



CTBC BANK
中國信託銀行

NOTICE OF ANNUAL STOCKHOLDERS' VIRTUAL MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of **CTBC BANK (PHILIPPINES) CORP.** will be held on **June 23, 2022, Thursday, at 9:30 AM.** Place of the meeting: CTBC Bank Board Room, 19th floor Fort Legend Tower, 31st Street corner 3rd Avenue, Bonifacio Global City, Taguig City 1634, Philippines.

Due to the COVID-19 pandemic and to ensure the safety and welfare of our stockholders, the meeting will be conducted virtually. Meeting platform: CISCO Webex Meet.

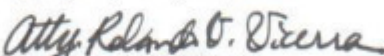
AGENDA

The Agenda for the meeting will be as follows:

1. Call to Order
2. Certification by the Corporate Secretary on the Sending of Notices and Existence of a Quorum
3. Approval of Previous Minutes: Annual Stockholders' Meeting of June 24, 2021
4. Chairman's Address
5. President's Report and Approval of the Annual Report
6. Submission of Audited Financial Statements of the Bank and of the Trust and Investment Services Department as of December 31, 2021
7. Ratification of All Acts, Decisions and Proceedings of the Board of Directors, Committees and Management since the last Annual Meeting
8. Election of Members of the Board of Directors
9. Appointment of External Auditor for the Bank and the Trust and Investment Services Department
10. Other Matters as May Come Before the Meeting

Only stockholders of record at the close of business hours on **May 24, 2022** are entitled to notice of, and to vote at, this meeting.

Taguig City, May 10, 2022


Atty. Rolando V. Vicerra
Corporate Secretary

Stockholders intending to participate or be represented at the 2022 Annual Shareholders' Virtual Meeting (ASM) shall register by submitting the following via email to ctbcbankasm@ctbcbank.com.ph not later than June 9, 2022 at 5:00 PM subject to validation procedures:

1. Intent to participate in the virtual meeting;
2. Valid government ID with picture and signature, proof of ownership of share/s;
3. If attending by proxy, proxy instrument, proxy's valid government ID with picture and signature. For corporate stockholders, proxy should be accompanied by a secretary's certificate of the appointment of the representative.

By registering, a stockholder, representative or proxy agrees for the Bank and its service providers to process their sensitive personal information to verify their identity and authority. Once validated, access credentials to the secure online meeting link shall be sent to the stockholders' email.

Procedures for the participation in the meeting, nomination/election, voting, proxy and other ASM-related information are in the information statement which can be accessed at the CTBC Bank website via this link: https://www.ctbcbank.com.ph/AboutUs/CorporateNewsReports/En_ShareholdersInformation.html. In particular, please refer to item 19. Voting Procedures thereof.

ASM-related queries may be sent to the above email address or you may contact Ms. Alpha Tagle at 8988-9287 local 6352. Proceedings shall be recorded in audio and video format. By participating in the 2022 ASM, a participant is bound by the Bank's confidentiality and ASM data privacy policy stated in the information statement, and the Bank's privacy policy statement at https://www.ctbcbank.com.ph/Structure/En_PrivacyStatement.html.

**Procedure for Registration, Participation and Voting
in the 2022 Annual Stockholders' Virtual Meeting (ASM) of
CTBC Bank (Philippines) Corp.**

Only Stockholders of record as of May 24, 2022 are entitled to participate and vote in the ASM.

1. Stockholders who intend to participate in the virtual ASM may register by sending an email to ctbcbankasm@ctbcbank.com.ph of their intention to participate together with the following documents.
 - a. A completely filled up and signed letter intent to participate in virtual meeting using the format in Schedule 1-A. Please sign, scan and save Schedule 1-A.
 - b. Identification, authorization and proof of ownership
 - *For individual stockholders:*
 - i. Scanned copy of any valid government-issued ID;
 - ii. Scanned copy of stock certificate in the name of the individual stockholder; and
 - iii. Active contact number, either landline or mobile.
 - *For stockholders with joint accounts:*
 - i. Scanned copy of authorization letter signed by the stockholders indicating the person among them authorized to participate and/or vote in the 2022 ASM;
 - ii. Documents required under items 1.a (i) and (iii) for the authorized stockholder;
 - iii. Scanned copy of stock certificate in the name of the joint stockholders.
 - *For stockholders under PCD Participant \ Brokers Account or "Scripless Shares":*
 - i. Coordinate with the broker and request for the full account name and reference number or account number;
 - ii. Documents required under items 1.a (i) and (iii).
 - *For corporate stockholders:*
 - i. Secretary's Certificate attesting to the authority of the representative to participate and / or vote in the 2022 ASM;
 - ii. Documents required under items 1.a (i) and (iii) for the authorized representative;
 - iii. Scanned copy of stock certificate in the name of the corporate stockholder.
 - c. Voting by Proxy:
 - i. Send the applicable documents enumerated in 1.b above.

Attach a Valid government-issued ID (with photo) of the Proxy.
 - ii. Send Proxy form in the form and substance as Schedule 1-B.

- iii. Both the Stockholder and the Proxy shall each send a completely filled up and signed Form of Intent to participate in the virtual meeting using Schedule 1-A.
 - iv. The scanned copy of the executed Proxy Form and the complete documents should be emailed to ctbcbankasm@ctbcbank.com.ph not later than June 9, 2022 at 5:00 PM. Please save all files in PDF format and limit file size to 3 MB.
 - d. Stockholders should send the email together with the aforesaid documents, the intent to participate, not later than JUNE 9, 2022 at 5:00 PM. Please save all files in PDF format and limit file size to 3 MB. Please ensure Schedule 1-A is duly filled up and documents are complete.
 - e. Notarization shall be dispensed with due to the COVID 19 pandemic. In addition to sending via email, please send original copies of the letter intent (Schedule 1-A) and Proxy to:

Attention: The Corporate Secretary, CTBC Bank (Philippines) Corp.
22nd Floor Fort Legend Tower, 31st Street corner 3rd Avenue,
Bonifacio Global City, Taguig City 1634, Philippines.
 - f. Signatures on the documents should be the same as the signatures in the government issued ID's.
2. The stockholders' email and attached documents shall be forwarded to Stock Transfer Services, Inc. for validation. Validation process will be completed by the stock transfer agent no later than three (3) business days from its receipt of *complete* documents. Additional information and documents, as needed/necessary may be required by the Stock Transfer Services, Inc.
3. Once validated/verified, a stockholder shall be provided a confirmation email correspondence with secure links for the virtual meeting. The platform is Cisco Webex Meeting. For security purposes, the confirmation correspondence which include access credentials shall only be sent to the stockholder's email address. It is the duty of Stockholder to securely provide the information on access credentials and instructions to the Proxy.
- 3.1 A verified stockholder shall have access to the corresponding link in order to be able to join the virtual meeting on the ASM day.
- 3.2 A verified stockholder may cast his vote on each of the agenda items as contained in the Ballot, Schedule 1-C hereof.

Please completely fill up, sign, scan and save the Ballot, Schedule 1-B in PDF format. Send the Ballot to ctbcbankasm@ctbcbank.com.ph no later than JUNE 17, 2022 at 5:00 PM. Beyond this date, stockholders may no longer avail of the option to vote in absentia. Once the Ballot is submitted, the Stockholder may no longer change the votes cast.

All the votes shall be tabulated by the Assistant Corporate Secretary, Stock Transfer Services, Inc., on or before June 20, 2022 and where necessary, validated by a representative from the Bank's Internal Audit Division.

Schedule 1 to the Information Statement

Results of the meeting shall be reported by The Corporate Secretary during the ASM. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of this Information Statement.

4. Only those stockholders who have registered and voted following the procedure above shall be included for purposes of determining the existence of a quorum.
5. For the Question and Answer portion during the 2022 ASM, stockholders may send their questions related to the agenda by email to ctbcbankasm@ctbcbank.com.ph no later than JUNE 17, 2022 at 5:00 PM. Due to limitations on technology and time, not all questions may be responded to during the 2022 ASM but the Bank will endeavor to respond to all the questions through email.
6. Proceedings during the 2022 ASM will be recorded as required by the Securities and Exchange Commission.

Schedule 1-A to the Information Statement

To : The Office of the Corporate Secretary

Re : Intent to Participate in the 2022 Virtual Annual Shareholders' Meeting of CTBC Bank (Philippines) Corp.

I intend to participate in the 2022 Annual Stockholders' Meeting of CTBC Bank (Philippines) Corp. (the Bank) to be held virtually on June 23, 2022, Thursday, at 9:30 AM via remote communication.

Attached are the necessary documents (e- copy/scanned copy) for validation purposes:

- (a) Valid government-issued ID with photo and signature (scanned front and back)
- (b) Proof of Ownership (please put a check on the space provided):
 - _____ Stockholder's certificate (for certificated shares)
 - _____ Broker's certification (for scripless or uncertificated shares); or
 - _____ Secretary's certificate for authorized representative (for corporate)
- (c) Other supporting document (please specify): _____

For the proxy:

- i. Proxy's full name: _____
- ii. _____ Proxy's valid government – issued ID (e- copy/scanned copy)
- iii. _____ Proxy

In submitting, I hereby (*please tick boxes*):

- ☐ agree to the terms of; and
- ☐ confirm my data privacy consent to the Bank in accordance with the 2022 ASM Confidentiality and Data Privacy Policy as stated in the SEC 20 IS Definitive Information Statement and reiterated here as follows:
 - i. the Bank and its service providers shall use, collect, and process my sensitive personal information;
 - ii. By participating in the 2022 Annual Shareholders' Meeting, and accessing the online platform that will be sent by the Bank to view and listen to online discussions and reports which may include internal and confidential information arising from the shareholders' meeting, I agree, authorize and consent for the Bank to collect, store, process, use and transmit my personal information for online registration and to enable them to attend and/or participate in the ASM virtually, and in order for the CTBC Bank to comply with its regulatory and contractual obligations and to be able to conduct the meeting in an orderly manner.

I further agree, authorize and consent for the Bank that any information disclosed or image/video taken during the ASM shall be stored by the Bank for one year following the meeting unless a longer period for safekeeping is required by law, or the Bank's data retention policy.

Information disclosed / discussed / presented, and any image/video/audio taken during the ASM are private and confidential. Nonetheless, the Bank has the right to disclose the information or image/video to any government regulatory agency for purposes of complying with regulatory and/or legal requirements, or to any media entity or third parties for media releases in order to promote its interest, and with full consideration of the data privacy rights of the participants.

Schedule 1-A to the Information Statement

To safeguard and keep privacy and confidentiality of any such information or image/video/audio, I agree that:

1. I shall access the app and watch the online event on secure devices only;
2. I am prohibited from making any information or image/video/audio public, in any form or manner, or provide it to others who make it public, such as news media, social media, etc.;
3. I am prohibited from copying or replicating or screen capturing or recording in any manner, any portion of the information or image / video/audio; and,
4. I am prohibited from using any information or image/video/audio or any portion thereof, for purposes of personal gain or any unlawful purpose;
5. I am prohibited from providing others any information or image/video/ audio or any portion thereof, in any form or manner.

☐ Bank's Privacy Policy Statement at the Bank's website:
https://www.ctbcbank.com.ph/Structure/En_PrivacyStatement.html

I agree that CTBC Bank reserves the right to take the necessary legal action/s for violation of the foregoing confidentiality and data privacy policy.

Looking forward to your favorable response.

Thank you.

SIGNATURE	:	_____
Complete Registered Name In PRINT	:	_____
Date	:	_____
E-Mail Address	:	_____
Mobile No	:	_____
Landline No	:	_____

Notes:

Please (i.) limit your email attachments to 3 MB (ii.) save all files in PDF format.

SAMPLE PROXY

I, _____, do hereby nominate, constitute and appoint _____ as proxy and representative at the Annual Stockholders of Meeting of CTBC Bank (Philippines) Corp. to be held on **June 23, 2022**, with authority to participate in the deliberations thereof, and to vote in my behalf all the shares standing in my name for the election of directors and/or approval of transactions included in the Agenda or any related matter which may properly arise during the said Meeting or any adjournments thereof.

In witness whereof, I have signed on _____ (date) at _____ (place).

Name of Stockholder : _____

Signature : _____

The proxy instrument should be in the form and substance as the above. The proxy instrument should be submitted on or before June 9, 2022 via email to ctbcbankasm@ctbcbank.com.ph. If so preferred or if no name is indicated, the Assistant Corporate Secretary shall act as proxy.

We are not soliciting a PROXY.

CTBC BANK (PHILIPPINES) CORP.
2022 Annual Stockholders' Meeting
June 23, 2022

BALLOT

The undersigned stockholder of **CTBC BANK (PHILIPPINES) CORP.** (the "Bank") hereby votes on the items in the Agenda below as follows:

- | | |
|--|---|
| 1. Approval of the minutes of previous meeting.
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain | 6. Appointment of R.G. Manabat & Co. as
External Auditor for the Bank and the Trust and
Investment Services Department

<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain |
| 2. Approval of Annual Report.

<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain | |
| 3. Approval of the Audited Financial Statements of
the Bank and of the Trust and Investment
Services Department as of 31 December 2021
as presented.

<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain | _____
PRINTED NAME OF STOCKHOLDER |
| 4. Ratification of all Acts, Decisions and
Proceedings of the Board of Directors,
Committees and Management since the last
Annual Meeting

<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain | _____
SIGNATURE OF STOCKHOLDER /
AUTHORIZED SIGNATORY |
| 5. Election of Members of the Board of Directors. | _____
DATE |

Vote for nominees listed below:

- ☐ CHENG-HSIN WANG
- ☐ WILLIAM B. GO
- ☐ OLIVER D. JIMENO
- ☐ LI-HSUAN JUAN
- ☐ JUI-CHENG HUANG a.k.a. Kevin Huang
- ☐ ALEXANDER A. PATRICIO
(as Independent Director)
- ☐ STEPHEN D. SY (as Independent Director)
- ☐ LUIS Y. BENITEZ, JR.
(as Independent Director)

THIS SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE JUNE 17, 2022.

COVER SHEET

A S 9 5 0 8 8 1 4 A

S.E.C. Registration Number

C T B C B A N K (P H I L I P P I N E S)
C O R P .

Company's Full Name

F o r t L e g e n d T o w e r s T h i r d
A v e n u e c o r n e r 3 1 s t S t r e e t
B o n i f a c i o G l o b a l C i t y
T a g u i g C i t y

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

Alpha M. Tagle

Contact Person

8 9 8 8 9 2 8 7

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC 20-IS (Definitive Information Statement)

Form Type

0 5

Month

4

Day

Annual Meeting

Secondary License Type, If Applicable

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

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 Sheet
☒ Definitive Information Sheet
2. Name of Registrant as specified in its Charter: **CTBC BANK (PHILIPPINES) CORP.**
3. Province, country and other jurisdiction or incorporation or organization: **Philippines**
4. SEC Identification Number: **AS9508814A**
5. BIR Tax Identification Code: **004-665-166**
6. Address of the Principal Office: **Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City**
- Postal Code: **1634**
7. Registrant's telephone number, including area code: **(632) 8988-9287**
8. Date, time and place of the meeting of security holders:
- DATE** : June 23, 2022 (Thursday)
TIME : 9:30 AM
VENUE : CTBC Board Room 19th Floor Fort Legend Tower, 31st Street corner 3rd Avenue, Bonifacio Global City, Taguig City 1634, Philippines.
PLATFORM : Secure online/virtual meeting via CISCO WEBEX MEETINGS
9. Approximate date of which the Information Statement is to be first sent or given to security holders: **June 2, 2022**
10. Securities registered pursuant to Sections 4 and 8 of the RSA:
- a. Authorized Capital Stock PhP4,000,000,000
Common Shares 400,000,000 (PhP10.00 par value)
- b. Number of Shares Outstanding as of April 30, 2022:
Common Shares 348,307,202 shares
- c. Amount of Debt Outstanding as of December 31, 2021
(Total liabilities including deposits, bills payable, accrued expenses, etc.)
Php42,241,741,374.
11. Are any of the registrant's securities listed in the Philippine Stock Exchange?
- _____ Yes ✓ No

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INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

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

- (a) Date : **June 23, 2022**
 Time : **9:30 a.m.**
 Place : **CTBC Board Room 19th Floor Fort Legend Tower, 31st Street
 cor. 3rd Ave., Bonifacio Global City, Taguig City 1634,
 Philippines.**

Principal Office: **Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City.**

- (b) **APPROXIMATE DATE OF WHICH THE INFORMATION STATEMENT IS TO
BE FIRST SENT OR GIVEN TO SECURITY HOLDERS: June 2, 2022**

Item 2. Dissenter's Right of Appraisal

There is no matter that will be taken up at the meeting that will give rise to a possible exercise by security holders of their appraisal rights. However, in the instances mentioned by the Revised Corporation Code of the Philippines, the stockholders of the Bank have the right of appraisal provided that the procedures and the requirements of Title X thereof governing the exercise of appraisal right is complied with.

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

- (a) There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of CTBC Bank (Philippines) Corp. ("Bank" or "Corporation" or "Issuer" or "Registrant" for brevity).
- (b) The Bank is not aware of any director or security holder who intends to oppose any action to be taken by the registrant during the stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. *Voting Securities and Principal Holders Thereof*

- (a) Number of Shares Outstanding as of April 30, 2022:

Common Shares: 348,307,202 shares

Number of Votes Entitled: **one (1) vote per share**

- (b) **All stockholders of record at the close of business hours on May 24, 2022 are entitled to notice and to vote at the Annual Stockholders' Meeting.**

A copy of this SEC Form 20-IS shall likewise be distributed to stockholders of record as of **May 24, 2022** upon advice from our stock transfer agent.

- (c) **Nomination and Election of Directors and Manner of Voting**

- (1) In compliance with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code (SRC), the Bank adopted in its By-Laws and Manual on Corporate Governance the requirement that the Bank's Nomination, Remuneration and Governance Committee (NRGC) shall review and evaluate the qualifications of all persons nominated to the Board as well as those other persons requiring the appointment by the Board of Directors [Article V Section 4 of the Amended By-Laws; Section IV.2 of the Manual on Corporate Governance].

- (2) With respect to the election of directors, Article II Section 8 of the Amended By-Laws of the Corporation allows the shareholders to vote in person or by proxy and to accumulate their votes. Thus:

"Section 8. Cumulative Voting for Election of Directors - In accordance with Section 24 of the Corporation Code, at each election for directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates." [Article II Section 8 of the Amended By-Laws]

- (3) On questions or matters submitted during the stockholders' meeting, stockholders are entitled to vote on a "one-vote per one share" basis. Thus:

"Section 7. Voting of Shares in General - At each meeting of the stockholders, every stockholder entitled to vote on the particular question or matter involved shall be entitled to one (1) vote for each share of stock standing in his name on the books of the Bank at the time of closing of the transfer books for such meeting." [Article II Section 7 of the Amended By-Laws]

(d) **Security Ownership of Certain Record and Beneficial Owners and Management as of April 30, 2022**

1. Security Ownership of Certain Record and Beneficial Owners of More than 5% as of April 30, 2022:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	CTBC Bank Co., Ltd. No. 168 Jingmao 2nd Road, Taipei, Taiwan, R.O.C.	CTBC Bank Co., Ltd.	Taiwanese	347,319,203	99.72%

CTBC Bank Co., Ltd. through a resolution of the Board of Directors, may authorize the Bank's Chairman, Mr. Cheng-Hsin Wang, or such other such person as it may deem fit to exercise the voting power over its shareholdings for and on its behalf.

CTBC Bank Co., Ltd. is wholly owned by CTBC Financial Holding Co., Ltd. (CTBC Holding).

The following are the major stockholders of CTBC Holding as of April 19, 2022:

<u>NAME</u>	<u>NUMBER OF SHARE</u>	<u>PERCENTAGE</u>
Fubon Life Insurance Co., Ltd.	821,000,000	4.11%
Yi Kao Investment Co., Ltd.	479,580,574	2.40%
Labor Pension Fund	422,052,217	2.11%
CTBC Bank Trust Account for CTBC Financial Holding Employee Welfare Savings Committee	390,931,308	1.95%
Citibank Taiwan in custody for the government of Singapore	344,566,912	1.72%
CTBC Bank Trust Account for CTBC Financial Holding and the Subsidiaries Employee Stock Ownership Trust	322,395,526	1.61%
Bank of Taiwan Co., Ltd.	307,731,426	1.54%
Citibank Taiwan in custody for Norges Bank	288,713,024	1.44%
Chuan Wei Investment Co., Ltd.	287,135,344	1.44%
Bank of TJPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Fundsaiwan Co., Ltd.	254,452,062	1.27%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	233,628,922	1.17%
China Life Insurance Co., Ltd.	220,000,303	1.10%

Information on beneficial owners of the corporate stockholders of CTBC Holding and the complete list of the Top 20 stockholders is inaccessible considering that records are located in Taiwan.

2. Security Ownership of Management as of April 30, 2022:

a. Directors

<i>Title of Class</i>	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Cheng-Hsin Wang	1	Taiwanese	0%
Common	William B. Go	53	Filipino	0%
Common	Oliver D. Jimeno	1	Filipino	0%
Common	Li-Hsuan Juan	1	Taiwanese	0%
Common	Jui-Cheng (Kevin) Huang	1	Taiwanese	0%
Common	Alexander A. Patricio	1	Filipino	0%
Common	Stephen D. Sy	1	Filipino	0%
Common	Luis Y. Benitez, Jr.	1	Filipino	0%

b. Executive Officers as of April 30, 2022:

<i>Title of Class</i>	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Oliver D. Jimeno	1	Filipino	0%

c. Directors and Officers

The aggregate shareholding of the directors and executive officers amounted to 60 shares of the Bank's total outstanding shares.

3. Voting Trust Holder of 5% or More

There are no voting trust holders of 5% or more.

4. Change in Control

There is no change in control of the Bank and no change in control has occurred since the beginning of the last fiscal year. Moreover, there is no arrangement which may result in a change of control of the Bank.

Item 5. Directors and Executive Officers

(a) Directors and Executive Officers

Name	Nationality	Age	Position	Period Served
Cheng-Hsin Wang	Taiwanese	68	Chairman	Dec. 16, 2021 to present
William B. Go	Filipino	82	Vice-Chairman	Sep. 1995 to present
Oliver D. Jimeno	Filipino	51	President and CEO	December 2, 2019 to present
Li-Hsuan Juan	Taiwanese	55	Director	December 17, 2020 to present
Jui-Cheng (Kevin) Huang	Taiwanese	57	Director	June 24, 2021 to present
Alexander A. Patricio	Filipino	70	Independent Director	Dec. 12, 2018 to present
Stephen D. Sy	Filipino	71	Independent Director	July 25, 2019 to present
Luis Y. Benitez, Jr.	Filipino	74	Independent Director	June 24, 2021 to present

1. Board of Directors

The following are the incumbent members of the Board.

CHENG-HSIN WANG, Taiwanese, has been the Chairman of the Board since December 16, 2021. He obtained his Bachelor of Arts in Public Finance and Taxation degree from the National Chunghsin University, Taiwan, and Master of Science in Public Finance from National Chengchi University, Taiwan. He is currently a Consultant of Land and Houses Fund Management Co. Ltd., Director of Land and Houses Securities Public Co., Ltd., Consultant of CTBC Financial Holding Co., Ltd., Instructor in Taiwan Academy of Banking and Finance, and Consultant of Taipei City Government. He was an Independent Director of Fubon Financial Holdings Co., Ltd. from 2016-2017, Chief Strategy Officer of Yuanta Financial Holding Co., Ltd. from 2014-2016, Chairman of Yuanta Life Insurance Co., Ltd. from 2014-2016, President of Yuanta Financial Holding Co., Ltd. from 2013-2014 and Chief Strategy Officer of Yuanta Financial Holding Co., Ltd. from 2008-2013. He is 68 years old.

WILLIAM B. GO, Filipino, has been the Vice Chairman of the Board since October 15, 2001. He also served as concurrent President & CEO from April 3, 2008 to January 31, 2009. A Certified Public Accountant, he earned his Bachelor of Science degree from the University of the East and a Master of Science in Business Administration degree from the University of Missouri in the United States. He is Chairman of Investors Securities, Inc., Serico, Inc., and Gama Enterprises, Inc.; Chairman and President of The Big Blue Sky Realty Corporation, and GGS Holdings, Inc.; and holds various directorship positions in other institutions. He served as the President of Philippine Bank of Communication from 1985 to 1995. Mr. Go founded Chinatrust Philippines in 1995, and served as President until October 15, 2001, when he was elected Vice Chairman. He is 82 years old.

OLIVER D. JIMENO, was elected to the Board as Director on July 25, 2019 and President and CEO of CTBC Bank (Philippines) Corp. on December 2, 2019. He also served as Head of Treasury Group from 2009 to 2019. He obtained his Bachelor's degree in Business Administration and also Masters in Business Administration from the University of the Philippines. Mr. Jimeno has been with the Bank since December 1999, having served as Head of Treasury's Domestic Desk in the same year and Head of Liquidity and Balance Sheet Management Desk in 2005. Prior to joining CTBC Bank Philippines, he was a Swap Trader at PCIBank and a Trust Marketing Officer at Citytrust. Mr. Jimeno is 51 years old.

LI-HSUAN JUAN, was elected to the Board as Director of CTBC Bank (Philippines) Corp. on December 17, 2020. She obtained her Department of Economics degree from the National Chung Hsing University, Taiwan, and Masters in Marketing and Finance from Syracuse University, U.S.A. She is currently the Retail Banking Overseas Division Head of CTBC Bank Co., Ltd. Prior to that, she was the Head of Wealth Management Product Division, Personal Trust Department, Wealth Management Product II Department, Overseas RB Product Management Department, and with Branch Support Department, Strategic Planning Department, and Credit Card Department. Ms. Juan is 55 years old.

JUI-CHENG HUANG a.k.a Kevin Huang, Taiwanese, has been a member of the Board since 24 June 2021. He obtained his Master in Business Administration at Ohio State University, U.S.A. He is Executive Vice-President of both CTBC Financial Holding Co., Ltd. and CTBC Bank Co., Ltd from 2019 to present. Prior to Joining CTBC Bank, he worked for Citibank Taiwan since 2002 and has been member of the Board from 2015 to 2019 and Vice-President, risk management country officer & Managing Director during

this period. He also served as Vice President of ABN AMRO Bank from 1992 to 2002. He is 57 years old.

All the foregoing directors were endorsed by the Nomination, Remuneration and Governance Committee for nomination. Once re-elected, the foregoing shall each hold office from date of elections until the next annual shareholders meeting or until his/her resignation as director, unless sooner terminated or removed in accordance with law.

