% and 98.01% of total liabilities respectively for the years 2020 and 2019. Deposit Liabilities, which comprise majority of funds used for investing and lending activities represent 83.59% and 83.55% of total assets for the years 2020 and 2019 respectively. Equity account at P26.909 Billion in 2020 and P25.696 Billion in 2019 remained in compliance with required capital for universal banks. Noted increase is due to profits from operation and improvement in the market value of investment securities.

For the year 2020, the Bank had no transactions that would require the following information or disclosures:

- a. Explanatory comments about the seasonality or cyclicity of interim operations.
- b. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.
- c. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.
- d. Issuances, repurchases and repayments of debt and equity securities.
- e. Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting.
- f. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- g. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discounting operations.
- h. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.
- i. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- j. Any seasonal aspects that had a material effect on the financial condition or results of operations.

*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 |
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| <p>a. Assess the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the company, provide a discussion in the report on the qualitative and quantitative impact of such risks and include a description of any enhancement in the company's risk management policies to address the same;</p> | <p>A. Assessment of Financial Risk Exposure of the Bank as of December 31, 2020.</p> <p>I. Market Risk: Foreign Exchange and Interest Rates.</p> <p>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% of the bank's unimpaired capital which is well within the 20 percent limit prescribed by BSP regulation. The overbought (long) USD position is exposed to foreign exchange risk as well as interest rate risk. But the probability of risks is moderate because of the normal volatility of exchange rates and also owing to effective monetary policy of BSP and strong economic fundamentals of the country. In our specific case, the bank managed the risk quite well and made foreign exchange profit on a year-on-year basis.</p> <p>It is our view that foreign exchange and interest rates volatility will remain within normal bounds of 2SD because of BSP proactive stance and any variance would be within our level of confidence for the following reasons:</p> <p>1.1.1 BSP's effective management of foreign exchange reserves vis-à-vis the major global currencies, to wit: USD, EURO, SGD, GBP, JPY, HKD and AUD.</p> <p>1.1.2 The interest rate on the USD will remain low (0.05</p> |

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| | | <p>to 1.5% range) in the short, medium, and longer term and in which case the bank will necessarily align its position.</p> <p>1.1.3 Net open position of our bank is not speculative and manageable.</p> <p>II. Liquidity Risk</p> <p>The risk profile of the bank's balance sheet remains low with more concentration in liquid assets and investments in government securities other than lending. Liquid assets and investment securities accounted for 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.</p> <p>III. Credit Risk</p> <p>The bulk of bank loans are fully secured by real estate. Some major loan accounts are backed by guarantees, and a small percentage of the loans are clean, without collateral or guarantee but extended to clients who are known to the bank for their good credit reputation. The lending process begins with credit selection and continues to administration and review of loan accounts on a regular basis. Reporting to and review by the credit committee are parts of the whole credit process and done on a regular basis.</p> |
| b. Evaluate whether the company could provide clearer and more transparent disclosure regarding its financial instruments including but not limited to the following information: | | |

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| 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 P172.226 Billion, a remarkable P3.756 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 84.37% 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. Deferred Credits and Other Liabilities decreased by 11.36% due to lower level of transactions for the period. 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 33.80% 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. 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 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 P65.428 Million due to increases in amortization of IT related equipment and other office equipment. Taxes and Licenses decreased by P135.772 Million due to lower gross receipt tax compared from last year's level. 20% Final Withholding Tax and Provision for Income Tax decreased by P301.823 Million and P143.102 Million respectively. Net Income for the year closed at P826.339 Million.

We are confident that we can overcome the challenges posed by the current pandemic as we have proven in the past. So far, the pandemic has not hampered Bank operations whether at the Head Office or in our Branches. The Bank has been observing health protocols established by the agencies concerned. The Bank IT operations are continuing as planned although it recognizes the need to accelerate and expand services/product through digital channels. The availability of a vaccine in the second half of 2021 may accelerate the slowly reopening of our economy. With this, the Bank will continue to focus on its core business and to deepen its banking relationship with more prospective clients and to offer more excellent customer services. We will be reallocating resources for future growth and realigning our various asset portfolios.

Key Performance Indicators

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

| | <u>Dec. 31, 2021</u> | <u>Dec. 31, 2020</u> |
|--------------------------|----------------------|----------------------|
| Return on Average Equity | 3.18% | 4.34% |
| Return on Average Assets | 0.50% | 0.71% |
| Net Interest Margin | 0.52% | 1.23% |
| Capital to Risk Assets | 50.67% | 50.74% |
| Cost to Income Ratio | 62.90% | 57.66% |

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

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

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

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 cyclical nature 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.

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| <p>1. The bank has none of hedging or derivatives financial contracts. The banks' main financial contracts are:</p> <p>Available for Sale Securities (FVOCI), and Held to Maturity Securities (AC)¹. The bulk of these securities are securitized government obligations.</p> |
| <p>2. The bank has no investment in foreign securities or equities.</p> |
| <p>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.</p> |
| <p>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.</p> |

¹ AC – Amortized Cost