1.1 Trainings and continuing education

The following are the trainings and continuing education attended by the directors who are expected to be nominated at the meeting:

CHENG-HSIN WANG		
Trainings in Banking and Other Related Fields	Conducted By	Date Taken
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTERING PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
CORPORATE GOVERNANCE	INSTITUTE OF CORPORATE DIRECTORS	12/7/2021
ANTI-MONEY LAUNDERING AND COUNTERING TERRORIST FINANCING (AML/CFT) BRIEFING	CTBC BANK (PHILIPPINES) CORP.	11/26/2021
NEW DIMENSION AND CHALLENGE OVER THE IMPACT FROM ON-LINE ECONOMY	TAIWAN INSTITUTE OF DIRECTORS	3/28/2017
GLOBAL TREND-RISKS AND OPPORTUNITIES	TAIWAN CORPORATE GOVERNANCE ASSOCIATION	3/24/2017

WILLIAM B. GO		
Trainings in Banking and Other Related Fields	Conducted By	Date Taken
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
ANNUAL BRIEFING FOR CTBC BANK (PHILIPPINES) CORP. BOARD OF DIRECTORS ON AML/CFT/CPF UPDATES AND TRENDS FOR 2021	CTBC BANK (PHILIPPINES) CORP.	4/13/2021
BSP'S SUPERVISORY ASSESSMENT FRAMEWORK (SAFR)	CTBC BANK (PHILIPPINES) CORP.	10/22/2020
ANNUAL BRIEFING ON PHILIPPINE ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM	CTBC BANK (PHILIPPINES) CORP.	8/28/2020
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING / COUNTER	CTBC BANK (PHILIPPINES) CORP.	9/19/2019

TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES		
2019 PRE-STATE OF THE NATION ADDRESS/ECONOMIC AND INFRASTRUCTURE FORUM RE: "GAME CHANGING REFORMS FOR SUSTAINABLE DEVELOPMENT"	BSP/PHILIPPINES	7/1/2019
PHILIPPINES-UNITED STATES TRADE AND INVESTMENT FORUM	AMB. FRANK G. WISNER, MBC / PHILIPPINES	2/18/2019
ANNUAL BRIEFING ON PHILIPPINES ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	9/26/2018
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI- MONEY LAUNDERING / COUNTER TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP.	9/26/2018
CHINA'S BELT + ROAD DIPLOMACY IMPLICATION ON GEOPOLITICS, ECONOMIC COOPERATION AND TRADE FRICTION	CITI GROUP (@MAKATI SHANGRILA, PHILIPPINES)	5/1/2018
TRADE AND INVESTMENT FORUM: UNITED STATES-PHILIPPINES BILATERAL TIES IN 2018	MAKATI BUSINESS CLUB (@PENINSULA MANILA, PHILIPPINES)	2/1/2018
GLOBAL OUTLOOK - RIDING ON THE WINDS OF CHANGES	BANK OF SINGAPORE (MAKATI SHANGRILA, PHILIPPINES)	1/1/2018
ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	1/1/2018
FORUM ON GLOBAL GOVERNANCE AND THE WORLD ECONOMY - FEATURING FORMER US SECRETARY OF STATE MADELEINE ALBRIGHT	MANAGEMENT ASSOCIATION OF THE PHILIPPINES /ANC (@HOTEL SOFITEL PHILIPPINE PLAZA MANILA)	7/1/2017
OUTLOOK OF 2017 - MANILA LATE CYCLE STIMULUS: OPPORTUNITIES AMID UNCERTAINTY	CITI GROUP	1/12/2017
ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	1/1/2017
ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	1/1/2016
ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	1/1/2015
ANTI-MONEY LAUNDERING & COUNTERING TERRORIST FINANCING SEMINARS	CTBC BANK (PHILIPPINES) CORP.	8/1/2014
AML TRAINING	CHINATRUST (PHILIPPINES) COMMERCIAL BANK	8/1/2013
AML TRAINING	CHINATRUST (PHILIPPINES) COMMERCIAL BANK	8/1/2012
AML TRAINING	CHINATRUST (PHILIPPINES) COMMERCIAL BANK	8/1/2011
CORPORATE GOVERNANCE FOR BANK DIRECTORS	INSTITUTE OF CORPORATE DIRECTORS	1/1/2003
EAST ASIA EXECUTIVE LEADERSHIP	HARVARD UNIVERSITY	1/1/1994

OLIVER D. JIMENO		
Trainings in Banking and Other Related Fields	Conducted By	Date Taken
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
MENTORING OVERVIEW WORKSHOP	INTERNATIONAL BENCHMARK CONSULTING NETWORK, INC.	12/15/2021
TRAINING OF THIRD FIVE YEARS STRATEGIES	CTBC BANK (PARENT BANK)/WHARTON BUSINESS SCHOOL	12/10/2021
SCALING VENTURES: PRACTICING PLAYBOOK FOR PROFITABLE GROWTH	CTBC BANK (PARENT BANK)/WHARTON BUSINESS SCHOOL	10/6-7/2021
2021 AML/CFT TRAINING (REUTERS)	CTBC BANK (PHILIPPINES) CORP.	10/5/2021
INCIDENT HANDLING AND REPORTING TRAINING	CTBC BANK (PHILIPPINES) CORP.	9/30/2021
OVERVIEW OF COACHING (MANCOM LEVEL) WORKSHOP	CTBC BANK (PHILIPPINES) CORP.	9/27/2021
2021 BUSINESS CONTINUITY AND INFORMATION SECURITY AWARENESS	CTBC BANK (PHILIPPINES) CORP.	9/22/2021
2021 FRAUD RISK MANAGEMENT AND WHISTLEBLOWING REFRESHER	CTBC BANK (PHILIPPINES) CORP.	9/10/2021
CREATING ACCURATE AND EFFECTIVE REPORT	CTBC BANK (PHILIPPINES) CORP.	8/24/2021
ABCOMP'S GENERAL MEMBERSHIP MEETING: BUILDING BETTER BANKERS: FOSTER A STRONGER KYE PROGRAM	ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC	7/15/2021
2021 ANNUAL COMPLIANCE TRAINING	CTBC BANK (PHILIPPINES) CORP.	7/23/2021
2021 AML AND CFT ONLINE TRAINING	CTBC BANK (PHILIPPINES) CORP.	7/1/2021
2021 1ST TERM TAIWAN LAWS AND REGULATIONS	CTBC BANK (PHILIPPINES) CORP.	6/23/2021
2021 OPERATION RISK MANAGEMENT (ORM) ONLINE TRAINING	CTBC BANK (PHILIPPINES) CORP.	5/18/2021
ANNUAL BRIEFING ON AML/CFT/CPF UPDATES AND TRENDS FOR 2021	CTBC BANK (PHILIPPINES) CORP.	4/13/2021
2021 CTBC BANK SELF-INSPECTION TRAINING	CTBC BANK (PHILIPPINES) CORP.	3/18/2021
MEDIA/SPOKESPERSON TRAINING WORKSHOP	JJH VENTURES, INC.	3/3/2021
2021 REPUTATIONAL RISK MANAGEMENT COURSE ANNUAL REFRESHER	CTBC BANK (PHILIPPINES) CORP.	2/19/2021
ACHIEVING EXCELLENCE IN CUSTOMER SERVICE	CTBC BANK (PHILIPPINES) CORP.	2/2/2021

FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)	CTBC BANK (PHILIPPINES) CORP.	1/28/2021
CRIMES AND LOSES	CTBC BANK (PHILIPPINES) CORP.	1/28/2021
2020 CTBC BANK SELF-INSPECTION/SELF-EVALUATION TRAINING	CTBC BANK (PHILIPPINES) CORP.	1/8/2021
DISCIPLINE AT WORK	CTBC BANK (PHILIPPINES) CORP.	12/21/2020
DISCIPLINE AT WORK	CTBC BANK (PHILIPPINES) CORP.	12/21/2020
CTBC CORE VALUES: WORK ATTITUDE AND VALUES ENHANCEMENT	CTBC BANK (PHILIPPINES) CORP.	11/24/2020
ANTI-MONEY LAUNDERING (AML) AND COUNTER TERRORIST FINANCING (CTF) ANNUAL REFRESHER	CTBC BANK (PHILIPPINES) CORP.	11/23/2020
BUSINESS CONTINUITY AND INFORMATION SECURITY AWARENESS (BISA 2020) AND CERTIFICATION	CTBC BANK (PHILIPPINES) CORP.	11/23/2020
FRAUD RISK AWARENESS AND WHISTLE-BLOWING	CTBC BANK (PHILIPPINES) CORP.	11/23/2020
OPERATIONAL RISK MANAGEMENT	CTBC BANK (PHILIPPINES) CORP.	11/23/2020
BSP'S SUPERVISORY ASSESSMENT FRAMEWORK (SAFR)	CTBC BANK (PHILIPPINES) CORP.	10/22/2020
2020 ANNUAL COMPLIANCE TRAINING (EMPLOYEE COMPLIANCE AWARENESS, CORPORATE GOVERNANCE & BUSINESS ETHICS)	CTBC BANK (PHILIPPINES) CORP.	10/2/2020
ANNUAL BRIEFING ON PHILIPPINE ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM	CTBC BANK (PHILIPPINES) CORP.	8/28/2020
PRODUCTIVITY AND PERFORMANCE MANAGEMENT	CTBC BANK (PHILIPPINES) CORP.	8/27/2020
1ST TERM: TAIWAN LAWS AND REGULATIONS	CTBC BANK (PHILIPPINES) CORP.	6/22/2020
COMPLIANCE E-COURSE (AML, FRAUD AWARENESS AND PREVENTION, ANTI-BRIBERY AND ANTI CORRUPTION, SANCTIONS, INFORMATION AND CYBER SECURITY, AND PERSONAL DATA PROTECTION)	CTBC BANK (PHILIPPINES) CORP.	10/10/2019
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING/COUNTER TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP.	9/19/2019
CORPORATE GOVERNANCE	INSTITUTE OF CORPORATE DIRECTORS	9/1/2019
WHARTON TRAINING IN PARENT BANK: LEADING AND INFLUENCING	MICHAEL PLATT & MAURICE SCHWEITZER	5/8/2019

IN THE AGE OF NEUROSCIENCE		
WHARTON HR TRAINING	CTBC BANK TAIWAN	5/7/2019
REPUTATIONAL RISK	ONLINE - CTBC BANK (PHILIPPINES) CORP.	4/30/2019
FRAUD RISK AWARENESS AND WHISTLE-BLOWING	ONLINE - CTBC BANK (PHILIPPINES) CORP.	11/23/2018
BUSINESS CONTINUITY AND INFORMATION SECURITY AWARENESS	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/1/2018
AMLA & CTF	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/1/2018
OPERATIONAL RISK MANAGEMENT	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/1/2018
BUSINESS ETHICS, CORPORATE GOVERNANCE AND CRIMES AND LOSSES	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/1/2018
REPUTATIONAL RISK	ONLINE - CTBC BANK (PHILIPPINES) CORP.	8/31/2018
CTBC MANAGEMENT DEVELOPMENT PROGRAM OF WHARTON	WHARTON SCHOOL OF BUSINESS - CTBC BANK (TAIPEI)	6/20/2018
OPERATIONAL RISK MANAGEMENT	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/5/2017
BUSINESS ETHICS AND CORPORATE GOVERNANCE	ONLINE - CTBC BANK (PHILIPPINES) CORP.	9/30/2017
AMLA ONLINE TRAINING	ONLINE - CTBC BANK (PHILIPPINES) CORP.	7/31/2017
CRIMES AND LOSES	ONLINE - CTBC BANK (PHILIPPINES) CORP.	7/31/2017
INFORMATION SECURITY AWARENESS	ONLINE - CTBC BANK (PHILIPPINES) CORP.	7/31/2017
SHORT TERM VISITING PROGRAM HOSTED BY STATE BANK OF INDIA	STATE BANK OF INDIA - PHILIPPINES	7/27/2017
2017 OVERSEAS ELITE WORKSHOP MIDLEVEL MANAGERS TRAINING PROGRAM	CTBC BANK TAIWAN	5/9/2017
TREASURY PRODUCTS AND SERVICES	CTBC BANK (PHILIPPINES) CORP.	3/27/2017
EMPLOYEE COMPLIANCE RESPONSIBILITIES	CTBC BANK (PHILIPPINES) CORP.	2/27/2017
ANNUAL TREASURER'S MEETING	CTBC BANK TAIWAN	12/8/2016
BLOOMBERG FX 2016 MANILA	AMADO TETANGCO - PHILIPPINES	1/1/2016
STRATEGIC THINKING AND MANAGEMENT SESSION	DR. WINSTON CONRAD PADOJINOG, DR. VICTOR ABOLA & DR. LUIS TONGCO, JR.	1/1/2016
AMLA ONLINE TRAINING	CTBC BANK (PHILIPPINES) CORP.	1/1/2016
THOMAS CHEN VISIT	CTBC BANK TAIWAN	1/1/2015
HEDGING AND HEDGE ACCOUNTING	PUNONGBAYAN & ARAULLO - PHILIPPINES	1/1/2015

ANTI-FRAUD AND WHISTLE-BLOWING POLICY & CRIMES AND LOSSES POLICY	CTBC BANK (PHILIPPINES) CORP.	1/1/2015
ISDA	CTBC BANK TAIWAN	1/1/2014
BEHAVIORAL INTERVIEWING	CTBC BANK (PHILIPPINES) CORP.	1/1/2014
TALK WITH VICE CHAIRMAN THOMAS CHEN	CTBC BANK TAIWAN	1/1/2014
LEADERSHIP TRAINING	CTBC BANK TAIWAN	1/1/2013
LEADERSHIP BOOT CAMP FOR MANCOM	CTBC BANK (PHILIPPINES) CORP.	1/1/2012
FX OPTIONS	LARRY HSU, MEI LEUNG, CLEMENTE LEE - CTBC BANK TAIPEI	1/1/2011
KEY MESSAGE AND MEDIA TRAINING WORKSHOP	CAROL ESPIRITU - PHILIPPINES	1/1/2011
THE ANTI-MONEY LAUNDERING ACT SEMINAR	ROWENA RUBIO - PHILIPPINES	1/1/2008
SEC LICENSING EXAM	SEC - PHILIPPINES	1/1/2008
ON-THE-JOB TRAINING IN CHINATRUST TAIPEI	CTBC BANK TAIWAN	1/1/2008
BUSINESS CONTINUITY PLANNING	CTBC BANK (PHILIPPINES) CORP.	1/1/2008
ADVANCED FINANCIAL ENGINEERING	CARL WALSH - PHILIPPINES	1/1/2008
2008 ANNUAL ACI PHILIPPINES CONVENTION	ACI - PHILIPPINES	1/1/2008
DISASTER RECOVERY TESTING	CTBC BANK (PHILIPPINES) CORP.	1/1/2007
IT SECURITY AWARENESS BRIEFING	CTBC BANK (PHILIPPINES) CORP.	1/1/2006
DISASTER RECOVERY TRAINING	CTBC BANK (PHILIPPINES) CORP.	1/1/2006
CUSTOMER SERVICE EXCELLENCE WORKSHOP	RENE DOMINGO - PHILIPPINES	1/1/2006

LI-HSUAN JUAN		
Trainings in Banking and Other Related Fields	Conducted By	Date Taken
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
THE PHILIPPINES' FATF JOURNER: FROM TECHNICAL COMPLIANCE TO EFFECTIVENESS	ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.	9/27/2021
BUILDING BETTER BANKERS: FOSTERING A STRONGER KYE PROGRAM	ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.	7/15/2021
ANNUAL BRIEFING ON AML/CFT/CPF UPDATES AND TRENDS	CTBC BANK (PHILIPPINES) CORP.	4/13/2021

CORPORATE GOVERNANCE ORIENTATION PROGRAM - DAY 2	INSTITUTE OF CORPORATE DIRECTORS	3/4/2021
CORPORATE GOVERNANCE ORIENTATION PROGRAM - DAY 1	INSTITUTE OF CORPORATE DIRECTORS	3/3/2021
ANTI-MONEY LAUNDERING/COUNTER-TERRORIST FINANCING (AML/CTF)	CTBC BANK (PHILIPPINES) CORP.	2/26/2021
2020 AML/CFT TRAINING	CTBC BANK	8/1/2020
2020 WHARTON MANAGEMENT DEVELOPMENT PROGRAM	CTBC BANK	8/1/2020
2019 CTBC BANK MANAGEMENT AML/CFT TRAINING	CTBC BANK	8/1/2019
2019 WHARTON MANAGEMENT DEVELOPMENT PROGRAM	CTBC BANK	5/1/2019
2018 WHARTON MANAGEMENT DEVELOPMENT PROGRAM	CTBC BANK	6/1/2018
2017 DIRECTOR & MANAGEMENT AML/CFT TRAINING II	CTBC BANK	8/1/2017
CTBC HOLDING & BANK MANAGER COMPLIANCE TRAINING	CTBC BANK	7/1/2017
2017 DIRECTOR & MANAGEMENT AML/CFT TRAINING I	CTBC BANK	4/1/2017
FINANCIAL PLANNING DEPARTMENT & FP TRAINING	CTBC BANK	3/1/2014
STAKEHOLDERS' NON-CREDIT TRANSACTION TRAINING	CTBC BANK	1/1/2013

JUI-CHENG HUANG		
Trainings in Banking and Other Related Fields	Conducted By	Date Taken
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE,CAMS	4/14/2022
ANTI-MONEY LAUNDERING AND COUNTERING FINANCING (AML/CFT) BRIEFING	CTBC BANK (PHILIPPINES) CORP.	6/11/2021
CORPORATE GOVERNANCE ORIENTATION PROGRAM DAY 2	INSTITUTE OF CORPORATE DIRECTORS	6/3/2021
CORPORATE GOVERNANCE ORIENTATION PROGRAM DAY 1	INSTITUTE OF CORPORATE DIRECTORS	6/2/2021
INTERESTED PARTY TRANSACTION CASE STUDY FOR DIRECTORS	SECURITY AND FUTURE INSTITUTE	8/16/2019
EARLY WARNING IDENTIFICATIONS FOR CORPORATIONS	SECURITY AND FUTURE INSTITUTE	3/24/2019
CASE STUDIES FOR FRAUDS IN FINANCIALS STATEMENTS	SECURITY AND FUTURE INSTITUTE	9/27/2018
DERIVATIVE PRODUCT TRAININGS	SECURITY AND FUTURE INSTITUTE	4/23/2018

FINANCIAL STATEMENT ANALYSIS AND DECISION MAKING	SECURITY AND FUTURE INSTITUTE	10/30/2017
DIRECTOR FUNCTIONS IN CORPORATE AND FUTURE FRAUD PREVENTION	SECURITY AND FUTURE INSTITUTE	4/30/2017

1.2 Directors disclosures on self-dealing and Related Party Transactions

For 2021, and to date, none of the foregoing directors have any self-dealing/related party transactions with the Bank directly by themselves.

2. Independent Directors

2.1 Incumbent Independent Directors

The following are the incumbent Independent Directors:

ALEXANDER A. PATRICIO, Filipino, is an independent director who assumed the post on December 12, 2018. He received his Bachelor of Science degree in Industrial Management Engineering from De La Salle University and Master in Business Management from the Asian Institute of Management. He is at present an Independent Director of the Intellicare Group and the Unicapital Group. He is also Chairman of the Board of Trustees of OMF Literature and a member of the Board of Trustees of Christ's Commission Fellowship. He was Executive Vice President and Chief Risk Officer of Development Bank of the Philippines from 2013-2017; held various positions with ING Bank Philippines as Director/Country Risk Manager from 2012-2013, Director/Head of Corporate Lending from 2011-2012, and Director/Country Risk Manager from 1995-2011; Vice President and Senior Credit Officer/Head, Credit Policy and Risk Management Group of Citytrust Banking Corporation from 1991-1995; Vice President and Senior Risk Manager of Citibank Australia Ltd., Melbourne from 1989-1991; Citibank Philippines, Makati from 1984-1989 and from 1976-1979; and Citibank Philippines-Cebu from 1979-1984. He is 70 years old.

STEPHEN D. SY, Filipino, is an independent director, who was elected to the Board on July 25, 2019. He obtained his Master of Science in Management from Stanford University, U.S.A. and his Bachelor of Science in Industrial Engineering from the University of the Philippines. He is currently President and CEO of the following companies: Focus Global Inc. from 1991 to present, SLA Prime Ventures Corp. from 2007 to present, and Focus Palantir Inc. from 2013 to present. He is also member of the Board of Director of Lian Hong Co., Inc. from 1980 to present and President & Chairman starting July 2021 to present. He is 71 years old.

LUIS Y. BENITEZ, JR., Filipino, is an independent director of the Bank, who was elected to the Board on June 24, 2021. He obtained his Master in Business Administration at Stern School of Business New York University, U.S.A. He is a graduate of Pacific Rim Bankers Program at University of Washington, U.S.A., and with Bachelor's degree in Business Administration Major in Accounting at University of the Philippines. He is a Certified Public Accountant. He is also an Independent Trustee of Insular Life Insurance Co. Ltd. from 2016 to present, and Senior Adviser of SM Investment Corp. from 2014 to present. He served various positions at SGV & Co., a member Firm of Ernst & Young Global Limited, as Vice Chairman from 2004 to 2007 and Senior Partner from 1978 to 2007. He is 74 years old.

2.2 Final List of Candidates for Independent Director

In accordance with the procedures prescribed in the Securities Regulation Code Rule 38.8, the Bank's Nomination, Remuneration and Governance Committee endorsed Messrs. Alexander A. Patricio (recommended by William B. Go, a director of the Bank), Stephen D. Sy (recommended by Oliver D. Jimeno, also a director of the Bank) and Luis Y. Benitez, Jr. (recommended by Alexander A. Patricio, an independent director of the Bank), for nomination as Independent Directors. Messrs. Alexander A. Patricio, Stephen D. Sy and Luis Y. Benitez, Jr. are not related to Messrs. William B. Go, Oliver D. Jimeno and Alexander A. Patricio, respectively.

These independent directors have met and continue to meet all the qualifications and possess none of the disqualifications of an Independent Director under the Bank's Code of Corporate Governance, Section 38 of the Securities Regulation Code and relevant BSP rules.

The qualifications of Messrs. Alexander A. Patricio, Stephen D. Sy and Luis Y. Benitez, Jr. are as aforesaid.

The foregoing is the Final List of Candidates eligible for election as Independent Directors. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting pursuant to the 2015 Implementing Rules and Regulations of the Securities Regulations Code Rule 38.8.5.

2.3 Training and continuing education

The following are the trainings and continuing education attended by the foregoing directors who are expected to be nominated as Independent Directors at the meeting.

ALEXANDER A. PATRICIO		
Trainings in Banking and Other Related Fields	Conducted By	Date Taken
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
8TH SEC-PSE CORPORATE GOVERNANCE FORUM	SECURITIES AND EXCHANGE COMMISSION	11/19/2021
ANNUAL BRIEFING ON AML/CFT/CPF UPDATES AND TRENDS FOR 2021	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	4/13/2021
ANTI-MONEY LAUNDERING/COUNTER-TERRORIST FINANCING (AML/CTF)	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	2/26/2021
BSP'S SUPERVISORY ASSESSMENT FRAMEWORK (SAFR)	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	10/22/2020
ANNUAL BRIEFING ON PHILIPPINE ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	8/28/2020
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING / COUNTER	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	9/19/2019

TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES		
ANNUAL BRIEFING ON PHILIPPINES ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	9/26/2018
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING / COUNTER TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	9/26/2018
PROFESSIONAL DIRECTORS PROGRAM	INSTITUTE OF CORPORATE DIRECTORS - MAKATI, PHILIPPINES	1/1/2016
CORPORATE GOVERNANCE ORIENTATION PROGRAM	INSTITUTE OF CORPORATE DIRECTORS - MAKATI, PHILIPPINES	11/16/2016
DBP REPRESENTATIVE TO THE ASIAN BANKERS CONFERENCE	ASIAN BANKERS ASSOCIATION - TAIPEI, TAIWAN	1/1/2015
DBP REPRESENTATIVE TO THE ASIAN BANKERS CONFERENCE	ASIAN BANKERS ASSOCIATION - CEBU, PHILIPPINES	1/1/2014
ING REPRESENTATIVE TO THE ADB ANNUAL CONFERENCE	ASIAN BANKERS ASSOCIATION - MANILA, PHILIPPINES	1/1/2012
ING MARKET RISK CONFERENCE	ING BANK-NETHERLANDS - HUA HIN, THAILAND	1/1/2009
ING EQUATORIAL PRINCIPLES CONFERENCE	ING BANK-NETHERLANDS - HONGKONG	1/1/2008
ING FUNCTIONAL MANAGER PROGRAM, BOSSUM	ING BANK-NETHERLANDS - THE NETHERLANDS	1/1/2007
ING BASEL II CONFERENCE, AMSTERDAM, THE NETHERLANDS	ING BANK-NETHERLANDS - AMSTERDAM, THE NETHERLANDS	1/1/2006
ING CORPORATE CREDIT RISK MANAGEMENT CONFERENCE	ING BANK- SINGAPORE	1/1/2004
CHANGE-ABLE MANAGER PROGRAMME	ING BANK-NETHERLANDS, AMSTERDAM, THE NETHERLANDS	1/1/2003
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK-KUALA LUMPUR, MALAYSIA	1/1/2002
MODERN APPROACHES TO CREDIT RISK	EUROMONEY - TOKYO, JAPAN	1/1/2001
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK-SINGAPORE	1/1/2000
ING ADVANCED DERIVATIVES SEMINAR	ING BANK-TOKYO, JAPAN	1/1/2000
INSEAD (FRANCE) - ACHIEVING OUTSTANDING PERFORMANCE PROGRAM	INSEAD - FRANCE	1/1/1999
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK-THAILAND	1/1/1998
ING RISK MANAGEMENT CONFERENCE	ING BANK - AMSTERDAM, THE NETHERLANDS	1/1/1997

ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK-INDONESIA	1/1/1997
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK- SINGAPORE	1/1/1996
ING TRADING RISK CONFERENCE AMSTERDAM / LONDON	ING BANK - AMSTERDAM, THE NETHERLANDS	1/1/1996
ING HEAD OFFICE RISK MANAGEMENT PROGRAM, AMSTERDAM	ING BANK - AMSTERDAM, THE NETHERLANDS	1/1/1995
VARIOUS EUROMONEY SEMINARS	EUROMONEY IN HONGKONG, SINGAPORE AND KUALA LUMPUR	1/1/1994
VARIOUS EUROMONEY SEMINARS	EUROMONEY IN HONGKONG, SINGAPORE AND KUALA LUMPUR	1/1/1993
VARIOUS EUROMONEY SEMINARS	EUROMONEY IN HONGKONG, SINGAPORE AND KUALA LUMPUR	1/1/1992
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1991
VARIOUS EUROMONEY SEMINARS	EUROMONEY IN HONGKONG, SINGAPORE AND KUALA LUMPUR	1/1/1991
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1990
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1989
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1988
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1987
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1986
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1985
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1984
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1983
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1982
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1981

VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1980
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1979

STEPHEN D. SY		
Trainings in Banking and Other Related Fields	Conducted By	Date Taken
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
THE PHILIPPINES' FATF JOURNER: FROM TECHNICAL COMPLIANCE TO EFFECTIVENESS	ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.	9/27/2021
BUILDING BETTER BANKERS: FOSTERING A STRONGER KYE PROGRAM	ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.	7/15/2021
GOVERNANCE CHAMPIONS: HOW INDEPENDENT DIRECTORS CREATE VALUE	MANAGEMENT ASSOCIATION OF THE PHILIPPINES	7/13/2021
ANNUAL BRIEFING ON AML/CFT/CPF UPDATES AND TRENDS FOR 2021	CTBC BANK (PHILIPPINES) CORP.	4/13/2021
BSP'S SUPERVISORY ASSESSMENT FRAMEWORK (SAFR)	CTBC BANK (PHILIPPINES) CORP.	10/22/2020
ANNUAL BRIEFING ON PHILIPPINE ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM	CTBC BANK (PHILIPPINES) CORP.	8/28/2020
AML UPDATE: PHILIPPINE NATIONAL RISK AND EMERGING ANTI-MONEY LAUNDERING/COUNTER TERRORIST FINANCING TRENDS UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP.	9/19/2019
CORPORATE GOVERNANCE PROGRAM FOR DIRECTORS	INSTITUTE OF CORPORATE DIRECTORS/PHILIPPINES	7/10/2019
ASIA-PACIFIC SECURITY RISK TO GROWING REGIONAL TRADE	AUSTRALIAN AMBASSADOR STEVEN ROBINSONS/PHILIPPINES	4/25/2019
SPECIAL ECONOMIC BRIEFING	FINANCE SECRETARY CARLOS DOMINGUEZ III, MBC/PHILIPPINES	2/27/2019
FEAR AND OPPORTUNITY: TRANSFORMING PHILIPPINE BUSINESS	JUSTO ORTIZ, MBC/PHILIPPINES	2/11/2019
INNOVATION	DR. HITENDRA PATEL, MBC/PHILIPPINES	11/6/2018
INVESTMENT COMPETITIVENESS	LILIA DE LIMA, MBC/PHILIPPINES	10/17/2018
BENEFITS AND DISPUTE: PHILIPPINE PARTICIPATION IN CHINA'S BELT AND ROAD	NEDA DIRECTOR GENERAL ERNESTO PERNIA/PHILIPPINES	2/21/2018

TRADE AND INVESTMENT FORUM: US-PHILIPPINES BILATERAL TIES IN 2018	SECRETARY RAMOS LOPEZ, SECRETARY BENJAMIN DIOKNO, GOVERNOR NESTOR ESPENILLA JR., MBC/PHILIPPINES	2/20/2018
2017 ASEAN BUSINESS AND INVESTMENTS SUMMIT	ASEAN BUSINESS ADVISORY COUNCIL/PHILIPPINES	11/12/2017
PHILIPPINE-UK RELATIONS	BRITISH AMBASSADOR DANIEL PRUCE, MBC/PHILIPPINES	11/7/2017
THE PHILIPPINE BANKING INDUSTRY: A DECADE OF SUCCESS AMIDST CHANGES IN POLITICAL AND GLOBAL ECONOMIC LANDSCAPES	BSP GOVERNOR AMANDO TETANGCO JR., JOINT BAP- MBC/PHILIPPINES	5/24/2017
A NEW ERA OF PHILIPPINES-JAPAN RELATIONS	JAPANESE AMBASSADOR KAZUhide ISHIKAWA, MBC/PHILIPPINES	3/24/2017
US-PHILIPPINES RELATIONS	US AMBASSADOR SUNG KIM, MBC/PHILIPPINES	1/31/2017
10-POINT ECONOMIC AGENDA OF THE INCOMING DUTERTE ADMINISTRATION	NEDA DIRECTOR GENERAL ERNESTO PERNIA/PHILIPPINES	6/23/2016

LUIS Y. BENITEZ, JR.		
Trainings in Banking and Other Related Fields	Conducted By	Date Taken
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CTF/CPF) BRIEFING	DANTE T. FUENTES, CPA,CFE,CAMS	3/22/2022
MAP GENERAL MEMBERSHIP MEETING ON "GOVERNANCE CHAMPIONS: HOW INDEPENDENT DIRECTORS CREATE VALUE"	MANAGEMENT ASSOCIATION OF THE PHILIPPINES	7/13/2021
ANTI-MONEY LAUNDERING AND COUNTERING TERRORIST FINANCING (AML/CTF) BRIEFING	CTBC BANK (PHILIPPINES) CORP.	6/11/2021
CORPORATE GOVERNANCE TRAINING	INSTITUTE OF CORPORATE DIRECTORS	10/23/2020
AML TRAINING	BANGKO NG KABUHAYAN (RURAL BANK)	1/20/2020
CORPORATE GOVERNANCE TRAINING	INSTITUTE OF CORPORATE DIRECTORS	8/15/2019
CORPORATE GOVERNANCE TRAINING	INSTITUTE OF CORPORATE DIRECTORS	9/6/2018
CORPORATE GOVERNANCE TRAINING	INSTITUTE OF CORPORATE DIRECTORS	12/14/2017

2.4 Independent Directors disclosures on self-dealing and Related Party Transactions

For 2021, and to date, none of the foregoing directors have any self-dealing/related party transactions with the Bank directly by themselves.

3. Brief Description of Material Legal Proceedings to which the Bank or Its Subsidiary is a Party

Except for cases or proceedings, which are incidental to its business such as suits for sum of money, foreclosures, writs of possession, employee relations, and other cases arising from loan transactions and operations, the Bank has no material pending legal proceedings for or against it.

Neither is the Bank aware of any material proceedings to be contemplated by government authorities or any other entity.

4. Executive Officers

The following are the Bank's executive officers:

OLIVER D. JIMENO, Filipino, holds a Master's and Bachelor's degree in Business Administration from the University of the Philippines. He was appointed as President and CEO of CTBC Bank (Philippines) Corp. on December 02, 2019. Mr. Jimeno has been with the Bank since December 1999, having served as Head of Treasury's Domestic Desk in 1999 and Head of the Liquidity and Balance Sheet Management Desk in 2005, before eventually being appointed as the Bank's Treasurer in 2009. Prior to joining CTBC Bank Philippines, he was a Swap Trader at PCIBank and a Trust Marketing Officer at Citytrust. Mr. Jimeno is 51 years old.

NENGSHIH WANG, a.k.a. Arthur Wang, Taiwanese, joined CTBC Bank (Philippines) Corp. as Deputy Chief Executive Officer on July 24, 2019. He was previously with Sydney Representative Office of CTBC Bank Co. Ltd where he was Chief Representative. Prior to his assignment in Australia, Arthur held several positions at CTBC Bank Co. Ltd., most recently as SVP and Head of SME Marketing Department. He also brings in extensive experience in Debt Capital Markets from his position as Director of ABN AMRO Bank N.V. (Taipei Branch). Arthur holds a Business Administration degree in Transportation and Communication Management from National Cheng Kung University as well as a Master's degree in Business Administration from University of Wisconsin-Madison. He is 55 years old.

ERIBERTO LUIS S. ELIZAGA, Filipino, earned his AB Economics degree from the Ateneo De Manila University. He is Executive Vice President and Head of Institutional Banking Group. His career in the banking industry spans over 30 years. Prior to joining CTBC Bank, he was the Corporate Banking Head of Philippine Bank of Communications (2015) and most recently, East West Banking Corporation (2018). Before joining PBCOM, Luis spent 15 years of his career with Security Bank during which time he held numerous senior leadership roles. He likewise had stints with Standard Chartered Bank (1996), Union Bank of the Philippines (1993) and Philippine Commercial International Bank (1987). Luis is 58 years old.

LOLITO RAMON A. CERRER, JR., Filipino, earned his AB Philosophy degree from the Ateneo De Manila University. He is Senior Vice President and the Consumer Finance Sales Head. Prior to joining CTBC Bank, he was the Head of Personal Loans of Security Bank, a role he performed for five years. He likewise had stints at Philippine Savings Bank, APEX Distributors Inc., Metrovet Philippines, Century Canning Corporation, Universal Food Corporation and Philippines Commercial International Bank. At the early part of his career, Jun taught philosophy at the Holy Apostles Senior Seminary. Jun is 59 years old.

JUSTINE BENEDICT G. DELA ROSA, Filipino, acquired his AB Economics degree and BS Management of Financial Institutions degree from De La Salle University. He is Senior Vice President and Head of Treasury Group. His career in banking started in 1997, when he was selected to be part of Solid Bank's Officer Development Program. Upon completion of the program, he chose to start a career in Treasury as a Liquidity Trader. In his more than 18 years with CTBC Bank, he has quickly moved up the corporate ladder and has assumed positions of increasing responsibility. From being a Department Head of Trading Desk in 2006, Mr. Dela Rosa was appointed as Treasury Group Head last December 02, 2019. He is 47 years old.

REMO ROMULO M. GARROVILLO, JR., Filipino, holds an AB Economics degree from Ateneo de Manila University. He is Senior Vice President and Head of Retail Banking Group. He joined CTBC Bank on December 09, 2014 as Head of Global Transaction and Other Banking Channels followed by his appointment as full-fledged Retail Banking Group Head effective July 25, 2019. Prior to CTBC Bank, he was Director of Merchant Acquisition of Globe Telecom. He started his banking career at Union Bank of the Philippines in 1999, initially as Customer Service Officer and later on as Cash Solutions Manager. In 2003, he joined Philippine National Bank (PNB) as Assistant Vice President and Head of its e-Business Solutions Division. After his three-year stint with PNB, he moved to East West Banking Corporation in 2006 where he was Head of the Product Development and Marketing Support Division. In 2007, he joined Rizal Commercial Banking Corporation (RCBC) as Assistant Vice President of Channel Management and Product Development. He left RCBC as Senior Vice President and Head of Global Transactions Services. Mr. Garrovillo is 43 years old.

RAFAEL V. RUFINO III, Filipino, holds a degree in Commerce from De La Salle University. Mr. Rufino was first introduced to the banking profession in 1991 when he joined the Private Development Corporation of the Philippines (PDCP) initially as an Account Analyst and later on as an e-Business Banking Unit Head. He spent the next 11 years with the institution, which was later renamed PDCP Bank, then 1st E-Bank, before joining CTBC Bank in 2003. At CTBC, Mr. Rufino further expanded and solidified his knowledge of the credit process as a result of his being assigned in various roles of increasing responsibility from Account Officer to Credit Officer to Credit Control Department Head and eventually Group Head. He is currently Senior Vice President and the Chief Risk Officer of the Bank. He is 53 years old.

JIMMY ARSENIO Y. SAMONTE, Filipino, obtained his Bachelor's degree in Commerce, Major in Accountancy (*cum laude*) from the University of Santo Tomas and is a Certified Public Accountant. Jimmy also attended the Banking Intermediate Industry Training School at the Center for Professional Education of Arthur Andersen and Co. in Illinois, USA. He is Senior Vice President and Head of Internal Audit. He also served as the Bank's Compliance Officer from 2000 to 2001. Prior to joining the Bank, he was Audit Manager of the Financial Services Group of Sycip, Gorres, Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited. He has been with the Bank since October 1998. Jimmy is 52 years old.

MARY ANNE G. BERNAL, Filipino, obtained her Bachelor's Degree in Economics from University of Sto. Tomas. She was first exposed to the banking industry when she joined China Banking Corporation as Account Analyst in 1993 and later on in her career assumed a supervisory role. After her 9-year stint with China Banking Corporation, she moved to CTBC Bank in 2002. In her more than 18 years with CTBC Bank, she has consistently moved up the corporate ladder and assumed positions of higher responsibility. From being a Credit Officer to Liquidity Officer in 2009, she currently holds the position of Senior Vice President and Head of Liquidity and Balance Sheet Department under Treasury Group. Ms. Bernal is 48 years old.

MARIA ALICIA C. MARASIGAN, Filipino, earned her Bachelor's Degree in Commerce from St. Scholastica's College Manila and her Master's Degree in Business Administration from the Ateneo De Manila University. She joined CTBC Bank in 2021 as Senior Vice President and Head of the Banking Operations Group. Her banking career started when she joined Philippine Savings Bank as Credit Analyst. After her 10-year career with Philippine Savings Bank, she moved to Planters Development Bank in 2003 where her last role was Corporate Salary Loan Unit Head. From 2007 to 2012, she was with Premiere Bank (acquired by Security Bank) as Corporate Salary Loan Department Head and later on as Senior Assistant Vice President and Seafarers Loan Team Head. In 2014, she served as Transformation and Strategy Head of Maybank Philippines, Inc. and later on assumed the Central Operations Group Head position before joining CTBC Bank. Ms. Marasigan is 48 years old.

MICHAEL C. ALBOTRA, Filipino, holds a degree in Bachelor of Arts Major in Economics from University of Asia and the Pacific. He is Senior Vice President and Head of Top Tier Department under Institutional Banking Group. Prior to joining the CTBC Bank in 2021, he was Senior Vice President and Co-Head of Corporate Banking Department of Mizuho Bank, LTD. He also had stints with HSBC Philippines and HSBC Savings Bank (Phil) Inc. as Vice President and Corporate and Commercial Banking Head. In 2008, he joined United Coconut Planters Bank as Assistant Vice President and Senior Relationship Manager under Corporate Wholesale Banking Group. Previous to this position in United Coconut Planters Bank, he served Bank of Commerce from 2000 to 2008 as Unit Head and later on appointed as Assistant Vice of Private Banking Group. He also worked for almost 2 years at Urban Bank as Marketing Associate which started his banking profession and soon after promoted to Marketing Officer. Mr. Albotra is 44 years old.

CARINA FRANCESCA C. UY, Filipino, earned her Bachelor of Arts degree Major in Communication from St. Paul College of Manila and her Master's degree in Business Administration from the De La Salle University. She joined CTBC Bank in March 2022 as Senior Vice President and the Head of Middle Market Department of Institutional Banking Group. Prior to joining CTBC Bank, she was with UCPB for 29 years where her last position was Corporate and Investment Banking Group Head. Early in her career, Carina likewise had professional stints at Financiera Manila Inc., Pacific Orient Finance Corp., International Corporate Bank and Asia Pacific Corporation. Ms. Uy is 62 years old.

(b) Significant Employees

There is no significant employee who is not an Executive Officer and who is expected to make significant contribution to the business.

(c) Family Relationships

No family relationship exists among the Bank's directors and executive officers.

(d) Certain Relationships and Related Transactions

The Bank, in its regular course of trade and business, enters into transactions with its Directors, Officers, Stockholders, and Related Interests (DOSRI) involving mainly loans and these are disclosed to the *Bangko Sentral ng Pilipinas* (BSP) in accordance with the Manual of Regulations for Banks.

All transactions of the Bank, whether with DOSRI, related parties or non-related parties, are conducted and entered in the Bank's best interest and on "arm's length basis".

There are no parties that fall outside the definition of “Related Parties” under PAS 24 with whom the Bank or its related parties have a relationship that enables such parties to negotiate terms and material transactions that may not be available from other more clearly independent parties on an “arm’s length basis”.

Note 25 page 106 of the Bank’s Audited Financial Statements for the fiscal year ended as of December 31, 2021, attached as Exhibit 2 of this Report, discusses the nature of such Related Party Transactions, which discussion is incorporated hereto by reference.

Disclosures required by Annex 68-J of the amended Securities Regulation Code Rule 68 and 68.1 are in Part II, Schedules A to G of said Audited Financial Statements.

(e) Involvement in Certain Legal Proceedings of Directors and Officers

To the knowledge and/or information of the Bank, none of the nominees for election as director, nor any of the Bank’s executive officers, during the last five (5) years and up to this date, has had any involvement in the following: (a.) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b.) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (c.) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any time of business, securities, commodities or banking activities; and (d.) Being found by a domestic or foreign court of competent jurisdiction (in a 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.

Item 6. Compensation of Directors and Executive Officers

1. Compensation of Directors & Officers

Summary Compensation Table of Executive Officers

<u>Name</u>	IN MILLION PESOS			
	<u>Annual Salary</u>	<u>Bonus</u>	<u>Others</u>	<u>Total</u>
<u>2020</u>				
Executives (5)	39.33	3.69	18.33	61.35
<u>2021</u>				
Executives (5)	42.41	30.97	1.93	75.31
<u>2022</u>				
Executives (5)	45.30	30.44	2.02	77.76
(Estimate)				
Officers Unnamed	40.60	19.47		60.07

The named Executive Officers receive salaries, bonuses and other usual bank benefits that are also included in the amounts stated above. Aside from these, they have no other compensation plan or arrangement with the Bank.

Chief Executive Officer and four other most highly compensated executive officers:

Oliver D. Jimeno	President and CEO
Nengshih (Arthur) Wang	Executive Vice President
Eriberto Luis S. Elizaga	Executive Vice President
Justine Benedict G. dela Rosa	Senior Vice President
Jereven B. Adriano	Senior Vice President

1.2 Summary of Compensation Table of Directors

Each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of the Bank's overall strategy.

The total per diem and attending fee paid to the directors for their attendance in Board meetings amounted to P10.84 million; P11.17 million; and P11.97 million in 2021, 2020 and 2019 respectively. For 2022, approximately P10.79 million will be paid to the directors.

In accordance with paragraph 4 of Section 29 of the Revised Corporation Code, the total compensation received by each of the Directors for 2021 are as follows:

Name	Total
*Jack Lee (resigned December 16, 2021)	-0-
*Cheng-Hsin Wang (appointed December 16, 2021)	-0-
*Oliver Jimeno	-0-
*Li-Hsuan Juan	-0-
*C.C. Huang (replaced by Jui-Cheng Huang)	-0-
*Jui-Cheng Huang (appointed in June 24, 2021)	-0-
William B. Go	4,327,189.16
Edwin B. Villanueva	956,320.71
Alexander A. Patricio	2,136,848.71
Stephen D. Sy	2,049,586.57
**Luis Y. Benitez, Jr.	1,369,718.25

*Jack Lee, Cheng-Hsin Wang, Li-Hsuan Juan, C.C. Huang and Jui-Cheng Huang, waived their Directors' Fees. President and CEO Oliver Jimeno did not receive any compensation as Board and Committee member.

**New Independent Director effective June 24, 2021 replacing Edwin Villanueva who completed his nine (9) year term as Independent Director.

2. Employment Contract and Termination of Employment and Change-in-Control Arrangements

There is no formal employment contract between the Bank and the named executive officers covering compensation package. The said executive officers, just like other officers and employees, are also entitled to standard fringe benefits granted by the Bank such as coverage under the Bank's non-contributory Retirement Plan and Group Life Insurance.

3. Warrants and Options Outstanding

There are no warrants or options held by Bank's officers and directors.

Similarly, there are also no actions to be taken as regards any bonus, profit sharing, pension or retirement plan, granting of any option, warrant, or right to purchase shares between the Bank and its directors and officers.

Item 7. Independent Public Accountants

For the calendar years 2021, 2020, and 2019 RGM, the local firm of KPMG International has been appointed as the Bank's external auditor. Vanessa P. Macamos has been the certifying partner from RGM since 2017, in compliance with the 7-year rotation requirement.

For calendar year 2022, the Bank's Board of Directors in its meeting held on April 28, 2022, appointed R.G. Manabat and Co. (RGM) (Ms. Vanessa Macamos) the local firm of KPMG International as the external auditor for the Bank and the Trust and Investments Department, respectively, subject to ratification by the shareholders in the scheduled meeting.

RGM will be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The Bank has no disagreement with any of its external auditors in any matter of accounting principle, practice, or financial disclosures.

INFORMATION ON INDEPENDENT ACCOUNTANT (EXTERNAL AUDIT FEES (MC No. 14, Series of 2004)

(a) Audit and Audited-Related Fees

The Bank paid the following audit fees to R.G. Manabat & Co (RGM) and for the fiscal year indicated:

Fiscal Year	Amount
RGM	
For 2019 paid in 2019	Php446,136.00
For 2019 paid in 2020	Php2,026,209.06
For 2020 paid in 2020	Php837,200.00
For 2020 paid in 2021	Php1,572,405.00
For 2021 paid in 2021	Php1,288,000.00
For 2021 paid in 2022	Php1,551,200.00

To date, RGM has no remaining unbilled charges for 2021 audit.

(b) Tax & Other Fees

There are no fees paid to tax and other related services.

(c) *Audit Committee's Approval Policies and Procedures for the above services*

The engagement of the services of the Bank's external auditor is evaluated by the Audit Committee. Consistent with the provisions of the Code of Corporate Governance and the Bank's Audit Committee Charter, the appointment of the external auditor is nominated by the Audit Committee for Board approval and subsequently for the ratification/approval by the shareholders. Annex "C" discusses the composition of the Audit Committee.

Item 8. *Compensation Plans* – NOT APPLICABLE

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*

- (a) Brief Description of the General Nature and Scope of the Business of the Registrant, attached as **Annex "A"**;
- (b) Market Information, Dividends, and Top 20 Stockholders, attached as **Annex "B"**;
- (c) Discussion of Compliance with leading practice on Corporate Governance, attached as **Annex "C"**;
- (d) Management's Discussion and Analysis or Plan of Operation, attached as **Annex "D"**;
- (e) Statement of Management Responsibility for Financial Statements, attached as **Annex "E"**;
- (f) Audited Financial Statements for the fiscal year ended as of December 31, 2021, attached hereto as **Annex "F"**;
- (g) Unaudited Financial Statements as of the end of March 31, 2022, attached as **Annex "F-1"**;
- (h) As part of the Bank's corporate governance practice which requires an evaluation of relationship on a regular basis, the RGM was appointed as the external auditor for the calendar years 2021 and 2022.

Item 12. *Mergers, Consolidations, Acquisitions and Similar Matters* – NOT APPLICABLE

Item 13. *Acquisition or Disposition of Property*

Except for the acquisition of properties in connection with ordinary course of business or disposition of real and other properties owned or acquired (ROPOA) and non-performing loans (NPL), there are no actions to be taken as regards acquisition or disposition of properties.

Item 14. *Restatement of Accounts* – NOT APPLICABLE

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following are the matters pertaining to reports which will be submitted to the shareholders for action:

1. Approval of the Minutes of Annual Stockholders' Meeting of June 24, 2021 attached as **Annex "G"**. Action on the minutes will not constitute approval or disapproval of any of the matters referred to in the said minutes but will most likely be approved thereof as written as traditionally done, or at most correction or modification thereof may be made prior to actual approval.
2. Submission of Audited Financial Statements of the Bank as of 31 December 2021 (Annex F).

Item 16. Matters Not Required to be Submitted – NOT APPLICABLE

Item 17. Amendment of Charter, By-Laws or Other Documents – NOT APPLICABLE

Item 18. Other Proposed Actions.

The following are the other proposed actions which will be submitted to the shareholders for action:

1. Election of Members of the Board of Directors.

Majority of the incumbent directors are expected to be re-nominated during the annual meeting.
2. Appointment of External Auditor for the Bank and the Trust and Investment Services Department for the Calendar Year 2022.

The Bank's Board of Directors in its meeting held on April 28, 2022 appointed R.G. Manabat and Co. (RGM) the local firm of KPMG International as the external auditor for the Bank and the Trust and Investments Department, respectively, for calendar year 2022 subject to ratification by the shareholders in the scheduled meeting.

3. Ratification of All Acts, Decisions and Proceedings of the Board of Directors, Committees and Management since the last Annual Meeting.

All the actions of Management and the Board of Directors were done in accordance with the general or specific resolutions of the Board of Directors. Among the significant actions undertaken which were endorsed by Management and approved by the Board of Directors (or approved by a Committee then noted or confirmed by the Board of Directors as may be proper), are as follows: i. approval of items for the 2022 stockholders' meeting such as date of meeting, record date, endorsement of nominees for directors, including the final list of candidates for independent directors; ii. appointments to the Committees; iii. Appointment of directors and executive officers.

Item 19. Voting Procedures.

(a) Vote required for approval or election

The actions to be taken shall only require the vote of security holders representing at least a majority of the issued and outstanding capital stock entitled to vote.

(b) Method by which votes will be counted

Straight and Cumulative Voting

In all items for approval except election of directors, each share of stock entitles its registered owner to one vote. With respect to election of directors, a security holder shall have cumulative voting rights under Article II, Section 8 of the amended By-Laws as previously stated.

Representatives of the Bank's stock transfer agent, Stock Transfer Service, Inc. shall be authorized to count the votes cast.

(c) Participation of Shareholders by remote communication; voting by remote communication or in absentia; Confidentiality and data privacy policy

Due to the COVID 19 pandemic and to ensure the safety and welfare of its stockholders and everyone, the meeting shall be conducted virtually. Procedures for registration, participation and voting by remote communication are in Schedule 1 hereof.

By participating in the virtual meeting, participants including the Bank's directors, officers, employees, shareholders, brokers, proxies, and anyone (individually or collectively, hereafter, "Participants") who will be given access to the online platform used by the Bank in which will allow you to view and listen to online discussions and reports which may include internal and confidential information arising from the shareholders' meeting shall be subject to the following Confidentiality and Data Privacy Policy:

- i. the Bank and its service providers shall use, collect, and process Participants' sensitive personal information;
- ii. Participants agree, authorize and consent for the Bank to collect, store, process, use and transmit his/her personal information for online registration and to enable them to attend and/or participate in the ASM virtually, and in order for the CTBC Bank to comply with its regulatory and contractual obligations and to be able to conduct the meeting in an orderly manner.
- iii. Participants further agree, authorize and consent for the Bank that any information disclosed or image / video taken during the ASM shall be stored by the Bank for one year following the meeting unless a longer period for safekeeping is required by law, or the Bank's data retention policy.
- iv. Information disclosed / discussed / presented, and any image / video/audio taken during the ASM are private and confidential. Nonetheless, the Bank has the right to disclose the information or image / video to any government regulatory agency for purposes of complying with regulatory and/or legal requirements, or to any media entity or third parties for media releases in order to promote its interest, and with full consideration of the data privacy rights of the participants.

- v. To safeguard and keep privacy and confidentiality of any such information or image/video/audio, Participants agree that he/she:
 - 1. shall access the app and watch the online event on secure devices only;
 - 2. is prohibited from making any information or image/video/audio public, in any form or manner, or provide it to others who make it public, such as news media, social media, etc.;
 - 3. is prohibited from copying or replicating or screen capturing or recording in any manner, any portion of the information or image / video/audio; and,
 - 4. is prohibited from using any information or image/video/audio or any portion thereof, for purposes of personal gain or any unlawful purpose;
 - 5. is prohibited from providing others any information or image/video/ audio or any portion thereof, in any form or manner.
- vi. Participants agree that CTBC Bank reserves the right to take the necessary legal action for violation of the foregoing confidentiality and data privacy policy.
- vii. Participants further agree to be bound by the: Bank's Privacy Policy Statement at the Bank's website:
https://www.ctbcbank.com.ph/Structure/En_PrivacyStatement.html.

SIGNATURE PAGE

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 HEREUNTO DULY AUTHORIZED.

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Taguig on May 19, 2022.

CTBC BANK (PHILIPPINES) CORP.

Issuer

By:



ATTY. ROLANDO V. VICERRA

Corporate Secretary

TIN: 177-772-258

UNDERTAKING

The Bank shall provide, without charge to any person upon a written request directed to Atty. Rolando V. Vicerra, FVP & Head-Legal Department & Corporate Secretary at the 22nd Floor, Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City, a copy of the registrant's annual report on SEC Form 17A. At the discretion of the management, a charge may be made for exhibits, provided that such charge is limited to reasonable expenses incurred by the registrant in furnishing such exhibits.

ANNEX “A”

BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF BUSINESS OF THE REGISTRANT

(1) Description of Business

Business Development. CTBC Bank (Philippines) Corp. (“Bank”) is the Philippine subsidiary of CTBC Bank Co., Ltd. (“CTBC Ltd.”) of Taiwan.

The Bank was incorporated on September 7, 1995 initially as Access Banking Corporation, and commenced operation on September 26, 1995 as a domestic commercial bank. The Bank has an authorized capital stock of P3.0 Billion.

On November 22, 1995, the Monetary Board approved the investment of CTBC Ltd. in sixty percent (“60%”) of the voting stock of Access Banking Corporation through the outright purchase of fifty percent (“50%”) or P487.5 Million of its P975.0 million outstanding voting stock and an additional subscription of P262.5 million of the P275.0 million additional voting stock issued. On January 8, 1996, the Bank’s name was changed to Chinatrust (Philippines) Commercial Bank Corporation.

In line with the capital build-up program of the Bank, its Board of Directors approved in 1997 the issuance of 25 million common shares at P10.00 per share from its authorized capital stock via a stock rights offering to existing stockholders. This entitled the existing shareholders to subscribe to one (1) common share for every five (5) shares held. As of December 31, 1997, the stock rights offering was fully subscribed; partial payment to the subscription amounted to P209.99 million which resulted in the Bank’s attainment of its P1.647 Billion capital, fully complying with minimum capital requirements of BSP of P1.625 billion by the end of the year. On March 31, 1998, all subscriptions to the stock rights were fully paid. On April 23, 1998, the SEC approved the stock rights offering.

On June 2, 1999, the Bank’s share was listed in the Philippine Stock Exchange (“PSE”) through an Initial Public Offering (“IPO”) of 37,500,000 common shares from its unissued authorized capital stock. The proceeds of the IPO were utilized for branch expansion and investment in information technology.

In December 2000, CTBC Ltd. substantially increased its equity in the Bank through the acquisition of shares held by a minority group, thus controlling approximately 91% of the Bank’s capital stock, compared to 57% prior to the acquisition. A further acquisition of shares held by the public representing 9% of the Bank’s equity was made by CTBC Ltd. in January 2001 through a tender offer at a price of PhP19.00 per share, the same price at which the shares from the minority group was acquired. To date, CTBC Ltd. holds 99.41% of the Bank’s outstanding capital stock.

On August 25, 2005, the Board of Directors of the Bank declared 15% stock dividends out of its unissued shares. It was subsequently approved by the shareholders in a special meeting called for the same purpose on December 22, 2005. The BSP later approved the 15% stock dividend on February 20, 2006. On April 4, 2006, 28,124,997 common shares representing the 15% stock dividends were issued to the Bank’s shareholders and simultaneously listed with the PSE.

On March 30, 2007, the Bank’s Board of Directors once again made another 15% stock dividend declaration, to be paid out of the Bank’s unissued shares. The same

was ratified by the shareholders during the Bank's annual shareholders' meeting held on June 28, 2007, and subsequently approved by the BSP on September 20, 2007. On November 15, 2007, an additional 32,343,734 common shares representing 15% stock dividends were listed in the PSE and issued to the Bank's stockholders of record as of record date.

On December 23, 2011, the Bank a filed Petition for Voluntary Delisting at the Philippine Stock Exchange ("PSE"). Pursuant to the PSE Voluntary Delisting Rules, a tender offer was conducted by the Bank at a tender offer price of Php26.14. The PSE in its Memorandum No. 2012-0010 dated February 20, 2012 approved the Petition for Voluntary Delisting effective February 24, 2012.

On September 19, 2013, the SEC approved the amendment to Article FIRST of the Bank's Articles of Incorporation amending the Bank's name to CTBC Bank (Philippines) Corp. The Bank started using the new corporate name effective October 30, 2013.

On July 25, 2019, the shareholders approved the amendment to Article SEVENTH of the Articles of Incorporation increasing the authorized capital stock from 3 Billion Pesos to 4 Billion Pesos and increasing the common stock from 300,000,000 to 400,000,000, in connection with the Bank's Capital Build Up Program to comply with the Bangko Sentral Ng Pilipinas Circular No. 854 Series of 2014 on Minimum Capitalization of Banks. The shareholders also approved the issuance to Parent Bank CTBC Bank Co., Ltd. of the following shares at the share price of Php29.755: the 484,920 Treasury Shares, the remaining 51,031,269 from the unissued common shares, and 48,307,202 common shares from the increase in the authorized capital stock subject to the approval of the Securities and Exchange Commission to said amendment in the Bank's Articles of Incorporation. The Bank entered into subscription agreements dated September 12, 2019 with CTBC Bank Ltd. for the said shares. The subscriptions were fully paid. The Bank issued the Treasury Shares and the remaining unissued common shares so that the shareholdings of CTBC Bank Ltd. increased from 99.60% to 99.67% of the Bank's outstanding shares. On March 6, 2020, the Securities and Exchange Commission approved the aforesaid amendment to Article Seventh of the Articles of Incorporation. The Bank thus issued the 48,307,202 common shares from the increase in its authorized capital stock so that the shareholdings of CTBC Bank Ltd., further increased from 99.67% to 99.72%.

On June 24, 2021 the shareholders elected the following as members of the Board: Wen-Hung (Jack) Lee, William B. Go, Oliver D. Jimeno, Li-Hsuan Juan, Jui-Cheng (Kevin) Huang and Alexander A. Patricio, Stephen D. Sy, and Luis Y. Benitez, Jr. as Independent Directors. On December 16, 2021 Jack Lee voluntarily resigned and the Board appointed Cheng-Hsin Wang as Chairman of the Board to serve the unexpired term of Jack Lee.

Based on the data as of December 31, 2021 issued by Business World, out of the forty six (46) universal and commercial banks operating in the Philippines, the Bank ranked 25th in terms of Total Assets; 23rd in terms of Total Loans; 25th in terms of Total Deposits; and 24th in terms of Total Capital.

(2) Business of Issuer

Products and Services. As a full-service commercial bank, the Bank offers various products and services, such as the following:

PESO DEPOSITS

- Savings Account
 - Regular
 - My First Saves
- Checking Account
 - Regular
 - CheckLite
 - Ultimate Earner
- Time Deposit

FOREIGN CURRENCY DEPOSITS

- Dollar Savings Account
- Dollar Time Deposit
- Third Currency Deposits

CARD PAYMENTS

- Visa Debit and Cash Card
- Co-Branded Cash Cards

CONSUMER LOANS

- My Family Home Loan
- Salary Stretch Personal Loan
 - (Public and Corporate)
- Small and Medium Enterprise (SME) Business Loan
- Credit Facilities Secured by Deposit and Government Securities

CREDIT FACILITIES & CORPORATE LOANS

- Short-term Loan
- Term Loan
- Domestic Letter of Credit
- Import Letter of Credit
- Standby Letter of Credit
- Trust Receipt
- Export Packing Credit
- Export Bills Purchase
- Discounting Facilities
- Domestic Bills Purchase

CASH MANAGEMENT SERVICES

- Account Information Management
 - NetBanking (Retail and Corporate)
 - E-Mail Statement
- Disbursement Management
 - Cash Card Reloading
 - Payroll
 - Ultimate CheckWriter
 - Customs Duties

TREASURY SERVICES

- Foreign Exchange
 - Spot
 - Forward
 - FX Swaps
 - Cross Currency Swaps
 - Interest Rate Swaps
 - Options
- Peso Fixed Income
 - Treasury Bills
 - Fixed Rate Treasury Notes
 - Retail Treasury Bonds
 - Global Peso Notes
 - Peso Corporate Bonds
 - Peso Short Term Commercial Papers
- Dollar Fixed Income
 - ROP Bonds
 - Other Sovereign Bonds
 - Dollar Philippine Corporate Bonds

TRUST AND INVESTMENT SERVICES

- CTBC Bank Peso Unit Investment Trust Fund
 - Money Market Fund
 - Balanced Feeder Fund
 - Stock Index Feeder Fund
- Employee Retirement Benefit Plan Management
- Investment Management Account
- Personal Management Trust
- Escrow Agency
- Mortgage Trust Indenture

REMITTANCE SERVICES

- Inward Remittances
- Outward Remittances

TRADE SERVICES

- Letters of Credit
 - Import Letters of Credit
 - Domestic Letters of Credit
 - Standby Letters of Credit
- Shipping Guarantee
- Import Bills Negotiation
- Loans Against Trust Receipts
- Documentary Collections – Import and Domestic
 - Document Against Payment (D/P)
 - Document Against Acceptance (D/A)

BIR eFPS	Open Account (O/A)
BancNet eGov (SSS, Pag-IBIG and PhilHealth)	Direct Remittance (D/R)
MC Bulk Preparation	Advance Import Payments (AIP)
Local and Global Remittances (IBFT, PESONet, RTGS, PDDTS, Swift)	Export LC Advising
Receivables Management	Export Bills Negotiation (LC and Non-LC)
Collection Service Facility	
Post-Dated Check Warehousing	
Ultimate Money Mover (Deposit Pick-up)	
BancNet Bills Payment	
Bills Payment (Merchant Biller)	
Merchant Acquiring	
BancNet Point-of-Sale (POS)	

From the foregoing products and services, the Bank's revenues are categorized into three (3) major segments, namely: (1) Portfolio Products; (2) Transactional Banking Products; and (3) Exposure Management Products. The remaining revenues are classified under Others. Portfolio Product revenues consist of spreads earned on loans. Transactional Banking Product revenues consist of spreads earned on deposits as well as fees earned from cash management products and trade services. Exposure Management Product revenues consist of income earned from the investment portfolio and trading activities. Other revenues consist of fees earned on trust services, gain on sales of acquired assets, service fees and charges earned on all other banking activities. The contributions of the 3 major segments in terms of percentage to the Bank's total revenues during the last two years are as follows:

Major Segment	2020	2021
Portfolio Products	48.95%	60.11%
Transactional Banking Products	21.93%	17.88%
Exposure Management Products	17.13%	11.50%

Status of New Products or Services.

The Bank launched its Chinese Desk team last January 2021 to cater to our existing and potential Chinese speaking clients – Mandarin and Hokkien. Our Chinese Desk team is currently stationed in our Binondo branch.

We have also launched new products and services in 2021 - VIP Courier service which was launched last March to better serve our clients who are not yet comfortable to visit our branch to submit documents due to the COVID situation and My First Saves launched last June which is our kiddie savings account for children below 18 years old to help them start saving at an early age.

Distribution Network. The Bank's products and services are made available to its clients through its offices, branch network, all automatic teller machines (ATMs), and for some services/products, thru its 43 ATMs and other ATM networks. Likewise, some products can now be accessed through internet and mobile banking channels and other electronic channels i.e. interactive voice response system, internet and short message system (SMS). In addition to its Main Office Branch in Bonifacio Global City, the Bank operates 24 branches as of end of December 2021.

Competition. The Bank faces competition from both domestic and foreign banks that operate in the Philippines. In the light of such competitive environment, the Bank

focuses on key businesses to include consumer finance, the trading of fixed-income instruments and foreign exchange, the Taiwanese business, and selective corporate lending. By being a specialist, it is able to properly concentrate its resources and capital to ensure service excellence and good risk management and corporate governance. The Bank likewise adopts applicable business models from its parent bank and custom fits these to local market conditions. These efforts make the Bank a strong player in its chosen businesses.

Sources and availability of raw materials and the names of principal supplier. - Not applicable.

Dependence upon a single/few customers. – Not applicable.

Transactions with and/or dependence on related parties. Except in the ordinary course of business such as DOSRI transactions and employee loans, there are no transactions with and/or dependence on related parties.

Trademarks, Licenses, Franchises., etc. The Bank is the owner of the marks “CTBC”, “We Are Family” and “Salary Stretch”. As to other licenses, the Bank is a registered Government Securities Eligible Dealer (GSED) with Broker Dealer of Securities Functions.

Effect of existing or probable government regulations. As a domestic commercial bank, the Bank is governed by the rules and regulations of the BSP. The Bank observes and complies with all government laws, rules and regulations that exist.

Amount spent on research and development. There are no major expenses on research and development activities and these are just incorporated into the ordinary business expense of the Bank.

Cost and effect of compliance with environmental laws. - Not applicable.

Number of Employees. As of March 31, 2022, the Bank had seven hundred thirty (730) employees composed of 439 officers and 291 staff, with 689 regular employees and 41 probationary employees. The Bank has no existing employees' union. It has also no collective bargaining agreement.

Major Business Risks. The Bank's business activities are exposed to a variety of financial risks – market risk, credit risk, liquidity risk and interest rate risk. The Bank is strongly committed to judiciously managing risks. For this purpose, it has put in place the necessary processes and platforms that enable it to prudently manage all categories of risk. It is the presence of this risk infrastructure and consciousness that has made the Bank either a leader or a major player in businesses where the required core competency is astute risk management capability. The Bank's risk management programs seek to minimize potential adverse effects on its financial performance.

Market risk is the risk that the value of a currency position or financial instrument will fluctuate due to changes in foreign exchange rates and interest rates. The Bank's market risk originates from its holdings in its foreign exchange instruments, debt securities and derivatives. The Bank utilizes market risk factor sensitivities as a tool to manage market risk. Market risk factor sensitivities of a position are defined as a change in the value of a position caused by a unit shift in a given market factor. The Market Risk Management Department implements a trading risk limits that is in line

with the Bank's risk appetite. The Bank also maintains a rigid system of loss limits and action triggers that prompt management to immediately act in the event that these thresholds are breached. These actions may include, but are not limited to, the partial liquidation of existing positions in order to cut losses. The objective of these thresholds is to ensure that losses, if any, will be limited to what the Bank's earning capability can sufficiently cover.

Credit risk is the risk that a borrower /obligor, guarantor, debtor or counterparty, or issuer of a security held by the Bank will not pay the obligation when it falls due. The Bank manages its credit risk by setting limits for individual borrowers and group of borrowers. It also places a cap on exposures to top borrowers, specific products, identified market segments, selected industries and loan tenors. The Bank likewise monitors borrower-specific credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into collateral arrangements with counterparties and limits the duration of the exposures.

Liquidity risk is the risk that the Bank will be unable to meet its obligations as they fall due at a reasonable cost within a reasonable timeframe. To effectively manage liquidity risk, the Bank diversifies its funding sources and maintains a set of prudent liquidity risk limits, liquidity indicators, maturity gap analysis, and maximum cumulated outflows per tenor bucket. In addition, the Bank maintains sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions.

Interest rate risk in banking book is the risk to future earnings or equity arising from the movement of interest rates. The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. The Bank measures the impact of 1 basis point change in interest rate on net interest income (NII) and that on economic value of equity (EVE). The analysis of such impact on NII ($1bp\Delta NII$) focuses on changes in interest income and expense within a year, hence, a short-term perspective. The analysis of such impact on EVE ($1bp\Delta EVE$) is of a long-term perspective as it focuses on changes of economic value which will become net interest income received every year later on. Accordingly, both delta Net Interest Income and delta Economic Value of Equity limits in relation to the interest rate sensitivity of the banking book have been established by Management.

In addition to financial risks, the Bank is also exposed to operations risks. Operational risk is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems, or from external events. The Direct Loss results primarily from an operational failure while the Indirect Loss relates to the impact of operational risk on other risks such as Market, Credit or Liquidity Risk. The Bank ensures that specific business policies, processes, procedures and staff are in place to manage overall operational risks by way of identifying, assessing, controlling, mitigating, monitoring and reporting risk events. The Bank manages other types of risks such as regulatory and reputational risk.

ANNEX “B”

MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information

The PSE in its Memorandum No. 2012-0010 dated February 20, 2012 approved the Petition for Voluntary Delisting effective February 24, 2012. Market prices of the Bank’s shares since 1st quarter of 2010 to 1st quarter of 2012 are as follows:

QUARTER	HIGH	LOW
1Q ‘12	25.50	20.00
4Q’11	28.00	19.00
3Q’11	21.00	20.00
2Q ’11	22.00	21.00
1Q ’11	21.00	21.00
4Q’10	23.50	21.00
3Q’10	22.00	20.00
2Q ’10	22.00	15.25
1Q ’10	25.00	24.00

As of February 20, 2012, which is the last trading date prior the effective date of delisting at the PSE, the information showed a closing price of P20.00.

There was no sale of any securities made by the Bank within the last three (3) years except as stated in Item 5 (4) herein.

2. Holders

The number of shareholders of record as of April 30, 2022 is 111.

Common Shares outstanding as of April 30, 2022 are 348,307,202.

The Top 20 Stockholders of record as of April 30, 2022 are as follows:

Name	Number of Shares Held	% to Total
CTBC Bank Co., Ltd.	347,319,203	99.72
Ma. Asuncion M. Ortoll	241,551	00.07
Alfonso Lao	185,150	00.05
Arlene Ravalo Ulanday &/Or Bethel Ann Ravalo &/Or Eliodoro Ravalo	75,000	00.02
Chen Li Mei	65,992	00.02
Bettina V. Chu	31,078	00.01
Carlos M. Ortoll	26,838	00.01
Ma. Beatriz Ortoll-Manahan	26,838	00.01
Ma. Elena Ortoll-Mijares	26,838	00.01
Jose Antonio M. Ortoll	26,838	00.01
Ma. Marta M. Ortoll	26,838	00.01
Ma. Teresa Ortoll-Garcia	26,838	00.01
Martin M. Ortoll	26,838	00.01
Regan C. Sy	26,450	00.01

PCD Nominee Corporation (Filipino)	13,795	00.00
Bernardito U. Chu	13,225	00.00
Ching L. Tan	13,225	00.00
Guat Tioc Chung	13,225	00.00
Razul Z. Requesto	13,225	00.00
Oliverio Guison Laperal	13,225	00.00

As of April 30, 2022 of the total shares issued, 348,307,202 shares or 99.76% represents foreign ownership. All issued shares have voting rights pursuant to the Bank's Amended By Laws stating thus: "Section 7. Voting of Shares in General - At each meeting of the stockholders, every stockholder entitled to vote on the particular question or matter involved shall be entitled to one (1) vote for each share of stock standing in his name on the books of the Bank at the time of closing of the transfer books for such meeting."

3. Dividends

The Bank declared 15% stock dividends last August 25, 2005, which was subsequently approved by its shareholders on December 22, 2005. The BSP later approved the 15% stock dividend on February 20, 2006. On April 4, 2006, 28,124,997 common shares representing the 15% stock dividends were paid to the Bank's shareholders and simultaneously listed with the PSE.

On March 30, 2007, the Bank's Board of Directors once again made another 15% stock dividend declaration, to be paid out of the Bank's unissued shares. The same was ratified by the shareholders during the Bank's annual shareholders' meeting held on June 28, 2007, and subsequently approved by the BSP on September 20, 2007. On November 15, 2007, an additional 32,343,734 common shares representing 15% stock dividends were listed in the PSE and issued to the Bank's stockholders of record as of record date.

Any dividend declaration to be made by the Bank is subject to approval by the BSP and SEC. At the regular meeting of the BOD held on June 23, 2015, the BOD approved the restriction of the full amount of retained earnings for the following purposes: i) to comply with minimum capital requirement set forth under BSP Circular No. 854; ii) to comply with the requirements of the ICAAP pursuant to BSP Circular No. 639; and iii) to provide for buffer in preparation for BASEL III requirements.

ANNEX “C”

DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Bank has a Manual of Corporate Governance which is regularly updated to align with the industry’s best and leading practices on corporate governance and comply with latest relevant regulatory issuances.

Conformably with existing rules and regulations, its Articles of Incorporation and By-Laws, the Bank’s Manual on Corporate Governance has Board level committees organized to assist it in governance matters. These are the following: (1) Executive Committee; (2) Nomination, Remuneration and Governance Committee; (3) Audit Committee; (4) Risk Management Committee; and (5) Trust Committee.

- The Executive Committee is headed by Cheng-Hsin-Wang as Chairman, with William B. Go, Oliver D. Jimeno and Jui-Cheng Huang as Members. It is authorized to act on behalf of the full Board as to urgent matters that arise between its regular meetings. The committee shall have the power to direct and transact all business and affairs of the Bank which otherwise may come to the Board except as limited by the Bank’s Articles of Incorporation or By-Laws or by applicable law or regulation on decisions on any matter related to mergers and acquisitions of the Bank, to issuance of debts instruments and of share capital of the Bank. It is also authorized to act immediately in order to protect the Bank or its important interests from loss or damage and these acts and decisions shall be reported and ratified at the next board meeting. In 2021, ExCom had a total of 91 meetings. As meetings are numerous, summation of attendance per Director per month is as follows:

Executive Committee Members	Meetings Attended per Director over Meetings Held per Month												Percentage of Attendance for 2021
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Wen-Hung Lee a.k.a. Jack Lee	8/8	7/10	6/6	4/4	4/4	9/9	5/5	8/8	8/8	8/8	13/13	1/9	88%
Cheng-Hsin Wang*	N/A												89%
William B. Go	8/8	10/10	6/6	4/4	4/4	9/9	5/5	8/8	8/8	8/8	13/13	9/9	100%
Chih-Chung Huang a.k.a. C.C. Huang	8/8	10/10	6/6	3/4	4/4	3/9	N/A						83%
Jui-Cheng Huang a.k.a Kevin Huang*	N/A					6/9	5/5	8/8	8/8	8/8	13/13	9/9	95%
Oliver Jimeno	8/8	10/10	6/6	4/4	4/4	9/9	5/5	8/8	8/8	8/8	13/13	9/9	100%

*New Director effective December 16, 2021 to serve the unexpired term of Mr. Jack Lee
 **New Director effective June 24, 2021

- The Nomination, Remuneration and Governance Committee is headed by Independent Director Stephen D. Sy as Chairman, with Cheng-Hsin Wang, William B. Go, Alexander Patricio, and Luis Y. Benitez, Jr. as Members. The NRGC which also functions as the Bank’s “Committee on Corporate Governance” and “Compensation and Remuneration Committee”. Oversee the nomination process for members of the board of directors and or positions appointed by the Board of Directors, continuing education program for the board of directors, performance evaluation process and the design and operation of the remuneration and other incentives policy. The NRGC attendance records in 2021 were logged as follows:

Nomination, Remuneration and Governance Committee	Date of Meetings									Percentage of Attendance for 2021
	24-Feb	15-Mar	13-Apr	5-May	24-Jun	5-Aug	26-Aug	28-Oct	16-Dec	
Stephen D. Sy	√	√	√	√	√	√	√	√	√	100%
Wen-Hung Lee a.k.a. Jack Lee	√	√	√	√	√	√	√	√	√	100%
William B. Go	√	√	√	√	√	√	√	√	√	100%
Edwin B. Villanueva	√	√	√	√	N/A					100%
Alexander A. Patricio	√	√	√	√	√	X	√	√	√	89%
Luis Y. Benitez, Jr.*	N/A				√	√	√	√	√	100%

*New Independent Director effective June 24, 2021 replacing Edwin Villanueva who completed his nine (9) year term as Independent Director.

- The Audit Committee is headed by Independent Director Luis Y. Benitez, Jr. as Chairman, with Alexander A. Patricio and, Li-Hsuan Juan as Members. The members of the Audit Committee shall have adequate understanding or competence at most of the Bank's operations, financial management systems and environment and preferably with accounting, auditing or related financial management expertise and experience. The Audit Committee shall be responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiencies and effectiveness of operations and safeguarding of assets. Duties and Responsibilities of the committee are as follows: (a) Oversee the financial reporting framework; (b) Monitor and evaluate the adequacy and effectiveness of the internal control system; (c) Oversee the internal and external audit function; (d) Oversee the Implementation of Corrective Actions; (e) Investigate Significant Issues/Concerns Raised and (f) Establish Whistleblowing Mechanism. The AC attendance records in 2021 were logged as follows:

Audit Committee Members	Date of Meetings						Percentage of Attendance for 2021
	24-Feb	13-Apr	25-Jun	26-Aug	28-Oct	16-Dec	
Edwin B. Villanueva	√	√	N/A				100%
Luis Y. Benitez, Jr.*	N/A		√	√	√	√	100%
Alexander A. Patricio	√	√	√	√	√	√	100%
Li-Hsuan Juan	√	√	√	√	√	√	100%

*New Independent Director effective June 24, 2021 replacing Edwin Villanueva who completed his nine (9) year term as Independent Director.

- The Risk Management Committee is headed by Alexander Patricio as Chairman, with Directors Jui-Cheng Huang, Li-Hsuan Juan, and Independent Directors Luis Benitez Jr. and Stephen Sy, as Members. Responsible for the development and oversight of the Bank's Risk Management Program, the Risk Management Committee oversees the system of limits to discretionary authority that the Board delegates to management. It is tasked to ensure that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. To achieve this, the Committee takes on the critical role of identifying and evaluating the Bank's risk exposures, ensuring that the appropriate risk management strategies and plans are in place and ready to be executed as necessary, and evaluating the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. Hand in hand with the Chief Risk Officer which functions under the auspices of the Committee, it performs oversight functions in managing credit, market, liquidity, operational risks, IT

Steering Committee, and Information Security Office. The RMC attendance records in 2021 were logged as follows:

Risk Management Committee Members	Date of Meetings						Percentage of Attendance for 2021
	24-Feb	13-Apr	25-Jun	26-Aug	28-Oct	16-Dec	
Alexander A. Patricio	√	√	√	√	√	√	100%
Chih-Chung Huang a.k.a. C.C. Huang	√	√	N/A				100%
Edwin B. Villanueva	√	√	N/A				100%
Stephen D. Sy	√	√	√	√	√	√	100%
Li-Hsuan Juan	√	√	√	√	√	√	100%
Jui-Cheng Huang a.k.a. Kevin Huang*	N/A		√	√	√	√	100%
Luis Y. Benitez, Jr.**	N/A		√	√	√	√	100%

*New Director effective June 24, 2021

**New Independent Director effective June 24, 2021 replacing Edwin Villanueva who completed his nine (9) year term as Independent Director.

- The Trust Committee is headed by Cheng-Hsin Wang as Chairman, with William B. Go, Oliver D. Jimeno, Jui-Cheng Huang and the Trust Officer as Members. It is a special committee who reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank in discharging its function, the committee ensures (1) that fiduciary activities are conducted in accordance with applicable laws, rules and regulations and prudent practices; (2) that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective; (3) oversee the implementation of the risk management framework and ensure that internal controls are in place relative to fiduciary activities; (4) adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust Department to effectively carry out its functions; (5) oversee and evaluate the performance of the Trust Officer; (6) Conduct regular meetings at least once every quarter or more frequently as necessary, depending on the size and complexity of the fiduciary business and (7) report regularly to the Board of Directors on matters arising from fiduciary activities. The Trust Committee attendance records in 2021 were logged as follows:

Trust Committee Members	Date of Meetings						Percentage of Attendance for 2021
	24-Feb	13-Apr	24-Jun	26-Aug	28-Oct	16-Dec	
Wen-Hung Lee a.k.a. Jack Lee	√	√	√	√	√	√	100%
William B. Go	√	√	√	√	√	√	100%
Chih-Chung Huang a.k.a. C.C. Huang	√	√	N/A				100%
Jui-Cheng Huang a.k.a. Kevin Huang*	N/A		√	√	√	√	100%
Oliver D. Jimeno	√	√	√	√	√	√	100%

*New Director effective June 24, 2021

Board Meetings. In 2021, the Board had six (6) regular meetings, two (2) special meeting, in addition to the annual stockholders' meeting and organizational meeting. Attendance record to Board Meetings in 2021 are summarized below:

Name of Directors	Dates of Meetings									Percentage of Attendance for 2021
	24 Feb 2021	13 Apr 2021	5 May 2021	24 June 2021*	25 June 2021	5 Aug 2021	26 Aug 2021	28 Oct 2021	16 Dec 2021	
Lee, Wen-Hung a.k.a. Jack Lee	√	√	√	√	√	√	√	√	√	100%
Wang, Cheng-Hsin****	N/A									100%
William B. Go	√	√	√	√	√	√	√	√	√	100%
Oliver D. Jimeno	√	√	√	√	√	√	√	√	√	100%
Huang, Chih-Chung a.k.a. C.C. Huang	√	√	√	X	N/A					75%
Huang, Jui-Cheng a.k.a. Kevin Huang**	N/A			√	√	√	√	√	√	100%
Juan, Li-Hsuan	√	√	√	√	√	√	√	√	√	100%
Edwin B. Villanueva	√	√	√	X	N/A					75%
Alexander A. Patricio	√	√	√	√	√	X	√	√	√	89%
Stephen D. Sy	√	√	√	√	√	√	√	√	√	100%
Luis Y. Benitez, Jr.***	N/A			√	√	√	√	√	√	100%

*Organizational Meeting

**New Director effective June 24, 2021

***New Independent Director effective June 24, 2021

****New Director/Chairman effective December 16, 2021

The Bank is generally in compliance with leading practices on good corporate governance. Taking into account global best practices, the Bank constantly updates its tools for monitoring the performance of the Board and individual Board members, and the process by which it determines whether a director conducts fair business transactions, devotes necessary time and attention to discharge his duties, acts judiciously, exercises independent judgment, has working legal knowledge affecting the Bank, observes confidentiality and ensures soundness, effectiveness and adequacy of the Bank's risk management system and control environment.

The Bank has no knowledge of any instance of non-compliance with its Manual of Corporate Governance by the Board of Directors or its members, nor by the Bank's officers or employees.

The Bank is committed to ensuring that the corporate governance framework supports the equitable treatment of all shareholders, including minority shareholders. All shareholders are entitled to have the opportunity to obtain effective redress for any violation of their rights.

CORPORATE GOVERNANCE SCORECARD/SELF-ASSESSMENT GOVERNANCE SELF-RATING SYSTEM / PERFORMANCE EVALUATION

The Board, using such resources or methods as it determines, is responsible to annually assess the effectiveness of the Board, Board Committees and each Director's contribution. The purpose of the evaluation process is to increase the overall effectiveness of the Board, not to target individual Board members. The Directors participate in the evaluation. Each Director evaluates the performance of the Board as a whole, as an individual director, the Chairman of the Board, the Chief Executive Officer and Board Committees. The assessments are made as derived from the Board of Directors and Directors' Duties and Responsibilities as stated in the Bank's Corporate Governance Manual and in the respective Committee Charters, as well as best practices standards. The results of the evaluation are used constructively by the Nomination, Remuneration and Governance Committee to discuss improvements with the Board and to provide developmental feedback to individual Directors.

For 2021, performance evaluation was conducted in December of the same year under the supervision of the Chief Compliance Officer.

ANNEX “D”

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FY 2021 Compared to FY 2020

The bank recorded Php52.9 billion total Assets as at December 31, 2021, Php1.5 billion increase year on year, primarily from Due from BSP and other Banks, and Investment Securities at Amortized Cost (AC). The growth in Investment Securities at AC amounting to Php3.5 billion resulted to Php1.1 billion increase in its average balance, which then led to Php41.8 million or 35.7% increase in the interest income for Investment Securities at AC year on year. On the contrary, the interest income for Deposit with BSP and other Banks declined by Php1.0 million despite the increase in Due from BSP and other Banks amounting to Php1.2 billion or 24.7%, this is basically due to tapering BSP rates. Interbank loans receivable, Financial Assets at Fair Value through Profit and Loss (FVTPL) and Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) all dropped by Php502.1 million, Php400.9 million and Php2.5 billion, respectively. The decrease in Interbank loans receivable by 41.9% have aligned to its reported interest income of Php11.8 million, which is lower by 43.0% year on year. The lower financial assets at FVTPL also recorded a slide in its interest income by Php7.5 million or a decrease of 29.0%. The Loans and Receivables slightly moved up by Php284.2 million, however, the average loan balance still declined by Php3.9 billion, mainly from the Middle Market segment. This caused the interest income for Loans and Receivables to also contract by 16.5% or Php442.8 million.

Total Liabilities of the Bank increased by Php1.7 billion, from Php40.5 billion to Php42.2 billion, mainly on account of higher Deposits. Total Deposits improved from Php34.3 billion to Php37.3 billion, or Php3.1 billion increase year on year, concentrating on low cost deposits, which contributed Php2.4 billion in the increase. Despite the increase in volume, the interest expense on Deposit Liabilities dropped by Php210.0 million or 56.1% due to the drop on interest rates. Financial liabilities at Fair Value through Profit or Loss (FVTPL), Outstanding Acceptances, as well as Manager's Check, contracted by Php105.6 million, Php174.6 million and Php87.2 million, respectively, year on year. Bills payable decreased from Php2.9 billion to Php2.0 billion, basically from the termination of the Bank's peso long term borrowing. The interest expense on Bills payable and other borrowings also decreased by 60.1% or Php65.2 million year on year, in line with the decrease in volume and interest rates. Total Equity of the bank declined by Php247.6 million attributable to the Net Unrealized Loss on Financial Assets at FVOCI, which recorded a net loss of Php223.7 million this year compared to a net gain of Php65.9 million last December 2020. Conversely, Net Unrealized Loss on Retirement Obligation recovered by Php27.1 million, from 119.9 million loss to Php92.9 million loss this year. Likewise, Cumulative translation adjustment (CTA) also improved by Php3.6 million year on year.

The bank posted an Php11.5 million net income after tax for the year 2021, 93.9% or Php174.9 million decrease from last year. The result was greatly affected by the Net Trading and Securities loss amounting to Php62.8 million this year compared to the gain of Php348.4 million last year. Also, the CREATE Law resulted to a one-time adjustment in Deferred Income Tax as the Bank's Deferred Tax Assets need to be recognized at 25% from a previous rate of 30%. This caused the Provision for Income Tax to increase by Php95.3 year-on-year, causing a huge drop in the Bank's after-tax income. The Bank's performance resulted to a 0.11% Return on Equity (ROE) and 0.02% Return on Assets (ROA).

Non-performing loans (NPL) ratio – Net improved to 2.3% as of December 31, 2021 from 2.7% in December 31, 2020. The NPL coverage - Net also increased to 162.7% from 129.7% as of end of last year. The Bank's capital adequacy ratio stood at 26.92% as of year-end.

FY 2020 Compared to FY 2019

The Bank's total Loans and Receivables-net dropped by Php6.3 billion, from Php37.0 billion to Php30.7 billion, which majorly contributed to the decrease of the Bank's total resources by Php4.2 billion. The decrease in Loans and Receivable is mainly coming from the Institutional Banking Group, where most of the accounts have closed due maturity with no re-avallment, while some are due to pre-payment as clients have been de-risking their assets. The decrease in Loans and Receivables-net was partially offset by the improvement noted in the Bank's Investment in Securities. Financial Assets at Fair Value through Profit or Loss (FVTPL), Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost (AC) increased by a total of 30% or Php2.9 billion, from Php9.37 billion to Php12.22 billion at 2020 year-end. Property and Equipment-net also increased by Php574 million, from Php215.1 million to Php788.8 million, owing to the renewal of various lease contracts of branches and Head Office booked to Right of Use asset. On the other hand, Due from Other Banks decreased by 40% or Php632.3 million year on year. The total Liabilities also declined by 12% or Php5.7 billion, which is attributable to lower Deposits and Bills Payable. The reduction in Bills Payable amounting to Php1.9 billion is due to the partial payment made by the bank in its long-term borrowing. Meanwhile, the increase in low cost deposit amounting to Php1.3 billion was not able to compensate the decrease in the Bank's high cost deposit by Php4.7 billion. The bank's move to prepay its long term borrowing and let go of its high cost deposits are due to the capital injection made by the Parent Bank. Since 2018, the Bank's total Capital Stock and Additional Paid-In Capital increased by Php3 billion.

The drop in deposits and bills payable caused the interest expense to decline by Php327.4 million and Php146.4 million, respectively, which in turn resulted to the improvement of Net Interest Income by Php241.9 million. Trading and Securities gain-net jumped by 94% or Php169 million, from Php179.4 million to Php348.4 million.

Aside from the improvement in the Bank's operating income, it was also able to maintain its operating expenses (excluding Provision) low, at 4% or Php77 million increase only year on year. But despite the betterment in operating income and expenses, the increase in Provision for impairment and credit losses amounting to Php319.8 million dragged the bankwide income down. The increase in Provision is one of the effects brought by the Covid-19 pandemic. This performance translated to a 1.8% return on equity (ROE) and 0.4% return on assets (ROA).

Non-performing loans (NPL) ratio as of December 31, 2020 rose to 2.7% from 2.0% in December 2019. The NPL coverage increased to 129.7% from 92% as of end of last year. The Bank's capital adequacy ratio stood at 27.02% as of year-end.

FY 2019 Compared to FY 2018

Total Bank's assets grew by Php1.29 billion as of year-end as compared to Php54.37 billion last December 2018. The growth in bank's resources is mainly from Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) which increased by Php4.02 billion or 167% year on year. Loans and Receivables – net is also up by Php1.79 billion, from Php35.20 billion to Php36.99 billion this 2019. On the other hand, Interbank Loans Receivables decreased by Php4.62 billion or 75% compared last year. Bills Payable dropped by Php3.14 billion to Php4.77 billion due to partial settlement of the peso long term borrowing. Meanwhile, other liabilities grew by P1.07 billion as a portion of the capital injected by CTBC Bank co. Ltd. was still lodged under Deposit for Stock subscription classified as liability as of December 31, 2019. Please refer to Note 18 of the Audited Financial Statements for the detailed discussion.

For the year ending December 31, 2019, the Bank's audited net income improved to Php331 million from Php237 million in 2018. Total revenue increased by 19.7% owing to the significant growth in Interest Income from Loans Receivables which jumped by 23.2% to Php2.83 billion. Furthermore, trading gains increased by Php165 million from Php14 million to Php179 million. In addition, provision for income taxes decreased to Php30 million vs. Php180 million in 2018. The decrease in 2019 income tax is due to the recognition of deferred tax asset on expense accrual. This performance translated to a 3.9% return on equity (ROE) and 0.6% return on assets (ROA).

On the other hand, net income before tax dropped to Php360 million from last year's Php418 million. The lower pretax income was mainly attributed to the increase in provision for impairment and credit losses which moved up by 137% to Php509 million from Php214 million.

Non-performing loans (NPL) ratio as of December 31, 2019 increased to 2.0% from 1.36% in December 2018. The NPL coverage decreased to 92% from 110% as of end of last year. The Bank's capital adequacy ratio stood at 19.07% as of year-end.

Comparison of Interim Periods

For the first nine months of 2021, the Bank's total asset was at Php56.4 billion and went down to Php52.9 billion during the last quarter of the year. The decrease were mainly coming from Due from Bangko Sentral ng Pilipinas which went down by Php2.1 billion due to lesser availment of the BSP's Overnight deposit facility and Term deposit auction facility. There was also a significant decrease of Php1.9 billion in Loans and Receivable, particularly in the corporate loans, wherein some of the accounts have closed due to maturity with no re-availment. Moreover, Interbank Loans Receivable, net declined by Php697 million. Meanwhile, Investment Securities at Amortized cost (AC) increased by Php1.0 billion due to the reclassification of some FVOCI to AC resulting to a decrease of Php444 million in Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) during the last quarter of the year. Financial Assets at Fair Value through Profit or Loss (FVTPL) went up by Php197 million for the Bank's acquisition of additional government bonds. Due from Other Banks and Deferred income tax has also registered an increase amounting to Php330 million and Php69 million, respectively. Total liabilities decreased by Php3.3 billion owing to decrease in low cost deposit amounting to P2.5 billion. Bills payable decreased by P304 million resulting from the constant partial payments made to the Bank's long-term borrowing. Furthermore, Outstanding acceptance and Accrued Interest, taxes and other expenses also went down by Php304 million and Php110 million, respectively. Due to lower Settlements Payable, Other liabilities went down by Php221 million.

The Bank's Net Income fell to Php11 million at year end from Php151 million registered last September 2021. This is mainly attributed to the increase in the additional Provision for impairment and credit losses amounting to Php351 million. The Bank has also incurred an additional net loss in its trading and securities activities amounting to Php22 million as a result of unfavorable market condition.

Key Financial Indicators

The following ratios are used to assess the performance of the Bank presented on a comparable basis:

	December 31, 2021	December 31, 2020	December 31, 2019
Return on Average Equity (ROE)	0.1%	1.8%	3.9%
Return on Average Assets (ROA)	0.0%	0.3%	0.6%
Cost-to-Income Ratio	76.0%	67.4%	70.4%

	December 31, 2021	December 31, 2020	December 31, 2019
Non-Performing Loan Ratio (NPL)	2.3%	2.7%	2.0%
Non Performing Loan Cover	162.7%	130%	92%
Capital Adequacy Ratio	26.9%	27.02%	19.97%

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

- Return on Average Equity ---- Net Income divided by average total capital funds for the period indicated
- Return on Average Assets ---- Net Income divided by average total resources for the period indicated
- Cost to income ratio --- Total Operating expenses divided by the sum of net interest income plus other income
- Non-Performing Loan Ratio --- Total non-performing loans divided by gross loan portfolio
- Non-Performing Loan Cover --- Total allowance for probable loan losses divided by total non-performing loans
- Capital Adequacy Ratio --- Total capital divided by risk-weighted assets

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS DECEMBER 31, 2021

Liquidity Ratios

The ratios for the years 2021 and 2020 are as follows:

	2021	2020
Current assets	P26,053,174,320	P26,441,741,810
Current liabilities	41,288,258,548	39,263,857,244
Ratio of current assets to current liabilities	63.1%	67.3%
Net liquid assets ¹	P11,197,000,422	P13,698,125,715
Total deposits	37,340,057,849	34,268,058,814
Ratio of net liquid assets to total deposits	30.0%	40.0%

Solvency Ratio

The ratio for the years 2021 and 2020 is as follows:

	2021	2020
Total liabilities	P42,241,741,374	P40,538,790,192
Total equity	10,665,293,676	10,912,864,638
Ratio of debt to equity	396.1%	371.5%

Assets to Equity Ratio

The ratio for the years 2021 and 2020 is as follows:

	2021	2020
Total assets	P52,907,035,050	P51,451,654,830
Total equity	10,665,293,676	10,912,864,638
Ratio of total assets to equity	496.1%	471.5%

Interest Rate Coverage Ratio

The ratio for the years 2021 and 2020 is as follows:

	2021	2020
Income before interest and taxes	P363,499,945	P708,851,375
Interest expense	236,813,528	502,552,196
Interest coverage ratio	153.5%	141.1%

Profitability Ratios

The ratios for the years 2021 and 2020 are as follows:

	2021	2020
Net income	P11,458,814	P186,378,835
Average total equity ²	10,789,079,157	10,147,651,063
Return on average equity	0.1%	1.8%
Net income	P11,458,814	P186,378,835
Average total assets ²	52,179,344,940	53,559,217,955
Return on average assets	0.0%	0.3%
Net interest income	P 2,389,095,722	2,520,481,927
Average interest earning assets ²	46,598,264,039	47,998,136,064
Net interest margin on average earning assets	5.1%	5.3%

^{1/} Net liquid assets consist of cash, due from BSP, due from other banks, interbank loans, securities held for trade and available for sale less derivatives liabilities and interbank borrowings.

^{2/} Average balances were determined as the average of the current and previous calendar balances of the respective statements of financial position accounts.

Additional Management Discussion and Analysis (for those with variances of more than 5% December 31, 2021 vs. December 31, 2020)
Balance Sheet –

Other resources of the Bank grew by Php56.3 million or 13.9% year on year, mainly attributable to the payment for the new core banking system of the bank, booked temporarily at Miscellaneous Assets awaiting to go live. Meanwhile, Deferred Income Tax moved from Php596.7 million to Php524.4 million, 12.1% or Php72.3 million decrease year on year as a result of CREATE law. Also, Investment Properties dropped by Php19.2 million compared with last year due to various sale of ROPA.

Accrued Interest, Accrued Taxes and Retirement Liability dropped by Php19.6 million, Php40.3 million and Php47.5 million, respectively, year on year. Accrued Interest and Accrued Taxes declined due to lower rates. The decrease in Retirement Liability is associated with the actuarial gain recognized for the year.

Income Statement (variance analysis for December 31, 2021 vs. December 31, 2020)

The Bank's Net Interest Income is down by 5.2% or Php131.4 million compared with same period last year. The decrease in total Interest Expense by Php265.7 million was not able to offset the total drop in total Interest Income by Php397.1 million. On the contrary, Interest Expense on Lease Liabilities increased by Php9.4 million mainly due to the escalation of rent in Head Office.

Service fees and commission income jumped to Php218.6 million from Php184.9 million, a Php33.7 million up year on year as the BSP restriction on collection of various service charges for the greater part of 2020 have been lifted. The Foreign Exchange gain – net improved by Php33.6 million due to income from revaluation, which increased by Php75.9 million this year. But this was partly offset by the loss in derivatives, which recognized Php14.8 loss this year compared to Php26.6 gain last year. Miscellaneous Income increased by Php21.2 million mainly from the recovery from written-off accounts.

Better asset quality was noticed with the drop in Provision for impairment and credit losses, from Php828.8 million to Php528.2 million recognized this year. Occupancy and other equipment-related costs also declined by Php15.9 million year on year mostly from Rent and Repairs and Maintenance accounts. Moreover, Taxes and Licenses dropped from Php274.3 million to Php245.6 million owing to lower Gross Receipts Tax. Similarly, Miscellaneous expenses declined by Php39.0 million primarily from lower Cash Card expenses, Management and Other Professional fees and Promotional and Advertising expenses, which were lower by Php13.6 million, P13.1 million and Php8.1 million, respectively. Conversely, Amortization of software licenses were up by Php6.1 million, while Depreciation and amortization increased by Php13.7 million due to higher Depreciation of Right-of-Use (ROU) Asset.

Additional Management Discussion and Analysis (for those with variances of more than 5% December 31, 2020 vs. December 31, 2019)
Balance Sheet –

Cash and other cash items declined by 19%, from Php725.1 million to Php589.3 million, mainly due to lower foreign currency notes and coins. Due from BSP and Due from Other Banks dropped by Php496.3 million and Php632.3 million, respectively.

Similarly, Interbank Loans Receivable decreased by 21% or Php320.3 million, from Php1.5 billion to Php1.2 billion, the decrease is attributable to foreign interbank loans. Other resources also lowered by 6% or Php27.5 million. On the other hand, Deferred Income Tax increased by 60% or Php222.8 million due to higher allowance for losses which contributed Php155 million to the said increase.

Other Liabilities decreased by Php934.9 million, from Php3.0 billion to Php2.1 billion at year end. The drop is due to the capitalization of the Deposit for Stock Subscription last March 2020 amounting to Php1.4 billion, partially offset by the increase in Lease Liabilities amounting to Php563.7 million from renewed contracts of various branches and Head Office. Financial Liabilities at Fair Value through Profit or Loss (FVTPL) shoot up by 134%, from Php99.2 million to Php231.8 million. Likewise, Outstanding Acceptances, Manager's Checks and Accrued Interest, Taxes and Other Expenses increased by Php127.0 million, Php49.4 million and Php182.8 million, respectively. No outstanding Income Tax Payable as of December 31, 2020.

The increase in Capital Stock and Additional Paid-In Capital amounting to Php483.1 million and Php949.5 million, respectively, is from the Deposit for Stock Subscription account lodged to Other Liabilities last 2019, which is part of the capital injection made by the Parent Bank. This move completed the required capital level based under BSP Circular No. 854. Similarly, Cumulative Translation Adjustment is up by Php7.3 million, from negative Php8.2 million to negative Php0.9 million. Net Unrealized Loss on Retirement Obligation recorded additional loss of Php53.5 million, from negative Php66.4 million to Php119.9 million based on the latest actuarial report. Moreover, Net Unrealized Gain on Financial Asset at FVOCI decreased by Php42.3 million, from Php108.2 million to Php65.9 million.

Income Statement (variance analysis for December 31, 2020 vs. December 31, 2019)

The Bank's total Interest Income contracted to Php3.0 billion from last year's Php3.2 billion. This is associated with the Bank's lower average loan volume which resulted to reduced Interest Income from Loans and Receivables by Php150.2 million. Interest Income from Interbank Loans Receivable, Deposit with BSP and other Banks, and Financial Assets at FVTPL also decreased by Php70.4 million, Php7.9 million and Php24.0 million, respectively. On the other hand, Interest Income from Investment Securities increased by Php31.5 million, from Php236.5 million to Php267.9 million. Interest Expense on Lease Liabilities also increased by Php10.9 million owing to various renewal of lease contracts this year.

Due to Covid-19 pandemic, various memoranda have been issued by the BSP to defer loan payments and restrict collection of various service charges for 2020. This was reflected in the Bank's financial performance as it recorded lower Service Fees and Commission at Php184.9 million, compared with last year's Php228.3 million. Lower recovery from written off accounts had been noted also due to pandemic, despite collection efforts, from Php52.1 million to Php32.9 million this year. This contributed to the total decrease in the Bank's Miscellaneous Income by Php32.9 million, from Php122.6 million to Php89.7 million. Furthermore, Foreign Exchange Gain decreased by 73.3% or Php91.7 million year on year.

No significant increase noted in the operating expenses as the Bank continues to tighten its control on expenses. Compensation and fringe benefits, Taxes and Licenses, Occupancy and other equipment-related costs, and Depreciation increased by Php47.0 million, Php19.7 million, Php19.5 million and Php13.1 million,

respectively. Amortization of software license also increased from Php41.9 million to Php54.4 million, or Php12.5 million increase, due to various systems acquired and enhanced for 2020. On the other hand, Security, Messengerial and Janitorial expenses decreased by Php26.7 million, from Php165.9 million to Php139.1 million.

Corporate income tax increased by 28.5% or Php37.1 million due to decrease in deductible expenses, while Provision for Deferred Income Tax decreased by Php49.2 million due to the increase in recognition of Deferred Tax Asset from expense accruals. This resulted to the decrease in total Provision for Income Taxes by Php9.6 million, from Php29.5 million to Php19.9 million.

Additional Management Discussion and Analysis (for those with variances of more than 5% December 31, 2019 vs. December 31, 2018)
Balance Sheet –

Cash and other cash items increased by 44% from Php505M to Php725M this year due to higher foreign currency notes and coins. Due from BSP went down by 14% from Php5.0 billion to P4.3 billion. Likewise, Interbank Loans Receivable dropped by 75% from Php6.1 billion to Php1.5 billion, the decrease is attributable to local interbank loans. Also, Financial Assets at Fair Value through Profit or Loss (FVTPL) decreased from Php127 million to Php81 million in December 2019 as compared last year.

Due from other banks increased to Php1.6 billion from Php1.3 billion. Financial Assets at Fair Value through Other comprehensive Income (FVOCI) rose to Php6.4 billion from Php2.4 billion and Loans and Receivables-net also increased to Php37.0 billion from Php35.2 billion. Moreover, Property and equipment-net is up by 89% or Php101 million due to capitalization of leases starting January 1, 2019 under PFRS 16. Deferred income tax also increased by Php173 million to Php374 million at year end.

Financial Liabilities at Fair Value through Profit or Loss (FVTPL) increased by 290% from Php25.5 million to Php99.2 million. Accrued Interest, Taxes and Other Expenses also increased by Php94.4 million, mainly coming from Retirement Liability amounting to Php59.3 million this year. Other liabilities grew by Php1.09 billion from the Deposit for Stock subscription.

Bills Payable dropped to Php4.8 billion from Php7.9 billion due to partial settlement of the peso long term borrowing. Outstanding acceptances went down by Php139.8 million from Php194.5 million. Moreover, Manager's checks and Income Tax payable also decreased by Php6.3 million and Php5.2 million, respectively.

Common Stock and Additional Paid-In Capital ended at Php3.0 billion and Php1.1 billion, respectively as at December 31, 2019. Additional capital was injected by CTBC Ltd. to meet the required capital level based under BSP Circular No. 854. Total Treasury Stocks amounting to P16.0 million were re-issued as of year-end. Cumulative Translation Adjustment is now at negative Php8.2 million from positive P8.8 million last year-end. Moreover, Net Unrealized Loss on Retirement Obligation increased by Php52.1 million, from Php14.4 million loss to Php66.4 million loss. On the other hand, Net Unrealized Gain on Available-for-Sale Investments improved by Php202.3 million, from Php94 million loss to Php108.2 million gain as at December 2019.

Income Statement (variance analysis for December 31, 2019 vs. December 31, 2018)

Interest income on loans and receivables went up by 23% from Php2.29 billion to Php2.83 billion this year attributable to loan average volume increase of Php3.72 billion. Also, Interest income on trading and investment securities increased by Php125.6 million to Php286.3 million this period. Moreover, interest income from deposits with other banks increased by 19% this year or Php6.4 million.

Interest expenses on deposit liabilities rose by 35% or Php183.8 million owing to the higher average volume of peso deposits. Similarly, interest expense on bills payable went up by Php157.8 million from P97.2 million due to higher average volume of borrowings during the period. Interest expense relating to lease liabilities amounted to Php8.6 million were recorded this year due to the implementation of PFRS 16.

Service charges, handling fees and commission income decreased by 12% mainly due to lower bank commissions this year. Trading gains recorded a substantial increase of 1176%, from Php14.1 million to Php179.4 million. Also, Foreign exchange gain - net increased by Php38.2 million to Php125.1 million this year.

Provision for impairment and credit losses totaled to Php508.9 million as of December 31, 2019, or a 137% increase from the Php214.4 million provision last year.

Various operating expense lines registered relative increases as compared to the same period last year. Taxes and licenses rose by Php51.2 million to Php254.7 million this year. Similarly, Miscellaneous Expenses increased by 28% to Php316.1 million mainly due to higher Stationery and Supplies-Cash Card and Management and other Professional Fees. Compensation and fringe benefits jumped up to Php993.9 million from Php901.3 million last year. Security, messengerial and janitorial expenses also increased by 10% or Php14.6 million this year. Moreover, Amortization of software license went up by Php8.5 million to Php41.9 million from Php33.4 million last year. Depreciation and amortization expenses increased by Php79.2 million mainly from depreciation charges on the capitalized leases. On the other hand, occupancy and other equipment-related costs dropped by Php69.4 million due to the rental expenses now being depreciated.

Provision for income taxes went down by Php150.6 million from Php180.2 million to Php29.5 million due to the recognition of deferred tax asset on expense accrual.

3. Plan of Operations

The Bank continuous to actively look for opportunities to grow its business while maintaining its prudence and vigilance in the midst of the pandemic. The Bank has also expanded its digital footprints across various products and different areas of operations. The Bank has further strengthened its risk management in order to maintain the Bank's asset quality and capital strength. With the strong support from its Parent Bank, the Bank aims to keep its overall strategy to become a Bank for Mid-and-small cap businesses and middle class customers and to be in the league of top tier foreign banks with localized approach in the Philippines. The Bank intends to improve market position and profitability by continuous expansion of its retail and corporate loan portfolio. Institutional Banking Group (IBG) aims to grow middle market business while Treasury continues to focus on the expansion of client base revenues both for corporate and retail market. In addition, Retail Banking Group will continue to expand SME market while its Mortgage loan business aims to penetrate the primary mortgage market.

ANNEX “E”

STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS



MECO FORM NO. CON-10
ED: 01 March 2008

MANILA ECONOMIC AND CULTURAL OFFICE
Taipei, Taiwan

CERTIFICATE OF AUTHENTICATION

TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, KYRA VERNICE G. SALAYOG Signing Officer
of the Manila Economic and Cultural Office upon request and authority of the
Department of Foreign Affairs, Republic of the Philippines, do hereby CERTIFY that
MA, YU-MIN

before whom the annexed instrument was executed to wit:
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**
executed by **WANG, CHENG-HSIN**, Chairman of the Board of CTBC BANK

was, at the time he signed the same a
Notary Public at the Taipei District Court, Taiwan

as certified to by
**Wang, Szu-Hai, Secretary, Bureau of Consular Affairs,
Ministry of Foreign Affairs, Taiwan**
and I verily believe that his signature affixed thereto is genuine.

For the contents of the annexed document(s), the Manila Economic and Cultural
Office assumes no responsibility.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the
Manila Economic and Cultural Office in Taipei, Taiwan this 23rd
day of March 20 22

KYRA VERNICE G. SALAYOG
Authorized Officer

Upon request and authority of the
Department of Foreign Affairs
Republic of the Philippines



Doc. No. 004609

Series of 20 22



中華民國文件證明專用
REPUBLIC OF CHINA (TAIWAN)
DOCUMENT LEGALIZATION



中華民國文件證明書 DOCUMENT AUTHENTICATION

1. 國家／地區：
Country: 中華民國（臺灣）
Republic of China (Taiwan)

此公文書
This public document

2. 簽署人
has been signed by 馬有敏
Ma, Yu-Min

3. 簽署人職務
acting in the capacity of 民間公證人
Notary public

4. 用印人／單位
bears the seal/stamp of 臺北地方法院
Taipei District Court

茲證明
Certified

5. 地點
at 臺北
Taipei

6. 日期
the March 21, 2022

7. 由
by 外交部
Ministry of Foreign Affairs

8. 案號
Number 111200016207-002

9. 章戳
Seal/stamp: 10. 簽署
Signature:

Wang, Szu-Hai

Secretary, Bureau of Consular Affairs

For The Minister of Foreign Affairs

11. 附註：
remarks:

本文件證明僅證明所附文書內之簽章屬實，至文書所載內容不在證明之列。

This document authentication only certifies the authenticity of the signature, seal or stamp and the capacity of the person who has signed the attached document. It does not validate the contents of the document for which it was issued.

本文件證明書核驗紀錄可於下列網站查證：
To verify the issuance of this authentication,
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M019213



CTBC BANK
中國信託銀行

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CTBC BANK (PHILIPPINES) CORP.** (the Bank) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

R.G. Manabat & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



WANG, CHENG-HSIN
Chairman of the Board

Signed this

王正新

111年度
電號 北院民認有字 日期
Case No. 000349 Date MAR. 17 2022
本文件之簽名或蓋章，於臺灣臺北地方法院所屬民間
公證人重慶聯合事務所認證。 公證人 馬有敏
Attested at the Chung Ching United Notary Public
Office of Taiwan Taipei District Court, R.O.C., that the
signature(s)/seal(s) in this document is/are authentic.
MA, YU-MIN
Notary Public



7F-1, No. 121, Sec. 1, Chungching S.Rd., Taipei, Taiwan 100, R.O.C.
Tel: 886-2-23888688



CTBC BANK

中國信託銀行

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CTBC BANK (PHILIPPINES) CORP.** (the Bank) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

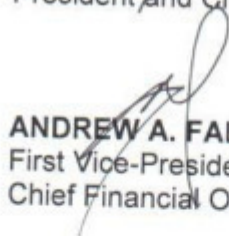
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease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

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

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

R.G. Manabat & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


OLIVER D. JIMENO
President and Chief Executive Officer


ANDREW A. FALCON
First Vice-President
Chief Financial Officer

Signed this MAR 03 2022

SUBSCRIBED AND SWORN to before me this MAR 03 2022 day of 2022
affiants exhibiting to me their Government Issued I.D., as follows:


<u>NAMES</u>	<u>GOVERNMENT ISSUED I.D. / TIN</u>	<u>DATE/PLACE OF ISSUE</u>
OLIVER D. JIMENO		
ANDREW A. FALCON		

Doc. No. 68;

Page No. 15;

Book No. V1;

Series of 2022.


ATTY. MARY ANGELINE S. TOL
NOTARY PUBLIC FOR TAGUIG CITY
UNTIL DECEMBER 31, 2021
EXTENDED UNTIL JUNE 30, 2022
REB.P.M. NO. 3795
APPT. NO. 48 (2020-2021) / ROLL NO. 51630
PTR NO. A-5432918 / 01-24-22 / TAGUIG CITY
IBP NO. 199627 / 01 19-22 / CAVITE
MCLE COMPLIANCE NO. VII-0000268 / 07-30-2019
22F Fort Legend Tower, 31st Street corner 3rd Avenue
Bonifacio Global City, Taguig City

ANNEX “F”

AUDITED FINANCIAL STATEMENTS OF THE BANK AS OF 31 DECEMBER 2021

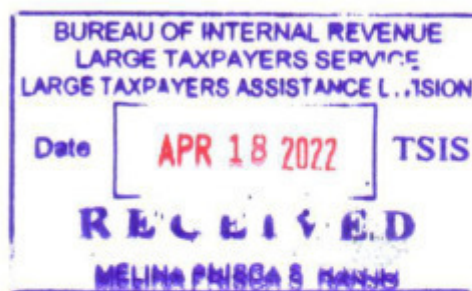
CTBC BANK (PHILIPPINES) CORPORATION

FINANCIAL STATEMENTS
December 31, 2021 and 2020

With Independent Auditors' Report



R.G. Manabat & Co.
The KPMG Center, 6/F
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Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com



REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
CTBC Bank (Philippines) Corporation
Fort Legend Towers, Third Avenue corner 31st Street
Bonifacio Global City, Taguig

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CTBC Bank (Philippines) Corporation (the "Bank"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of other comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards, 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 Philippine Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 29 and Revenue Regulations 15-2010 in Note 30 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

BSP Accreditation No. 102309-BSP, Group A, valid for 5-year audit period (2019 to 2023)

SEC Accreditation No. 102309-SEC, Group A, valid for one (1) year covering the audit of 2021 financial statements

Tax Identification No. 920-961-311

BIR Accreditation No. 08-001987-38-2019

Issued September 25, 2019; valid until September 24, 2022

PTR No. MKT 8854070

Issued January 3, 2022 at Makati City



April 5, 2022

Makati City, Metro Manila



R.G. Manabat & Co.
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and the Stockholders
CTBC Bank (Philippines) Corporation
Fort Legend Towers, Third Avenue corner 31st Street
Bonifacio Global City, Taguig

We have audited the accompanying financial statements of CTBC Bank (Philippines) Corporation (the "Bank") as at and for the year ended December 31, 2021, on which we have rendered our report dated April 5, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Bank.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for 5-year audit period (2019 to 2023)
SEC Accreditation No. 102309-SEC, Group A, valid for one (1) year covering the audit of 2021 financial statements
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PTR No. MKT 8854070
Issued January 3, 2022 at Makati City

April 5, 2022
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
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BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and the Stockholders
CTBC Bank (Philippines) Corporation
Fort Legend Towers, Third Avenue corner 31st Street
Bonifacio Global City, Taguig

We have audited the accompanying financial statements of CTBC Bank (Philippines) Corporation (the "Bank") as at and for the year ended December 31, 2021, on which we have rendered our report dated April 5, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total number of seventy-nine (79) stockholders owning one hundred (100) or more shares each.

R.G. MANABAT & CO.

Vanessa P. Macamos
VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for 5-year audit period (2019 to 2023)
SEC Accreditation No. 102309-SEC, Group A, valid for one (1) year covering the audit of 2021 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-38-2019
Issued September 25, 2019; valid until September 24, 2022
PTR No. MKT 8854070
Issued January 3, 2022 at Makati City

April 5, 2022
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and the Stockholders
CTBC Bank (Philippines) Corporation
Fort Legend Towers, Third Avenue corner 31st Street
Bonifacio Global City, Taguig

We have audited, in accordance with Philippine Standards on Auditing, the accompanying financial statements of CTBC Bank (Philippines) Corporation (the “Bank”) as at and for the year ended December 31, 2021, on which we have rendered our report dated April 5, 2022.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The following supplementary information in the Index to the Financial Statements and Supplementary Schedules is the responsibility of the Bank’s management:

- Reconciliation of Retained Earnings Available for Dividend Declaration (Part I); and
- Schedules Required by Annex 68-J of the Revised Securities Regulation Code Rule 68 (Part II).

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

BSP Accreditation No. 102309-BSP, Group A, valid for 5-year audit period (2019 to 2023)

SEC Accreditation No. 102309-SEC, Group A, valid for one (1) year covering the audit of 2021 financial statements

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Issued September 25, 2019; valid until September 24, 2022

PTR No. MKT 8854070

Issued January 3, 2022 at Makati City

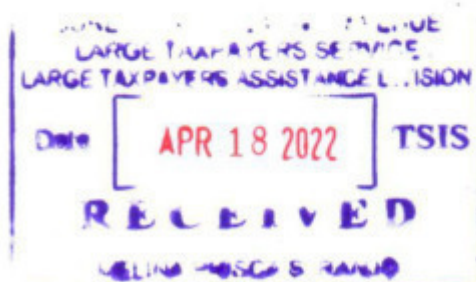
April 5, 2022

Makati City, Metro Manila

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF FINANCIAL POSITION

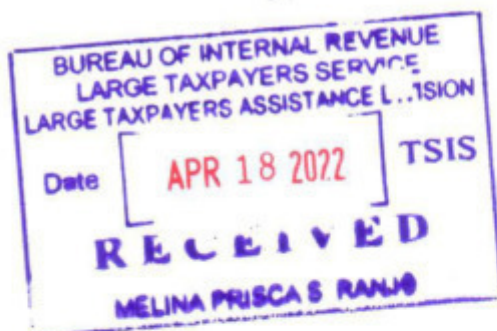
		December 31	
	Note	2021	2020
ASSETS			
Cash and Other Cash Items	17, 27	P598,248,744	P589,312,970
Due from Bangko Sentral ng Pilipinas (BSP)	5, 17, 27	4,720,099,954	3,781,208,825
Due from Other Banks	5, 17, 27	1,192,416,156	958,810,394
Interbank Loans Receivable	5	695,996,233	1,198,102,580
Financial Assets at Fair Value through Profit or Loss (FVTPL)	5, 7, 17, 27	699,595,874	1,100,458,155
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	5, 7, 27	5,436,994,107	7,974,055,239
Investment Securities at Amortized Cost	5, 7, 27	6,630,902,785	3,149,232,958
Loans and Receivables	5, 8, 12, 27	31,012,510,260	30,728,342,120
Property and Equipment	9, 17	772,179,216	788,782,177
Investment Properties	10, 17	162,761,126	181,954,537
Deferred Tax Assets - net	17, 21	524,403,596	596,739,422
Other Assets	11, 17	460,926,999	404,655,453
		P52,907,035,050	P51,451,654,830
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit Liabilities	17, 27		
Demand		P11,100,542,454	P8,053,689,764
Savings		7,857,856,478	8,531,947,501
Time		18,381,658,917	17,682,421,549
		37,340,057,849	34,268,058,814
Financial Liabilities at FVTPL	17, 26, 27	126,239,470	231,791,715
Bills Payable	14, 17, 27	2,039,960,000	2,909,236,515
Outstanding Acceptances	17, 27	6,983,390	181,632,600
Manager's Checks	17, 27	36,138,953	123,313,454
Accrued Interest, Taxes and Other Expenses	15	616,046,509	723,394,666
Income Tax Payable	17	5,376,130	-
Other Liabilities	16	2,070,939,073	2,101,362,428
		42,241,741,374	40,538,790,192

Forward



		December 31	
	Note	2021	2020
EQUITY			
Capital Stock	18	P3,483,072,020	P3,483,072,020
Treasury Stock	18	-	-
Additional Paid-in Capital	18	2,022,761,750	2,022,761,750
Restricted Retained Earnings	18	5,468,377,628	5,456,918,814
Statutory Reserve	18, 29	4,981,159	4,981,159
Cumulative Translation Adjustments		2,712,012	(864,111)
Net Unrealized Gain (Loss) on Financial Assets at FVOCI	7	(223,742,739)	65,917,610
Net Remeasurement Loss on Retirement Liability	19	(92,868,154)	(119,922,604)
		10,665,293,676	10,912,864,638
		P52,907,035,050	P51,451,654,830

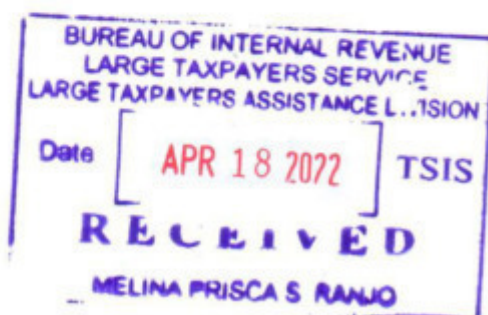
See Notes to the Financial Statements.



CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF INCOME

Years Ended December 31				
	Note	2021	2020	2019
INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD				
Loans and receivables	8	P2,233,244,002	P2,676,081,717	P2,826,315,936
Investment securities	7	330,953,087	267,911,336	236,452,290
Deposits with BSP and other banks		31,606,711	32,582,333	40,494,440
Interbank loans receivable		11,763,844	20,630,860	91,032,796
INTEREST INCOME ON FINANCIAL ASSETS AT FVTPL	7	18,341,606	25,827,878	49,805,270
		2,625,909,250	3,023,034,124	3,244,100,732
INTEREST EXPENSE				
Deposit liabilities	13	164,530,266	374,477,222	701,918,625
Bills payable and other borrowings	14	43,343,642	108,581,840	254,983,291
Lease liabilities	20	28,939,620	19,493,134	8,609,871
		236,813,528	502,552,196	965,511,787
NET INTEREST INCOME		2,389,095,722	2,520,481,928	2,278,588,945
Service fees and commission income	22	218,558,325	184,891,222	228,256,096
Foreign exchange gain - net		66,939,307	33,384,670	125,109,937
Trading and securities gain (loss) - net	7	(62,838,244)	348,412,093	179,394,490
Miscellaneous - net	22	110,834,837	89,660,618	122,597,430
TOTAL OPERATING INCOME		2,722,589,947	3,176,830,531	2,933,946,898
Compensation and fringe benefits	19	1,033,435,715	1,040,857,589	993,875,296
Impairment losses	10, 12	528,192,344	828,762,991	508,913,135
Taxes and licenses		245,585,017	274,322,065	254,662,771
Depreciation and amortization	9, 10	163,778,803	150,124,190	136,984,510
Occupancy and other equipment-related costs	20	159,015,895	174,921,073	155,448,428
Security, messengerial and janitorial expenses		136,372,179	139,118,619	165,852,980
Amortization of computer software costs	11	60,520,444	54,382,697	41,889,713
Miscellaneous	22	269,003,133	308,042,129	316,108,405
TOTAL OPERATING EXPENSES		2,595,903,530	2,970,531,353	2,573,735,238
INCOME BEFORE INCOME TAXES		126,686,417	206,299,178	360,211,660
INCOME TAXES	21	115,227,603	19,920,343	29,528,438
NET INCOME		P11,458,814	P186,378,835	P330,683,222
BASIC/DILUTED EARNINGS PER SHARE	23	P0.03	P0.55	P1.26

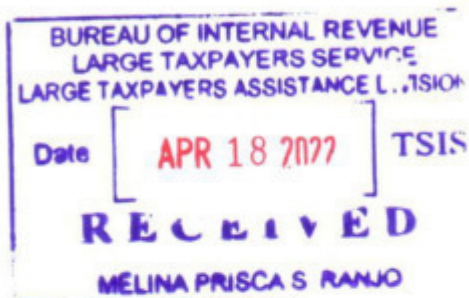
See Notes to the Financial Statements.



CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF OTHER COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2021	2020	2019
NET INCOME FOR THE YEAR		P11,458,814	P186,378,835	P330,683,222
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR				
<i>Items that may not be reclassified to profit or loss</i>				
Net unrealized gain (loss) on equity financial assets at FVOCI	7	447,500	(30,000)	(200,000)
Net remeasurement gain (loss) on retirement liability - net of tax	19	27,054,450	(53,486,894)	(52,061,298)
		27,501,950	(53,516,894)	(52,261,298)
<i>Items that may be reclassified to profit or loss</i>				
Net unrealized gain (loss) on debt financial assets at FVOCI	7	(290,107,849)	(42,286,262)	202,526,913
Cumulative translation adjustments		3,576,123	7,301,397	(16,959,423)
		(286,531,726)	(34,984,865)	185,567,490
		(259,029,776)	(88,501,759)	133,306,192
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(P247,570,962)	P97,877,076	P463,989,414

See Notes to the Financial Statements.



CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Capital Stock (Note 18)	Treasury Stock (Note 18)	Additional Paid-in Capital (Note 18)	Restricted Retained Earnings (Note 18)	Statutory Reserve (Notes 18 and 30)	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 7)	Net Remeasurement Loss on Retirement Liability (Note 19)	Total
Balance at January 1, 2021		P3,483,072,020	P -	P2,022,761,750	P5,456,918,814	P4,981,159	(P864,111)	P65,917,610	(P119,922,604)	P10,912,864,638
Net income for the year		-	-	-	11,458,814	-	-	-	-	11,458,814
Other Comprehensive Income (Loss) for the Year										
<i>Items that may not be reclassified to profit or loss</i>										
Net unrealized loss on equity financial assets at FVOCI	7	-	-	-	-	-	-	447,500	-	447,500
Net remeasurement gain on retirement liability	19	-	-	-	-	-	-	-	27,054,450	27,054,450
<i>Items that may be reclassified to profit or loss</i>										
Net unrealized loss on debt financial assets at FVOCI	7	-	-	-	-	-	-	(290,107,849)	-	(290,107,849)
Cumulative translation adjustments		-	-	-	-	-	3,576,123	-	-	3,576,123
Total other comprehensive income (loss)		-	-	-	-	-	3,576,123	(289,660,349)	27,054,450	(259,029,776)
Total comprehensive income for the year		-	-	-	11,458,814	-	3,576,123	(289,660,349)	27,054,450	(247,570,962)
Balance at December 31, 2021		P3,483,072,020	P -	P2,022,761,750	P5,468,377,628	P4,981,159	P2,712,012	(P223,742,739)	(P92,868,154)	P10,665,293,676

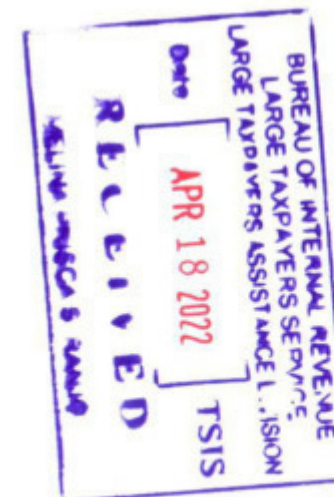
Forward



Years Ended December 31

	Note	Capital Stock (Note 18)	Treasury Stock (Note 18)	Additional Paid-in Capital (Note 18)	Restricted Retained Earnings (Note 18)	Statutory Reserve (Notes 18 and 30)	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 7)	Net Remeasurement Loss on Retirement Liability (Note 19)	Total
Balance at January 1, 2020		P3,000,000,000	P -	P1,073,283,696	P5,270,539,979	P4,981,159	(P8,165,508)	P108,233,872	(P66,435,710)	P9,382,437,488
Net income for the year		-	-	-	186,378,835	-	-	-	-	186,378,835
Other Comprehensive Income (Loss) for the Year										
<i>Items that may not be reclassified to profit or loss</i>										
Net unrealized loss on equity financial assets at FVOCI	7	-	-	-	-	-	-	(30,000)	-	(30,000)
Net remeasurement loss on retirement liability	19	-	-	-	-	-	-	-	(53,486,894)	(53,486,894)
<i>Items that may be reclassified to profit or loss</i>										
Net unrealized loss on debt financial assets at FVOCI	7	-	-	-	-	-	-	(42,286,262)	-	(42,286,262)
Cumulative translation adjustments		-	-	-	-	-	7,301,397	-	-	7,301,397
Total other comprehensive income (loss)		-	-	-	-	-	7,301,397	(42,316,262)	(53,486,894)	(88,501,759)
Total comprehensive income for the year		-	-	-	186,378,835	-	7,301,397	(42,316,262)	(53,486,894)	97,877,076
Transactions with Parent Bank										
Issuance of capital stock	18	483,072,020	-	949,478,054	-	-	-	-	-	1,432,550,074
Total transactions with Parent Bank		483,072,020	-	949,478,054	-	-	-	-	-	1,432,550,074
Balance at December 31, 2020		P3,483,072,020	P -	P2,022,761,750	P5,456,918,814	P4,981,159	(P864,111)	P65,917,610	(P119,922,604)	P10,912,864,638

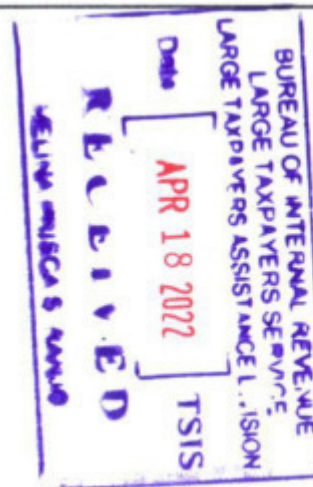
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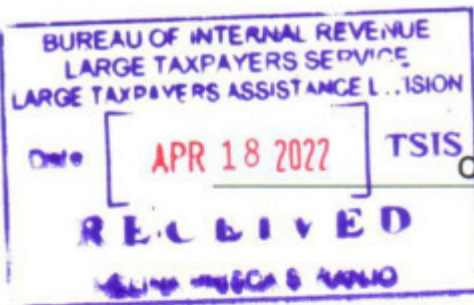


Years Ended December 31

	Note	Capital Stock (Note 18)	Treasury Stock (Note 18)	Additional Paid-in Capital (Note 18)	Restricted Retained Earnings (Note 18)	Statutory Reserve (Notes 18 and 30)	Cumulative Translation Adjustments	Net Unrealized Gain on Financial Assets at FVOCI (Note 7)	Net Remeasurement Loss on Retirement Liability (Note 19)	Total
Balance at January 1, 2019		P2,479,687,310	(P15,951,674)	P53,513,675	P4,941,428,129	P4,981,159	P8,793,915	(P94,093,041)	(P14,374,412)	P7,363,985,061
Net income for the year		-	-	-	330,683,222	-	-	-	-	330,683,222
Other Comprehensive Income (Loss) for the Year										
Items that may not be reclassified to profit or loss										
Net unrealized loss on equity financial assets at FVOCI	7	-	-	-	-	-	-	(200,000)	-	(200,000)
Net remeasurement loss on retirement liability	19	-	-	-	-	-	-	-	(52,061,298)	(52,061,298)
Items that may be reclassified to profit or loss										
Net unrealized gain on debt financial assets at FVOCI	7	-	-	-	-	-	-	202,526,913	-	202,526,913
Cumulative translation adjustments		-	-	-	-	-	(16,959,423)	-	-	(16,959,423)
Total other comprehensive income (loss)		-	-	-	-	-	(16,959,423)	202,326,913	(52,061,298)	133,306,192
Total comprehensive income for the year		-	-	-	330,683,222	-	(16,959,423)	202,326,913	(52,061,298)	463,989,414
Transactions with Parent Bank										
Issuance of capital stock	18	520,312,690	-	1,019,770,021	-	-	-	-	-	1,540,082,711
Re-issuance of treasury stock	18	-	15,951,674	-	-	-	-	-	-	15,951,674
Cost of re-issuance of treasury stock charged to retained earnings	18	-	-	-	(1,571,372)	-	-	-	-	(1,571,372)
Total transactions with Parent Bank		520,312,690	15,951,674	1,019,770,021	(1,571,372)	-	-	-	-	1,554,463,013
Balance at December 31, 2019		P3,000,000,000	P -	P1,073,283,696	P5,270,539,979	P4,981,159	(P8,165,508)	P108,233,872	(P66,435,710)	P9,382,437,488

See Notes to the Financial Statements.

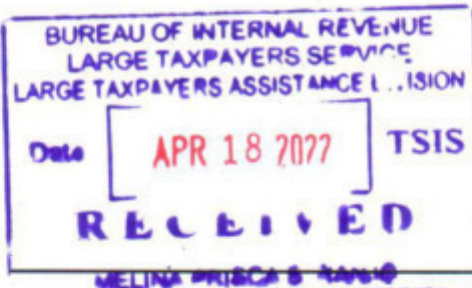




CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income taxes		P126,686,417	P206,299,178	P360,211,660
Adjustments for:				
Impairment losses	10, 12	528,192,344	828,762,991	508,913,135
Foreign exchange revaluation (gain) loss on financial assets at FVOCI and investment securities at amortized cost		(261,530,880)	300,954,640	154,650,840
Depreciation and amortization	9, 10	163,778,803	150,124,190	136,984,510
Foreign exchange revaluation (gain) loss on bills payable		119,040,000	(169,592,791)	(146,454,552)
Amortization of computer software costs	11	60,520,444	54,382,697	41,889,713
Retirement benefit expense	19	41,657,798	31,669,155	19,062,925
Accretion of interest on lease liabilities	20	28,939,620	19,493,134	8,609,871
Amortization of net discount on financial assets at FVOCI and investment securities at amortized cost		27,171,730	97,164,033	34,151,434
Mark-to-market (gain)/loss on financial assets at FVTPL	7	13,327,748	(4,906,753)	(443,328)
Gain on disposal of foreclosed assets	22	(6,371,132)	(4,114,581)	(12,030,487)
Realized gain on sale on financial assets at FVOCI and investment securities at amortized cost	7	2,282,200	(341,965,768)	(77,020,897)
Dividend income	22	(2,145,000)	(8,443,000)	(1,622,000)
(Gain) loss on disposal of property and equipment	22	(67,566)	(1,230,249)	145,870
Loss on disposal of computer software		-	(282,028)	-
Changes in operating assets and liabilities:				
Decrease (increase) in amounts of:				
Financial assets at FVTPL		387,534,533	(1,014,410,728)	46,665,095
Loans and receivables		(798,554,549)	5,433,052,495	(2,299,564,740)
Other assets		(107,245,681)	44,400,595	23,119,379
Increase (decrease) in amounts of:				
Deposit liabilities		3,071,999,035	(3,417,465,831)	1,324,133,396
Financial liabilities at FVTPL		(105,552,245)	132,616,599	73,722,264
Outstanding acceptances		(174,649,210)	127,014,570	(139,849,389)
Manager's checks		(87,174,501)	49,375,147	(6,337,139)
Accrued taxes and other expenses		(59,834,520)	182,819,653	106,982,594
Other liabilities		(75,975,796)	(139,385,919)	(542,067,548)
Net cash generated from (used in) operations		2,892,029,592	2,556,331,429	(386,147,394)
Contribution to the plan assets	19	(41,677,634)	(31,714,853)	(19,083,347)
Income taxes paid		(57,954,998)	(239,610,265)	(185,388,140)
Net cash provided by (used in) operating activities		2,792,396,960	2,285,006,311	(590,618,881)

Forward



Years Ended December 31

	Note	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Financial assets at FVOCI		(P12,971,598,000)	(P26,598,531,629)	(P27,070,503,950)
Investment securities at amortized cost		(3,623,241,500)	(569,023,000)	(1,598,506,630)
Property and equipment	9	(37,004,325)	(65,470,623)	(51,609,630)
Foreclosed assets	10	(16,808,149)	(16,759,010)	(20,709,458)
Computer software costs	11	(9,546,309)	(77,937,423)	(68,995,251)
Proceeds from disposals of:				
Financial assets at FVOCI		6,239,808,850	13,203,542,698	1,427,488,727
Foreclosed assets		39,538,261	12,353,541	20,843,409
Property and equipment		9,861,740	3,178,162	5,499,456
Investment securities at amortized cost		-	-	658,255,000
Proceeds from maturities of:				
Financial assets at FVOCI		9,076,860,000	11,907,489,791	21,773,050,000
Investment securities at amortized cost		274,995,000	119,976,631	817,085,077
Dividends received	22	2,145,000	8,443,000	1,622,000
Net cash used in investing activities		(1,014,989,432)	(2,072,737,862)	(4,106,481,250)
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of bills payable		(36,117,888,015)	(15,912,564,436)	(5,748,189,930)
Availments of bills payable		35,129,571,500	14,216,912,361	2,758,825,000
Payment of lease liabilities	20	(113,340,818)	(103,717,379)	(92,752,417)
Deposits for future stock subscriptions	16	-	(1,437,380,796)	1,437,380,796
Issuance of capital stock	18	-	1,432,550,074	1,540,082,711
Proceeds from issuance of treasury stock	18	-	-	14,380,302
Net cash provided by (used in) financing activities		(1,101,657,333)	(1,804,200,176)	(90,273,538)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		3,576,123	7,301,397	(16,959,424)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		679,326,318	(1,584,630,330)	(4,804,333,093)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		589,312,970	725,063,226	504,999,873
Due from BSP		3,781,208,825	4,277,491,280	5,001,859,955
Due from other banks		958,810,394	1,591,079,273	1,266,759,792
Interbank loans receivable - net		1,198,102,580	1,518,431,320	6,142,778,572
		6,527,434,769	8,112,065,099	12,916,398,192
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items	17	598,248,744	589,312,970	725,063,226
Due from BSP	17	4,720,099,954	3,781,208,825	4,277,491,280
Due from other banks	17	1,192,416,156	958,810,394	1,591,079,273
Interbank loans receivable - net		695,996,233	1,198,102,580	1,518,431,320
		P7,206,761,087	P6,527,434,769	P8,112,065,099
CASH FLOWS FROM INTEREST				
Interest received		P2,717,245,477	P2,692,710,897	P3,230,028,571
Interest paid		(227,455,064)	(508,426,260)	(976,795,964)
		P2,489,790,413	P2,184,284,637	P2,253,232,607

See Notes to the Financial Statements.

CTBC BANK (PHILIPPINES) CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1. Organization

CTBC Bank (Philippines) Corporation (the “Bank”) is a 99.72%-owned entity of CTBC Bank Co. Ltd., formerly Chinatrust Commercial Bank Ltd. (“Parent Bank”), a Taiwan-based commercial bank. The ultimate parent of the Bank is CTBC Financial Holding Co., Limited (formerly Chinatrust Financial Holding Co., Ltd.) which was incorporated in Taiwan. The Bank was incorporated as a domestic commercial bank on September 7, 1995 under the name of Access Banking Corporation and started business operations on September 26, 1995. The term of existence of the Bank is fifty (50) years from the date of incorporation.

It was renamed as Chinatrust (Philippines) Commercial Bank Corporation in January 1996. On October 30, 2013, the Bank changed its corporate name to CTBC Bank (Philippines) Corporation.

The Bank was organized to provide commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, and trust services. In addition, the Bank is licensed to engage in regular financial derivatives as a means of reducing and managing the Bank’s and its customers’ foreign exchange exposure.

The Bank’s principal place of business is located at Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City.

The Bank’s common shares were listed in the Philippines Stock Exchange (PSE) in June 1999. On October 7, 2011, the Board of Directors (BOD) authorized the Bank to file a petition for voluntary delisting with the PSE and to purchase the outstanding shares through a tender offer in accordance with the rules of the PSE and Philippine Securities and Exchange Commission (SEC). On December 15, 2011, the Bank obtained approval for the delisting and share buyback through a special stockholders’ meeting as required by the Bank’s By-Laws. On December 19, 2011, the Bank received the approval of the Monetary Board for the delisting and share buyback. As of January 27, 2012, common shares held by minority stockholders amounting to P12.7 million were tendered to and reacquired by the Bank. On February 8, 2012, the PSE approved the Bank’s petition for voluntary delisting. Official delisting of the Bank’s shares from the Trading Board became effective on February 24, 2012. As at December 31, 2021 and 2020, the Bank remains as a SEC-registered issuer of securities to the public.

The Bank received its Foreign Currency Deposit Unit (FCDU) license and launched its FCDU operations on December 28, 1995. The Bank received its Expanded FCDU license on November 22, 1995. The Bank has authority to engage in trust operations as approved by Monetary Board in its Resolution No. 765 dated July 31, 1996.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC) consist of PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations.

Basis of Measurement

These financial statements have been prepared on a historical cost basis except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVTPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets
Lease liability	Present value of the lease payments not yet paid discounted using the Bank's incremental borrowing rate

The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and the FCDU. These financial statements are the combined financial information of these units after eliminating inter-unit accounts.

Functional and Presentation Currency

The functional currency of RBU and FCDU is the Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see Note 3 on foreign currency translation).

The financial statements of the Bank are presented in PHP. All financial information presented in PHP has been rounded off to the nearest peso, except as otherwise indicated.

Presentation of Financial Statements

The Bank presents its statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17.

Approval of Issuance of Financial Statements

Under Section 17.2 (a) of the Securities Regulation Code (SRC), issuers of securities that have sold a class of their securities pursuant to a registration under Section 12 of the SRC are required to comply with the reportorial requirements under SRC Rule 20; provided, however, that the obligation of such issuers to file reports shall be suspended for any fiscal year after the year such registration became effective if such issuer, as of the first day of any such fiscal year, has less than one hundred (100) holders of such class of securities and it notifies the Commission of such. As of December 31, 2021 and 2020, the Bank has retained one hundred eleven (111) shareholders, which requires it to comply with the reportorial requirements under SRC Rule 20.

These financial statements have been reviewed, approved and authorized for issue by the Board of Directors (BOD) on March 3, 2022.

3. Summary of Significant Accounting Policies

Except for the changes explained in the foregoing, the accounting policies set out below have been applied consistently to all years presented in these financial statements.

Adoption of Amendments to Standards and Framework

The Bank has adopted the following amendments to standards and framework starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Bank's financial statements.

- *Amendments to PFRS 16, COVID-19-related Rent Concessions.* The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before June 30, 2021; and
- no other substantive changes have been made to the terms of the lease.

These amendments are effective for periods beginning on or after June 1, 2020, with earlier application permitted.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are initially recorded at the functional rate of exchange at the date of transaction.

Foreign currency-denominated monetary assets and liabilities in the RBU and FCDU are translated into their respective functional currencies based on the Bankers Association of the Philippines (BAP) closing rate prevailing as at the reporting date and foreign currency-denominated income and expenses are translated at the BAP closing rate prevailing as at the date of transaction. Foreign exchange differences arising from foreign currency transactions and translation of foreign currency-denominated assets and liabilities are credited to or charged against the statements of income in the period in which the rates change.

Foreign currency-denominated non-monetary items that are measured at historical cost are translated using the exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU

As at the reporting date, the monetary assets and liabilities of the FCDU of the Bank are translated from its functional currency into its equivalent in PHP, the presentation currency, at the BAP closing rate prevailing at the reporting date. Foreign currency-denominated non-monetary items that are measured at historical cost are translated using the exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The income and expenses are translated using the BAP weighted average rate for the year. Foreign exchange differences arising from translation of the FCDU balances to the presentation currency are taken directly to "Cumulative translation adjustments" in the statements of other comprehensive income (OCI). Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of OCI is recognized in the statements of income.

Foreign Exchange Gain - net

Foreign exchange gain - net consists of gains and losses due to the differences in exchange rate from translating transaction currency to functional currency in the statements of income.

Financial Instruments

Recognition and Initial Measurement

The Bank recognizes a financial asset or a financial liability on the trade date when it becomes a party to the contractual provisions of the financial instrument. Purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Deposits, amounts due to and from BSP and other banks and loans and receivables are recognized when cash is received by the Bank or advanced to the customers.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issuance.

Classification and Measurement

Financial Assets

The Bank classifies its financial assets in the following categories: financial assets at amortized cost, financial assets at FVOCI or financial assets at FVTPL.

Debt Instruments

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest (SPPI).

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These financial assets are subsequently measured at amortized cost using the effective interest method less any loss allowance. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is recognized under "Interest income calculated using the effective interest method" in the statements of income. The losses arising from impairment of financial assets at amortized cost are recognized in "Impairment losses" in the statements of income.

When such financial assets are sold or disposed of under specific circumstances, the gain or loss is recognized as "Trading and securities gain (loss) - net" in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items, due from BSP, due from other banks, interbank loans receivable - net, investment securities at amortized cost, loans and receivables, and returned checks and other cash items and rental deposits included under "Other assets" in the statements of financial position.

Financial Assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are SPPI.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These instruments are subsequently measured at fair value with gains and losses due to changes in fair value recognized under "Net unrealized gain (loss) on financial assets at FVOCI" in the statements of OCI. Interest earned on these instruments is recognized under "Interest income calculated using the effective interest method" in the statements of income.

Financial Assets at FVTPL

All other financial assets not measured at amortized cost or at FVOCI are classified as measured at FVTPL.

This category includes held-for-trading (HFT) investments and derivative assets.

a. *HFT Investments*

HFT investments are recorded in the statements of financial position at fair value. Changes in fair value relating to the held-for-trading positions are recognized in "Trading and securities gain (loss) - net" in the statements of income. Interest earned is recorded under "Interest income on financial assets at FVTPL" in the statements of income.

b. *Derivative Assets*

The Bank is counterparty to derivative contracts, such as forwards and cross-currency swaps. These derivatives are entered into as a service to customers, as a means of reducing or managing their respective foreign exchange exposures and for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting cash flow hedges and hedges in net investment in foreign operation) are taken directly to "Foreign exchange gain - net" in the statements of income. Derivatives are carried as assets when the fair value is positive.

The method of recognizing fair value gains and losses depends on whether derivatives are held-for-trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. When derivatives are designated as hedges, the Bank classifies them as either: (a) hedges of the change in fair value of recognized assets or liabilities or firm commitments ('fair value hedges'); (b) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability or a forecast transaction ('cash flow hedges'); or (c) a hedge of a net investment in a foreign operation ('net investment hedges'). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow or net investment hedge provided certain criteria are met.

The Bank does not apply hedge accounting treatment for any of its derivative transactions since the derivatives are held-for-trading and not designated as hedging instruments.

The Bank's derivative transactions include cross-currency swap and forward contracts.

The Bank may, at initial recognition, irrevocably designate financial assets that are debt instruments as measured at FVTPL, subject to the following requirements:

- The Bank has in place appropriate risk management systems including related risk management policies, procedures, and controls; and
- The Bank applies the fair value option only to instruments for which fair values can be reliably estimated.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Equity Instruments

Financial assets that are equity instruments shall be classified under any of the following categories:

- a. Financial assets measured at FVTPL which shall include financial assets HFT; or
- b. Financial assets at FVOCI which shall consist of:
 - i. Equity instruments that are irrevocably designated at FVOCI at initial recognition that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combinations* applies; or
 - ii. Financial assets mandatorily measured at fair value. These include investments in equity instruments which do not have quoted price in an active market for an identical instrument.

In limited circumstances, PFRS 9 permits an entity to use the cost as an appropriate estimate of the fair value of unquoted equity investments on cases such as:

- When insufficient more recent information is available to measure fair value; or
- When there is a wide range of possible fair value measurements and cost represents the best estimate of fair value in the range.

Dividends earned from equity instruments are recognized in "Miscellaneous - net" in the statements of income when the Bank's right to receive payment has been established.

Business Model in Managing Financial Assets

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio operation and the operation of those policies in practice. In particular, whether management's strategy focuses in earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Sale of financial assets under the business model of held-to-collect is permitted under these circumstances:

- Sales of assets before maturity date is immaterial or infrequent and is due to reasons such as:
 - Credit deterioration of obligor/issuer.
 - Change of tax treatment.
 - Switch of eligible assets that better meet the regulatory compliance objective.
 - Excess assets no longer required for meeting regulatory ratio/limit as a result of material balance sheet change.

Each sale must be pre-approved by the Treasury Group Head and the Chief Financial Officer. In consideration of market movements that may affect sales, pre-approvals must be completed within one business day.

Recurring sales under the business model of held-to-collect-and-sell are permitted as long as any of the following conditions are met:

- sale of securities sold have been held for at least 30 days to realize capital gain or loss. There is no limitation on the number or the contract size of sale;
- approval of the Treasury Group Head has been obtained for the sale of securities that have been held for less than 30 days, unless the sale is due to any of the following, in which case, the holding period requirement is not necessary:
 - credit deterioration of the issuer;
 - liquidity stress;
 - undue market risk; or
- excess assets no longer required for regulatory purposes; and
- other reasons for the approval of sale of securities that have been held for less than 30 days such as to adjust or re-balance the Bank's net risk and value realization per security should be approved by the Treasury Group Head and sale of securities do not exceed five times in a calendar year.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Financial Liabilities

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

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

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

The Bank's financial liabilities at amortized cost include deposit liabilities, bills payable, outstanding acceptances, manager's checks, accrued interest and other expenses (except retirement liability, accrued taxes and other non-financial accruals) and other liabilities (except withholding taxes payable, provision for liability and miscellaneous liability).

Financial liabilities at FVTPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gain - net" in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Financial Liabilities

Financial assets are reclassified when, and only when, the Bank changes its business model for managing financial assets in accordance with the provisions of PFRS 9. Reclassifications other than due to change in business model are not permitted.

A change in the Bank's business model is expected to be very infrequent and must be determined as a result of external and internal changes that are significant to the Bank's operations and demonstrable to external parties. Hence, such change in business model must be approved by the Bank's management and such fact properly documented.

A change in the objective of the Bank's business model must be effected before the reclassification date.

The Bank does not effect a reclassification within the period of change in the business model. Any reclassification of financial assets due to change in business model should take effect from the beginning of the next reporting period of the Bank's financial statements; provided, that the change in business model be disclosed in the financial statements in the period of change consistent with PFRS 7 which require among others the disclosure of objectives, policies and processes for managing the risk from financial instruments and any changes to those objectives, policies and procedures.

Financial liabilities are not reclassified.

Impairment of Financial Assets

At each reporting date, the Bank uses the expected credit loss (ECL) model in the assessment of the losses from financial assets such as due from BSP, due from other banks, interbank loans receivable, financial assets at FVOCI - debt securities, investment securities at amortized cost, loans and receivables and off-balance sheet credit commitments and financial guarantees not measured at FVTPL.

ECL is a forward-looking approach in measuring the difference between the cash flows that are due to the Bank in accordance with the contractual terms of a financial instrument and the cash flows that the Bank expects to receive. The Bank considers the past events, the current situation and the forecast of future economic conditions to identify whether the credit risk of financial instruments have been significantly increased since the initial recognition. The ECL model considers losses from initial recognition and at each reporting date. Three stages of impairment are used for the entire financial asset that serves as an objective basis in determining significant increase in credit risk.

The definitions of the stages are as follows:

- Stage 1 - recognition of 12-month ECL when asset is originated or purchased, except for a purchased or originated credit-impaired financial asset;
- Stage 2 - recognition of collective and individual lifetime ECL when credit quality of financial asset deteriorates significantly; and
- Stage 3 - individual lifetime ECL when credit losses are incurred or asset is credit impaired.

Stage 3 classified assets are assessed using the specific impairment methodology for corporate loans.

The Bank uses three variables in computing the ECL:

- Probability of Default (PD) or the likelihood of a customer defaulting;
- Loss Given Default (LGD) which means how much exposure is expected to be lost if customer defaults; and
- Exposure at Default (EAD) or the outstanding amount of obligation at time of default which covers both the principal and the accrued interest.

For purchased or originated credit assets that are credit-impaired at initial recognition, the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Detailed discussions on the recognition and measurement of ECL in relation to credit risk management practices are disclosed in Note 5.

Modification of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the statements of income as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income. For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as "Interest income calculated using the effective interest method" in the statements of income.

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 affected countries. On March 16, 2020, Proclamation No. 929, Series of 2020, declared a state of calamity throughout the Philippines for a period of six (6) months, unless earlier lifted or extended as circumstances may warrant. Consequently, an Enhanced Community Quarantine was imposed throughout the entire Luzon, which lasted for 75 days.

In this light, the BSP issued Memorandum No. M-2020-008 (the “Memorandum”) granting temporary regulatory relief measures to BSFIs affected by COVID-19. Relief measures relevant to the Bank are as follows:

- a. Allowing BSFIs to provide financial assistance to officers who are affected even in the absence of BSP-approved purposes or even if not within the scope of the existing BSP-approved purposes, for the grant of loans, advances, or any other forms of credit accommodations to officers, subject to subsequent regularization of the BSP, as specified in the Memorandum;
- b. Upon grant by BSFIs of a temporary grace period for payment or upon approval of the restructuring, but subject to reporting to the BSP, exclusion from the computation of past due ratio of the loans of borrowers in affected areas which should have been reclassified as past due from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922 (the “reference date”), including those loans becoming past due six (6) months thereafter, subject to conditions specified in the Memorandum;
- c. Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports due to be submitted from the reference date up to six (6) months thereafter;
- d. Subject to prior approval of the Bangko Sentral, staggered booking of allowance for credit losses computed over a maximum period of five (5) years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of the reference date; and
- e. Subject to prior approval of the Bangko Sentral, non-imposition of penalties on legal reserve deficiencies starting from reserve week following the reference date up to six (6) months thereafter.

The Bank did not avail of the abovementioned reliefs except for Item “c”, which is the non-imposition of monetary penalties for delays incurred in the submission of supervisory reports.

On March 24, 2020, President Rodrigo Duterte signed Republic Act No. 11468, otherwise known as Bayanihan to Heal as One Act or “Bayanihan 1”, allowing the government to institute emergency actions to fight the pandemic and safeguard the economy. One of the salient features of the law is the granting of a grace period to all loans falling due within the Enhance Community Quarantine period.

On September 11, 2020, the President signed Republic Act No. 11494, otherwise known as Bayanihan to Recover as One Act or “Bayanihan 2”. The law likewise for another 60-day grace period on current and performing loans falling due from September 15 to December 31, 2020.

The granting of the grace period under Bayanihan 1 and 2, resulted to a modification of certain loans. The Bank computed for the effects of the loan modification and ascertained that such modification did not result to material difference of 10% of the outstanding balance. As such, the said loan modification did not require any derecognition of asset.

Financial Liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in statements of income. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

Derecognition of Financial Instruments

Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of: (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized in the statements of income.

Any cumulative gain or loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in the statements of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. The Bank enters into transactions whereby it transfers assets recognized on its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial Liabilities

Financial liabilities are removed from the statements of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in the statements of income.

Determination of Fair Value

'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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the statements of income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Offsetting

Financial assets and financial liabilities are offset and are reported at net amount in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, where the related assets and liabilities are presented at gross amounts in the statements of financial position.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP, due from other banks and interbank loans receivable that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Cash and cash equivalents are carried at amortized cost in the statements of financial position.

Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreement (SPURA) to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

Conversely, securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Property and Equipment

Depreciable properties which include bank premises, furniture, fixtures and equipment, leasehold rights and improvements, computer and transportation equipment are stated at cost less accumulated depreciation and amortization and accumulated impairment loss, if any. Except for right-of-use assets presented under bank premises, the initial costs of property and equipment consists of purchase price, including import duties, taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of the equipment when the cost is incurred and if the recognition criteria are met, but excludes repairs and maintenance cost. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Right-of-use assets are presented together with property and equipment in the statements of financial position. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove any improvements made to branches or office premises, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or to the end of lease term. The right-of-use assets are stated at cost less accumulated depreciation, less accumulated impairment loss, if any.

The Bank does not recognize right-of-use assets for leases with term of 12 months or less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Depreciation and amortization of owned assets is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Leasehold rights and improvements are amortized over the shorter of the term of the related lease or the estimated useful lives of the leasehold improvements.

The range of estimated useful lives of the owned depreciable assets follows:

	Number of Years
Bank premises (except right-of-use assets)	30
Right-of-use assets	3 - 10
Transportation equipment	5
Furniture, fixtures and equipment	5
Computer equipment	3
Leasehold rights and improvements	3 - 5

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and the period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the reporting period the asset is derecognized.

Investment Properties

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 the asset cannot be measured reliably, in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under "Investment properties" in the statements of financial position from foreclosure date. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment loss, if any.

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

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

Depreciation is calculated on a straight-line basis over the estimated remaining useful life from the time of acquisition of the investment properties. The estimated useful lives of the Bank's investment properties range from 10 to 40 years. The period and method of depreciation are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

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

Computer Software Costs

Computer software costs (included under "Other assets" in the statements of financial position) are costs incurred relative to the development of the Bank's software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs are amortized on a straight-line basis over five to eight years and are included under "Amortization of computer software costs" in the statements of income.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Impairment of Non-financial Assets

Property and Equipment, Investment Properties, and Computer Software Costs

At each reporting date, the Bank assesses whether there is any indication that its property and equipment, investment properties and computer software costs are impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the higher of a non-financial asset's fair value less costs to sell and its value in use and is determined for an individual non-financial 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 a non-financial asset exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to "Impairment losses" in the statements of income in the year in which it arises. 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 the statements of income. After such a reversal, any depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

On-balance Sheet Financial Guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized at fair value. Subsequent to initial recognition, the Bank's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization of the fee recognized over the term of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recognized as expense in statements of income. When a financial guarantee liability is discharged, cancelled, or expires, the balance is recognized as income in the statements of income.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income as they are consumed in operations or expire with the passage of time.

Revenue Recognition

Interest Income

Effective Interest Rate

Interest income and expense are recognized in the statements of income using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all the contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted EIR is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the EIR, transactions costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

Amortized Cost and Gross Carrying Account

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of Interest Income

The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income presented under "Interest income calculated using the effective interest method" in the statements of income includes interest earned on financial assets at amortized cost and at FVOCI.

Interest income on financial assets at FVTPL is presented under "Interest income on financial assets at FVTPL" in the statements of income.

Service Fees and Commission Income

The Bank earns fee and commission income from the diverse range of services it provides to its customers. Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance, such as corporate finance fees, and loan syndication fees are recognized in the statements of income as the related services are performed. Service charges and penalties relating to loan receivable and deposit transactions are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

The Bank disaggregates its service fees and commission income arising from contracts with customers into major service lines and into reportable segments (see Note 24).

Dividend Income

Dividend income on equity investments is recognized when the Bank's right to receive payment is established.

Trading and Securities Gain (Loss) - net

Trading and securities gain - net include all gains and losses from changes in fair value for financial assets at FVTPL and realized gains or losses on disposals of financial asset at FVTPL, debt financial assets at FVOCI and investment securities at amortized cost.

Other Income

Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized when the risks and rewards of ownership of the property are transferred, the amount of revenue can be estimated reliably and the collectability is reasonably assured.

Expense Recognition

Expenses are recognized in the statements of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or
- immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of income are presented using the nature of expense method.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in PFRS 16.

Bank as Lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The initial amount of the right-of-use asset comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to restore the underlying asset, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The right-of-use assets are stated at cost less accumulated depreciation and amortization, and accumulated impairment loss, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) Fixed payments, including payments that may in form contain variability but in substance are unavoidable;
- (b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) Amounts expected to be payable under a residual value guarantee; and
- (d) Amounts expected for the exercise price under a purchased option, lease payments under an extension option and penalties for early termination, if the Bank is reasonably certain to exercise or early terminate.

The lease liability is measured by the effective interest method to recognize the interest expense and remeasured to reflect the changes as follows:

- (a) The lease term changes;
- (b) The future lease payment changes to reflect a change in an index or rate; or
- (c) If there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured to reflect the above changes, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statements of income if the carrying amount of the right-of-use has been reduced to zero.

The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has a present or legal constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Retirement Benefits

The Bank's personnel are covered by a funded noncontributory defined benefit retirement plan.

The Bank's net obligation in respect of the defined benefit plans is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income.

The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Income Taxes

Income tax comprises current, deferred and final taxes. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statements of income, except to the extent that it relates to items recognized directly in equity. Tax on these items is recognized in the statements of OCI.

Current Income Tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantively enacted at the statements of financial position date, together with adjustments to tax payable in respect of prior years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is provided using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and unused NOLCO can be utilized.

Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. These reflect uncertainty related to income taxes, if there is any.

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

Final Tax

Final tax is a kind of withholding tax which is prescribed on certain income payments and is not creditable against the income tax due of the payee on other income subject to regular rates of tax for the taxable year. Tax withheld constitutes the full and final payment of the tax due from the payee on the particular income subjected to final withholding tax.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account in the statements of financial position. Direct costs incurred related to equity issuance such as underwriting, accounting and legal fees, printing costs and taxes are charged to "Additional paid-in capital" account. If the additional paid-in capital is not sufficient, the excess is charged against the "Retained earnings" account.

When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Retained earnings represent accumulated earnings of the Bank less dividends declared, if any.

Restricted retained earnings represent the Bank's accumulated retained earnings which is not available for distribution to shareholders as dividends since it is appropriated for minimum capital requirements per BSP Circular No. 854, BASEL III requirements, and ICAAP requirements per BSP Circular No. 639.

Treasury Stock

These are own equity instruments that are reacquired which are recognized at cost and deducted from equity. No gain or loss is recognized in the statements of income on the purchase, sale, issue or cancellation of the Bank's own equity instruments. The excess of the carrying amount over the consideration, if reissued, is charged to additional paid-in-capital from treasury shares of the same class. If the additional paid-in-capital is not sufficient, the excess is charged against the "Retained earnings" account.

Voting rights related to treasury stocks are nullified for the Bank and no dividends are allocated to them.

Earnings Per Share

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

Diluted earnings per share is computed dividing net income for the year by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive securities.

Dividends on Capital Stocks

Dividends on capital stocks are recognized as a liability and deducted from retained earnings when declared and approved by the shareholders of the Bank. Dividends for the year that are approved after the statements of financial position date are dealt with as an event after the reporting date.

Deposits for Future Stock Subscription

In accordance with Financial Reporting Bulletin No. 6 (as revised) of the SEC, a contract to deliver the Bank's own equity instrument shall be classified under equity as a separate account (i.e., Deposits for future stock subscription) from outstanding capital stock if and only if, all of the following elements are present as at end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

Otherwise, deposits for future stock subscription are presented under "Other liabilities".

Contingent Liabilities and Contingent Assets

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

Events After the Reporting Date

Any post year-end event that provides additional information about the Bank's financial position at the reporting date (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

Fiduciary Activities

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

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Bank's financial statements.

To be Adopted on January 1, 2022

- *Coronavirus disease 2019 (COVID 19) Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases)*. The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment)*. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, Inventories.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 Provisions, Contingent Liabilities and Contingent Assets)*. The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e., it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 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 component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to standards applicable to the Bank:
 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations).* The amendments:
 - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
 - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
 - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

To be Adopted on January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the IASB issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or noncurrent.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

The effective date of the amendments will be deferred to no earlier than January 1, 2024.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures. The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes).* The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

4. Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

The most significant areas where judgments and estimates have been made are set out below:

Judgments

Business Model Assessment

Debt securities held are classified based on the Bank's business models for managing the debt securities which are determined and assessed at the portfolio level that reflects how groups of debt securities are managed together to achieve the particular business objectives (e.g. to collect contractual cash flows or to trade to realize fair value changes) of the respective business model.

The Bank's business models for managing debt securities held determine the nature and source of the cash flows resulting from the investments. As such, the assessment of the business models for managing the debt securities is subject to judgment that is not determined by a single factor or activity. Instead, the Bank must consider all relevant evidence that is available at the date of the assessment.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

The classification of a financial asset is based on whether, on specified dates, the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding. This involves assessment of whether the contractual cash flows that are SPPI are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

As such, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set and the contractual terms that change the timing or amount of the cash flows.

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 credit assessment, including forward-looking information.

The Bank's qualitative and quantitative factors modelling in the determination of whether credit risk of a particular exposure is deemed to have increased significantly since initial recognition is disclosed in Note 5.

Determining Loan Modification Loss

In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1") was enacted. Bayanihan 1 provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2"), was enacted. Under Bayanihan 2, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of the said loans.

As of December 31, 2020, the Bank estimated a loan modification loss amounting to Php19.8 million. Per Bank's assessment, the amount did not breach its internal threshold of 10% of net income before tax, thus, the said loss was not recognized during the year.

Determining Functional Currency

PAS 21 *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be 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.

Leases - Bank as Lessee

The Bank leases properties, land and buildings for the premises it uses for its operations.

In determining whether the Bank is a party to a lease contract as a lessee, the Bank assesses whether all of the three elements below are present:

- The contract has an identified asset;
- The Bank has the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- The Bank has the right to direct the use of the identified asset.

Estimates

Incremental Borrowing Rate

The Bank estimates its discount rate on leases based on incremental borrowing rate. Incremental borrowing rate is the interest rate the Bank would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Determining the incremental borrowing rate is a challenge to the Bank considering its limited debt arrangements with other banks. As such, an estimate of appropriate incremental borrowing rate is derived by averaging long-term negotiable certificate of deposit rates issued by peer banks from 12 months prior to the lease commencement date. Such estimate is determined by the Bank on a lease-by-lease basis.

In 2021 and 2020, new lease contracts were individually assessed for the determination of an appropriate incremental borrowing rate.

Impairment Losses on Financial Instruments

The Bank reviews its financial instruments monthly for the assessment of the sufficiency of the loss allowances recorded in the statements of financial position.

In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of qualitative and quantitative factors where different results may result in future changes to the loss allowances.

In addition to specific allowance against individually significant loans and receivables, the Bank also provides a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is done by considering information that is indicative of significant increases in credit risk on a group or sub-group of financial instruments.

Considering the COVID-19 pandemic that started in 2020, the Bank needed to apply certain adjustments on the estimation of parameters and assumptions in order to account for the impact of this unforeseen event. The Bank revisited its loan risk rating and downgraded loans affected by the COVID-19 pandemic. This resulted to an increase in the probability of default of certain accounts, and consequently, increased the required allowance as of year-end. The general methodology for the ECL calculation remains the same. However, the projection of the forward-looking components was updated. The Bank used the most recent supportable and available information to establish probable effects of the pandemic to the performance of the bank's exposures. Furthermore, the Bank utilized both historical and updated customer risk ratings for unsecured and considered industry risk on the SME portfolio to account for the uncertainties. The Bank also identified accounts that are vulnerable to the impact of COVID-19 and these were subjected to individual impairment assessment. These accounts are closely monitored paying more attention to their actual performance during the year.

The loss allowance on financial instruments remained at P1.4 billion as at December 31, 2021 and 2020 (see Note 12). This includes loss allowance on loans and receivables, interbank loans receivable, debt financial assets at FVOCI, investment securities at amortized cost and off-balance sheet commitments and contingencies.

As at December 31, 2021 and 2020, the carrying value of loans and receivables and interbank loans receivable, net of loss allowance, amounted to P31.0 billion and P30.7 billion (see Notes 8 and 27); P696.0 million and P1.2 billion, respectively (see Note 27).

As at December 31, 2021 and 2020, the loss allowance on off-balance sheet commitments and contingencies, debt financial assets at FVOCI and investment securities at amortized cost amounted to P21.0 million and P5.5 million; P2.2 million and P1.9 million; and P1.3 million and P0.6 million, respectively (see Note 12).

Determining Inputs into ECL Measurement Model

In computing the ECL, the Bank uses three variables: (a) PD; (b) LGD; and (c) EAD. The determination of the amounts of the variables involves identifying and documenting key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. Identified drivers for credit risk include GDP growth, inflation and unemployment rate.

Detailed discussions on the Bank's inputs to the ECL model are disclosed in Note 5.

Determining Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position or disclosed in the notes cannot be derived from active markets, they are determined using a variety of valuation techniques acceptable to the market as alternative valuation approaches that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in estimating fair values.

The evaluation includes considerations of liquidity and model inputs such as correlation and volatility.

Moreover, the Bank measures its unquoted equity securities at their carrying amounts since there were no readily available information sufficient to determine their fair values at the measurement date considering that these are not significantly affected by the changes in market conditions and passage of time.

Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and future tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As the COVID-19 pandemic affected the Bank's normal operations, the Bank reassessed its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

The Bank did not recognize deferred tax assets as at December 31, 2021 and 2020 amounting to P19.0 million and P21.4 million, respectively (see Note 21).

Present Value of Defined Benefit Retirement Obligation

The present value of the defined benefit retirement obligation depends on a number of factors and assumptions such as discount rate and salary increase rate. These assumptions are described in Note 19 to the financial statements.

The Bank determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows to settle the retirement obligations. In determining the appropriate discount rate, the Bank considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions. While it is believed that the Bank's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Bank's defined benefit retirement obligation.

The present value of the Bank's defined benefit retirement obligation amounted to P296.6 million and P337.8 million as at December 31, 2021 and 2020, respectively (see Note 19).

The net retirement liability of the Bank amounted to P88.2 million and P135.7 million as at December 31, 2021 and 2020, respectively (see Notes 15 and 19).

Impairment of Non-financial Assets

At each reporting date, the Bank assesses whether there is any indication of impairment on property and equipment and investment properties or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset exceeds its net recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statements of income.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

5. Financial Risk and Capital Management Objectives and Policies

The Bank is in the business of creating value out of taking risks. The Bank's major risks consist of Credit Risk, Market Risk, Liquidity Risk, Interest Risk, and Operational Risk. Other risks monitored include strategic and legal risks.

The major objective of the risk management of the Bank is to control the risk under the scope approved by the board of directors by using effective management methods to utilize resource and create maximum economic profit.

Risk Management Structure

The BOD is ultimately responsible for oversight of the Bank's risk management process. It created the Risk Management Committee (RMC), a board-level independent committee with explicit authority and responsibility for managing and monitoring risks.

Risk Management Committee - Powers, Duties and Functions

The RMC shall be responsible for the development and oversight of the Bank's Risk Management Program. It shall provide general direction and define the risk philosophy of the Bank.

It shall oversee the system of limits to discretionary authority that the Board delegates to management, will ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

The RMC shall review and approve the Bank's Internal Capital Adequacy Assessment Process (ICAAP). This also includes the review of the Bank's Risk Capital Framework (e.g. credit, market, liquidity and operational risks), including significant inputs and assumptions.

The following principles summarize the Bank's overall approach to risk management:

- The BOD provides the overall direction and supervision of the Bank's risk management;
- The key risks faced by the Bank - both financial and non-financial - are managed by appropriate functional levels within the Bank;
- The risk management functions are independent from the businesses and provide check-and-balance for risk taking units;
- Risk management involves managing the balance between risk and reward, to enable the Bank to fulfill its commitment to protect shareholder interest, as well as deliver value to the banking public, and comply with relevant regulations; and
- Risk management process is done via four steps: (1) *Risk Identification* - involves selecting the method for risk identification and describing the characteristics of risks; (2) *Risk Measurement* - refers to the establishing/maintenance of tools or methods to measure risk and identifying the responsible units that will ensure the effectiveness or appropriateness of the risk measurement tools or methods; (3) *Risk monitoring* - pertains to the setting up of assessment frequency, reviewing of risk status, and proposing and implementing of action plans; and (4) *Risk Reporting* - includes clearly defining the reporting mechanism, necessary content and relevant assessment mechanism.

Credit Risk

Credit risk is the risk that one party to a financial transaction will fail to honor an obligation and cause the Bank to incur a financial loss. Credit risk arises primarily from the Bank's corporate and retail loans (customer credit risk) and investment securities (counterparty credit risk).

With respect to corporate credit risk for Institutional Banking, the Institutional Credit Management Group (ICMG) is mainly responsible for the following:

- (a) safeguard the quality of the Bank's institutional loan portfolio; and
- (b) provide support services to the lending units of the Bank.

To safeguard the quality of the loan portfolio of the Bank, ICMG performs the following functions:

- (a) conduct pre-approval review of credit proposals of lending units;
- (b) assist in structuring appropriate credit facilities;
- (c) provide policy guidelines to the lending units in order to standardize the credit process;

- (d) coordinate with the lending units on the required post-approval requirements (i.e., Loan Review Report, Account Planning, etc.) in the management of existing accounts;
- (e) conduct regular meetings to discuss problem accounts;
- (f) review/endorse loan loss provisions for problematic accounts; and
- (g) provide senior management with reports pertaining to the quality of the loan portfolio.

Each credit proposal undergoes an evaluation process in order to determine its acceptability. The evaluation process involves the identification of credit risks after having assessed key factors including, target market/industry, management, appropriateness of credit facilities, terms and conditions, financial performance and condition, collateral and others.

The credit risk identification framework also consists of an internal risk rating system for corporate accounts that has a blend of both quantitative and qualitative factors. The Obligor's Risk Rating (ORR) ranges from ORR 0 to 17, with ORR 0 being the lowest credit risk and 14 to 17 representing the Watch-List and Default Accounts.

One of the Bank's risk monitoring exercises is its semi-annual review of corporate accounts via annual review and interim review. For Early Warning (EW) accounts, review should be conducted at least once every three (3) months. Interim review with an interval of 12 months are only allowed for accounts fully-secured by cash or government securities, accounts whose sole credit facility with the Bank is fully-secured by unconditional and irrevocable Sovereign Guarantee, or under a specific credit/product program. Interim review serves the purpose of monitoring the borrower's usage of fund, relationship with the Bank, updated financial performance, repayment capability, identification of major risks, outlook, etc. It also assesses account classification and/or ORR.

If deterioration in credit is identified Institutional Banking Group (IBG) has the responsibility to include it in any of the Early Warning (EW) buckets. This calls for the submission of a Notification report, quarterly or more frequent interim review (for EW1a accounts), and Account Planning reports (APR) for EW1b, EW2, and EW3 accounts. If deemed appropriate, EW2 and EW3 accounts may be transferred to the Special Accounts Managers of Enterprise Wide Risk Management Group (SAM) for handling. Apart from these, the Relationship Manager (RM) who is responsible to improve business relationships with the Bank's clients and the Special Accounts manager (for accounts that have been transferred) are required to provide updates during Credit Committee meetings. On December 31, 2021, the Early Warning Management Guidelines have been updated to reflect that EW1a has been renamed to EW1, EW1b is removed and accounts were reclassified to either EW1 or EW2 based on exhibited characteristics, and NPL has been separated from EW3.

The IBG or ARMD RM (depending on the classified account owner) and Litigation Head of the Legal Department are also required to report to the Credit Committee the status of the classified accounts at least twice a month and once a month for an EW account. Depending on the outstanding exposure of an EW2/EW3 account, the RM regularly prepares the Account Planning reports for approval either of the Senior Credit Officer (SCO), the Credit Committee or the Executive Committee. The APR covers the loan details of the account including the outstanding principal, loan loss provision, the action plan and present status of the account which includes the progress diary enumerating the series of events that took place covering the account planning period and financial/operation analysis. The same APR is referenced for the corresponding BSP classification.

Monthly classified accounts are also being prepared by the Credit Administration Department (CAD) for senior management guidance covering the list of classified accounts and its corresponding loan loss provision.

The Head of the ICMG reports regularly to the Credit Committee to discuss the corporate credit risk profile including but not limited to the past due loan, non-performing loan, concentration risk, action plan for each non performing account and their corresponding timeline.

On the Retail Banking side, the RCMG is responsible in managing retail credit risk that mainly arises from granting of loans for the personal consumption of the individual borrowers such as public loans, salary loans for employees of accredited corporate entities and housing or mortgage loans. In addition, the RCMG is also responsible for managing credit risk of small and medium enterprise (SME) loans starting in October 2015 considering the similarity of SME loans and retail credits in terms of program lending-based credit risk underwriting and portfolio risk management process.

For retail loans, risk is firstly assessed and managed by the design of product or testing programs. For public personal loans, the risk assessment is accomplished through the use of Application and Behavioral credit scorecards. For corporate personal loans and mortgage/housing loans, the risk assessment is performed through the implementation of risk caps (program and deviation) and execution of a risk criteria review process (rule-based criterion or eligibility criteria). Aside from the above, risk assessment through due diligence and comprehensive underwriting review of financial statements is conducted for SME loans.

The Bank's internal risk rating for its retail accounts, referred to as Credit Risk Rating (CRR), ranges from CRR 1 to 20, with CRR 1 being the lowest credit risk.

In line with this approach, risk identification is performed through the following process workflow stages:

Process	Public Personal Loan	Corporate Personal Loan	Housing/ Mortgage Loan	SME Loan
Pre-screening	Y	Y	Y	Y
Duplicate check	Y	Y	Y	Y
Policy check	Y	Y	Y	Y
Credit Risk Scoring/Rating	Y	N	Y	Y
Credit verification	Y	Y	Y	Y
Appraisal	N	N	Y	Y
Deviation review	Y	Y	Y	Y
Approval/reject	Y	Y	Y	Y

In the execution of the above processes, functional segregation of processor, evaluator and approver responsibilities are observed. Approving authorities are granted based on qualification, competence and capacity. The approving authority hierarchy follows retail core credit policy set by the Parent Bank such that credit delegation is defined by credit officer and senior credit officer levels, by amounts and by risk level in evaluation and approval of its loan applications by product.

In addition, the RCMG also handles retail loan portfolio performance reviews and reporting through preparation of monthly asset quality reports, loan portfolio analyses and scorecard performance monitoring reports. Included in these periodic reports are through-the-door analysis, delinquency performance review, industry performance review, risk classification review, scorecard measurement benchmarks review as well as tracking of risk caps.

The Bank had carried out sensitivity analysis of key economic variables used in forward-looking measurement. As at December 31, 2021 and 2020, when the key economic indicators move up or down by 10%, the Bank estimated that the ECL will not change by 5%.

These functions enable the RCMG in the crafting of new and enhanced credit policies and processes that mitigates possible losses due to retail credit risk.

In response to COVID-19, the Bank extended debt relief to borrowers in compliance with regulatory requirements. To mitigate the risk, the Bank implemented strict monitoring of accounts and preemptively included accounts in the early warning list (EW1a COVID).

This enabled the Bank to observe accounts which have availed of the debt relief programs or showed signs of weakening of financial conditions. These accounts were then re-assessed and timely classified thereby allowing the Bank to determine specific provisions for classified accounts based on probability of collection assumptions which takes into account the circumstances of the borrower, the industry, and the economy as a whole.

Counterparty Credit Risk

Credit risk with respect to investment securities, including derivative financial instruments, is generally limited to the carrying values (positive fair values for derivatives) reported in the statements of financial position. Counterparty credit risk could arise as a result of counterparties defaulting on their obligations to pay the principal and coupon (positive fair value at maturity for derivatives).

Maximum Exposure to Credit Risk after Collateral Held or Other Credit Enhancements

An analysis of the maximum exposure to credit risk after taking into account any, collateral held or other credit enhancements is shown below (in thousands):

2021					
	Note	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancements
Credit Risk Exposure Relating to On-balance Sheet Assets are as Follows					
Financial assets at amortized cost:					
Due from BSP		P4,720,100	P -	P4,720,100	P -
Due from other banks		1,192,416	-	1,192,416	-
Interbank loans receivable - gross		696,003	-	696,003	-
Investment securities - gross	7	6,632,171	-	6,632,171	-
Loans and discounts - gross:	8				
Institutional banking		24,204,058	4,150,118	20,053,940	4,150,118
Retail banking		3,965,934	-	3,965,934	-
Mortgage banking		2,703,073	1,560,870	1,142,203	1,560,870
Small business loans		846,969	839,814	7,155	839,814
Accrued interest receivable		501,626	-	501,626	-
Other receivables		191,288	-	191,288	-
Other assets*	11	53,083	-	53,083	-
Subtotal		45,706,721	6,550,802	39,155,919	6,550,802
Financial assets at FVTPL:					
Quoted debt securities	7	558,645	-	558,645	-
Derivative assets		140,951	-	140,951	-
Subtotal		699,596	-	699,596	-
Financial assets at FVOCI:					
Quoted debt securities	7	5,423,456	-	5,423,456	-
		51,829,773	6,550,802	45,278,971	6,550,802
Credit Risk Exposures Relating to Off-balance Sheet Items are as Follows					
Credit commitments and other credit related liabilities					
	29	2,795,360	-	2,795,360	-
Total		P54,625,133	P6,550,802	P48,074,331	P6,550,802

*Includes returned checks and other cash items and rental deposit.

2020					
	Note	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancements
Credit Risk Exposure Relating to On-balance Sheet Assets are as Follows					
Financial assets at amortized cost:					
Due from BSP		P3,781,209	P -	P3,781,209	P -
Due from other banks		958,810	-	958,810	-
Interbank loans receivable - gross		1,198,186	-	1,198,186	-
Investment securities - gross	7	3,149,837	-	3,149,837	-
Loans and discounts - gross:	8				
Institutional banking		23,326,852	4,420,258	18,906,594	4,420,258
Retail banking		4,559,369	-	4,559,369	-
Mortgage banking		2,379,831	2,029,454	350,377	2,029,454
Small business loans		1,026,137	893,273	132,864	893,273
Accrued interest receivable		593,722	-	593,722	-
Other receivables		224,627	-	224,627	-
Other assets*	11	32,802	-	32,802	-
Subtotal		41,231,382	7,342,985	33,888,397	7,342,985
Financial assets at FVTPL:					
Quoted debt securities	7	918,792	-	918,792	-
Derivative assets		181,666	-	181,666	-
Subtotal		1,100,458	-	1,100,458	-
Financial assets at FVOCI:					
Quoted debt securities	7	7,960,964	-	7,960,964	-
		50,292,804	7,342,985	42,949,819	7,342,985
Credit Risk Exposures Relating to Off-balance Sheet Items are as Follows					
Credit commitments and other credit related liabilities	29	1,901,908	-	1,901,908	-
Total		P52,194,712	P7,342,985	P44,851,727	P7,342,985

*Includes returned checks and other cash items and rental deposit.

Other receivables include loans granted to employees, sales contract receivable and due from Integrated Credit and Corporate Services (ICCS) and Philippine Veterans Bank (PVB). Other assets in the table above exclude non-financial assets such as computer software costs - net, prepaid expenses and other charges, net retirement asset and miscellaneous.

Contingent liabilities consist primarily of standby letters of credit, while commitments pertain to undrawn loan commitments for which the Bank is contractually obliged to extend once the borrowers draw on such commitments.

For financial instruments that are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the credit risk that could arise in the future as a result of changes in values.

For financial instruments that are measured at amortized cost, the carrying amount represents the maximum exposure to credit risk as at December 31, 2021 and 2020.

The table below sets out the principal types of collateral held against loans and receivables (in thousands):

	2021	2020
Property	P3,746,785	P4,049,854
Cash	2,785,667	2,774,007
Others	18,350	519,124
	P6,550,802	P7,342,985

Credit-related Commitments Risks

The Bank extends guarantees, commitment facilities, letters of credit and other off-balance sheet credit-related commitments that may require the Bank to make payments on the borrower's behalf. Such transactions expose the Bank to credit risks similar to loans and receivables and are monitored and managed by the Bank using the same credit risk control and management processes and policies.

Some consumer asset products under this nature are covered by documentations and drafts that are reviewed and prepared by Bank's lawyers and compliance officers to ensure that it is within acceptable risk and standards. Guarantees carry clauses that are all with reference to applicable laws, regulations, and approved guidelines and policies with some carrying expiry periods or validity to ensure that it is time bound and flexible enough to control losses from changes in external environment to include, among others, changing market conditions such as interest rates or pricing, and monetary policies.

Further details on these commitments are disclosed in Note 29.

Risk Concentrations of the Maximum Exposure to Credit Risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

Concentrations of risk are managed by counterparty and by industry sector.

An industry sector analysis of both the on- and off-balance sheet exposures, before taking into account collateral held or other credit enhancements, is as follows (in thousands):

	2021						
	Loans and Receivables		Other Financial Assets		Off-Balance Sheet Exposures		Total
	Amount	%	Amount	%	Amount	%	
Wholesale and retail	P4,240,114	13.7	P -	-	P714,749	25.8	P4,954,863
Manufacturing	6,642,809	21.4	-	-	595,378	21.5	7,238,187
Financial intermediaries	5,502,146	17.7	927,589	7.2	-	-	6,429,735
Real estate, renting and business activities	3,018,801	9.7	-	-	163,197	5.9	3,181,998
Transport, storage and communications	1,446,064	4.7	-	-	1,315	0.0	1,447,379
Construction	1,402,820	4.5	-	-	-	-	1,402,820
Agriculture, hunting and forestry	139,833	0.5	-	-	51,041	1.8	190,874
Electricity, gas and water	-	-	-	-	1,068,408	38.5	1,068,408
Public administration and defense	-	-	11,970,755	92.8	1,272	0.0	11,972,027
Others*	10,020,360	32.3	-	-	200,000	7.3	10,220,359
Total	32,412,947	104.5	12,898,344	100	2,795,360	100.8	48,106,650
Loss allowance	(1,398,792)	(4.5)	(3,523)	(0.0)	(21,008)	(0.8)	(1,423,323)
Unearned interest discount and capitalized interest	(1,645)	(0.0)	-	-	-	-	(1,645)
	P31,012,510	100.0	P12,894,821	100.0	P2,774,352	100.0	P46,681,682

*Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

2020							
	Loans and Receivables		Other Financial Assets		Off-Balance Sheet Exposures		Total
	Amount	%	Amount	%	Amount	%	
Wholesale and retail	P5,277,969	17.2	P -	-	P925,136	48.8	P6,203,105
Manufacturing	5,172,424	16.8	-	-	148,803	7.8	5,321,227
Financial intermediaries	4,746,792	15.4	1,728,030	13.9	288,138	15.2	6,762,960
Real estate, renting and business activities	3,418,180	11.1	-	-	-	-	3,418,180
Transport, storage and communications	1,495,286	4.9	-	-	1,538	0.1	1,496,824
Construction	818,463	2.7	-	-	47,000	2.5	865,463
Agriculture, hunting and forestry	131,490	0.4	-	-	-	-	131,490
Electricity, gas and water	41,250	0.1	-	-	489,934	25.8	531,184
Public administration and defense	-	-	10,686,610	86.1	1,358	0.1	10,687,968
Others*	11,008,684	35.9	-	-	-	-	11,008,684
Total	32,110,538	104.5	12,414,640	100.0	1,901,907	100.3	46,427,085
Loss allowance	(1,379,792)	(4.5)	(2,616)	(0.0)	(5,542)	(0.3)	(1,387,950)
Unearned interest discount and capitalized interest	(2,404)	(0.0)	-	-	-	-	(2,404)
	P30,728,342	100.0	P12,412,024	100.0	P1,896,365	100.0	P45,036,731

*Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

Other financial assets include due from BSP, due from other banks, interbank loans receivable and non-equity investment securities.

The Bank generally considers concentration risk as excessive when the ratio of a particular segment's exposure (e.g., this may be an industry demographic attribute, or a program) to the total portfolio exceeds predetermined limits.

The BSP considers that credit concentration risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of the total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2021, 10% of Tier 1 capital amounted to P993.8 million and the table above includes the 7 groups exceeding this level as of that date. As at December 31, 2020, 10% of Tier I capital amounted to P1.0 billion and the table above includes 6 groups exceeding this level as of that date. The Credit Committee constantly monitors the credit concentration risk of the Bank.

To manage the Bank's concentration of credit as to industry/economic sector, three (3) industry categories has been established with specific credit exposure limits. The inclusion of Bankwide industry concentration limit enables the Bank to take a more proactive approach, in order to prevent the Bank from unknowingly over-extending loans to identified industries.

- Monitored risk category* consists of industries (e.g. agriculture, mining and quarrying, construction, land/water/air transport, real estate activities, education, etc) that are deemed to be of high risk. The combined credit exposures of industries tagged under "Monitored risk category" shall not exceed the 100.0% of the Bank's network limit.
- Restricted category* consists of industries (e.g. manufacturing of weapons and ammunition, night clubs, public administration and defense, gambling and betting activities, etc.) that, given the nature and risk, are considered as higher risk than the Monitored risk category, thus, extending credit facilities to this category is not allowed.
- Standard category* are those industries, not tagged under monitored risk or restricted categories, are considered "low risk" and shall have no limit on credit exposures.

CATEGORY	CREDIT EXPOSURE LIMIT
Standard	No limit per industry
Monitored risk	Limited to 100.0% of the Bank's net worth
Restricted	No exposures allowed

The Bank will continue to observe the regulatory limit of 30.0% of Total Loan Portfolio (TLP) excluding interbank loans receivable or 10.0% of Tier 1 capital.

The Bank manages concentration risk by gearing policies towards regular monitoring and periodic review of the set limits per predetermined segments. Annual updates to the policy include a review of the industry concentration limits and other segmental concentrations within the portfolio. Business intelligence reports sourced from internal and external parties are used as guide in setting up the limits annually. Industries covered under the industry concentration limits are similarly reviewed to update classifications and coverage.

Credit Quality Per Class of Financial Assets

The credit quality of financial assets is monitored and managed using external and internal ratings. The credit quality of investment securities is generally monitored by reference to the internal ratings except otherwise when given tools do not apply to the issuing entity, external ratings provided by accredited external credit assessment rating institutions are used.

In cognizance of the requirements of the BSP, the ORR was implemented to all applicable corporate accounts of the IBG of the Bank. The objectives of the system are the following:

- (a) to have a standard system of credit rating;
- (b) to be able to objectively quantify the credit quality of an account;
- (c) to have a "benchmark" for credit/loan review; and
- (d) to train and instill discipline in assessing credit risk among account officers and credit officers.

The rating system is an amalgamation of quantitative and qualitative factors. The quantitative factors include, among others, financial indicators on liquidity, leverage and cash flows. The qualitative factors include among others the quality of management, market standing, reliability of financial statements, etc.

The ORR of each account is recorded together with other information such as the date the ORR is conducted, and the account officer who conducted the ORR. These data combined with other historical and future ORR data on the loan portfolio are used to estimate the loan default rates associated with each rating grade.

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of major potential risk and the comparison of credit exposures across all lines of business, demographic and products.

The table below shows the credit risk rating comprising each category of credit quality and the equivalent external grades for each internal credit risk rating applied for comparison purposes only.

	ORR Internal Credit Risk Ratings (Institutional Banking)	Moody's Equivalent Grades**
Investment grade	0	Applicable to only the central government, central bank and their agencies of the Republic of China and sovereign states with S&P medium- and long-term ratings at AA- or higher, or multilateral development banks with risk weights at 0.0% approved by the Basel Committee on Banking Supervision.
	1	Aa2 or higher
	2	Aa3 to A2
	3	A3
	4	Baa1 to Baa2
	5	Baa3
Sub-investment grade	6	Ba1
	7	Ba2
	8	Ba2*
	9	Ba3
High-risk	10	B1
	11	B2
	12	B3
	13	Caa1 - Ca
Watch-list	14	C
Default	15	C
	16	C
	17	C

*already equivalent to substandard status

**equivalent Standard and Poor's ratings apply

Investment grade (ORR 0-5) financial assets are judged to have upper medium to highest quality, with low to moderate credit risk. It includes:

- government, central bank, central government or their related bureaus and entities whose S&P ratings are higher than or equal to AA-;
- multilateral development banks risk weighted at 0.0% by Basel Committee;
- superior multinational banks;
- top multinational corporations;
- above average to exceptionally high quality jumbo firms; and
- exceptionally good middle market and small and medium enterprises.

Sub-Investment grades (ORR 6-9) financial assets are judged to have speculative elements are subject to substantial credit risk. It includes:

- below to typically above average jumbo firms,
- below average to very high quality middle market firms, and
- average to very high quality small and medium enterprises.

High Risk Grades (ORR 10-13) financial assets are considered speculative or judged to be of poor standing and are subject to high to very high credit risk. It represents counterparties that include poor, weak, far below average jumbo firms, middle market, and small and medium enterprises. Obligors demonstrating initial warning signals and credit concerns also fall under this category.

Watchlist to default grade financial assets are considered highly speculative to lowest-rated class, with some to little prospect of recovery of principal and interest. These are classified loans by the BSP.

For Retail Banking, credit quality is monitored using internal ratings. For public personal loans, risk differentiation or risk rating is established by scorecard models. Scorecard variables are assigned scores based on their discriminative power to differentiate good-bad factors. Higher scores assigned to a loan applicant denote better risk and therefore lower propensity to default. For corporate personal loans, the employer's repayment management and performance within its defined default ratio caps is salient to measuring risk.

For mortgage portfolio, risk differentiation is tied to income classification. Performance review of the mortgage portfolio identifies income as a good risk indicator, such that, higher income segment denotes better risk as manifested in the risk-ranking of customers by income bands.

For SME loans, the Bank's internal credit rating is composed of a numeric rating which provides an assessment of the creditworthiness and outlook of the account. According to different size of loan amount, either Credit Scoring Rating (CSR) or ORR is used to measure the risk level. CSR is designed for the evaluation of lower loan amount, and considers factors such as character and management assessment, business consideration and conditions, and financial performance and repayment indicators to differentiate the risk.

The table below shows the credit score rating comprising each category of credit quality.

CSR	Credit Scoring Rating	Credit Quality Description
57 - 62	1	Excellent
51 - 56	2	Strong
45 - 50	3	Good
39 - 44	4	Satisfactory
31 - 38	5	Acceptable
Below 31	6	Risky/Watchlist
	7	Special Mention
	8	Substandard
	9	Doubtful
	10	Loss

For SME loans with higher loan amount, ORR, the model used by Institutional Banking is adopted to adequately measure the risk.

The credit quality of trading and financial investment securities is generally monitored through the internal and external ratings which are provided by eligible external credit rating agencies.

Impairment Assessment

With the implementation of PFRS 9 alongside BSP Circular 1011, the Bank adopted the ECL methodology to estimate provisions for loans and other credit accommodations.

The ECL model considers losses from initial recognition and at each reporting date. Three stages of impairment are used for the entire financial asset that serves as an objective basis in determining significant increase in credit risk (SIICR).

The ECL model factors in forward-looking macro-economic risk inputs (common to both Corporate and Retail Credits) such as Gross Domestic Product (GDP), Price to Earnings Ratio (PER) and Unemployment Rate (UR). The ECL model parameters are updated on an annual basis. Adjustments are based on forecasted performance of next 3 years, benchmarked to the past 5-year average. PD parameters can be adjusted based on data from reliable source agencies (e.g., Moody's, IMF).

In order to capture the impact of the pandemic on the Bank's loan portfolio, the forward-looking model implemented in 2021 takes into account the impact of the macro-economic variables on a country perspective and not on a portfolio level, thus, the model was changed to a scenario driven approach (good, baseline, bad scenarios). This considers GDP, UR and PER (derived from short-term interest rate (STIR), and US long-term interest rate (LTIR) spread) as these macro-economic variables are highly correlated to the Bank's default rate.

The table below lists the macroeconomic assumptions used in the bad, baseline, and good scenarios. The assumptions represent the absolute percentage for GDP change, IR, PER, and UR.

2021			
Macro-economic Factors			
Condition	Gross Domestic Product (GDP) Change	Price to Earnings Ratio (PER)	Unemployment Rate (UR)
Bad	3.37%	22.08%	8.02%
Baseline	5.60%	22.08%	7.94%
Good	6.31%	22.08%	6.75%

2020			
Macro-economic Factors			
Condition	Gross Domestic Product (GDP) Change	Interest Rate (IR)	Unemployment Rate (UR)
Bad	4.16%	4.69%	9.36%
Baseline	5.60%	2.64%	7.06%
Good	6.66%	1.53%	6.26%

The impact of COVID-19 has been incorporated in the 2021 update of parameters where the 5-year baseline period covers third quarter of 2015 to second quarter of 2020 while the 3-year forecast period includes 2021, 2022, and 2023. This was implemented starting with the January 2021 provisions.

Definition of Stages

Institutional Banking

DETERIORATION IN CREDIT QUALITY			
	Stage 1	Stage 2	Stage 3
Impairment Stage	No significant increase in credit risk	Significant increase in credit risk	Credit impaired
Recognition of Expected Credit Losses	Collective 12-month ECL when credit risk is low or risk of default has not increased significantly	Collective or Individual Lifetime ECL when credit quality deteriorates significantly but not credit impaired	Individual Lifetime ECL when credit losses are incurred or asset is credit impaired
Staging Criteria*	Early Warning (EW) tagging = EW1a ORR 1 to 13 (normal)	Collective = Δ Annualized PD variance $\geq 2\%$ Individual = EW tagging = EWb or EW2 (ORR 14)	EW tagging = EW3 (ORR 15 to 17)

**Based on the updated Guideline on Collective Impairment made effective on December 31, 2021, Stage 1 for EW is EW1, Stage 2 is EW2 and Stage 3 is NPL*

The qualitative and quantitative definitions of stages for ECL assessment above apply to institutional banking items which include loans and advances, accounts receivables, unused portion of committed and uncommitted facilities, off-balance sheet credit commitments and contingencies, and to treasury items which include interbank loans receivables, debt investment securities at FVOCI and investment securities at amortized cost.

Collective impairment is applied for assets classified into Stage 1. Assets classified under Stage 2 (with SIICR) are assessed either for collective or individual impairment.

Under the Stage 2 concept, lifetime expected credit losses shall be recognized when there are significant increases in credit risk since initial recognition. Expected credit losses are updated at each reporting date for new information and changes in expectations even if there has not been a significant increase in credit risk.

The three variables under the ECL structure: PD, LGD, and EAD assume the following for the ECL computation:

		PD	X	LGD	X	EAD	=	ECL
Collective	Stage 1	1-Year PD		1-Discounted Recovery		<ul style="list-style-type: none"> • Principal • Accrued Interest • Contingencies • Unused FAC 		1-Year ECL
	Stage 2.1 SIICR	Lifetime PD		1-Discounted Recovery		<ul style="list-style-type: none"> • Principal • Accrued Interest • Contingencies • Unused FAC 		Lifetime ECL
Individual	Stage 2.2 SIICR	100%		Individual Estimation		Individual Estimation		Lifetime ECL
	Stage 3 Objective Impairment	100%		Individual Estimation		Individual Estimation		Lifetime ECL

Stage 3 classified assets will be individually assessed under the Individual Impairment methodology.

Similar to previous model definitions, individual impairment is recognized when (1) an objective evidence of a specific loss event has been observed and (2) the financial asset's carrying value exceeds the present value of the asset's estimated cash flow.

Retail Banking

For Retail, impairment losses are recognized depending on type of impairment applicable, as follows:

a. Specific Impairment

Specific provision shall be applied to accounts with objective evidence that a specific impairment is applicable (e.g., behavior is different from the rest of the portfolio, etc.). Such accounts will no longer be assessed as part of collective impairment. Qualifications are defined on a per product basis, and are reflected accordingly in respective Product Guidelines.

Depending on applicability, specifically impaired accounts shall be subject to either: (1) full provisioning (100% provision), or (2) discounting of cash flow methodology (with provision less than 100% of OB).

b. Collective Impairment

All retail loans accounts not subject to specific impairment shall be subject to collective impairment.

Collectively impaired accounts shall be subject to the ECL Model applicable to Retail Loans portfolio. ECL Model is a function of the PD, LGD, and EAD computed as follows:

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

Similar to corporate loans, three stages of impairment are used for the entire financial asset of retail loans that serve as an objective basis in determining significant increase in credit risk as shown below. Further, one-year ECL is applied among exposures with no significant increase in credit risk (stage 1); otherwise, lifetime ECL shall be applied.

Definition of stages for retail loans are as follows:

Retail Credit Stage Definition			
	Impairment Stage	Staging Criteria	Loss Period
Stage 1	No significant increase in credit risk	<ul style="list-style-type: none"> ▪ Low credit risk 	12- month ECL
Stage 2	Significant increase in credit risk	<ul style="list-style-type: none"> ▪ Minimum requirement: 31 to 90 days past due ▪ High risk indicator: <ul style="list-style-type: none"> • Quantitative <ul style="list-style-type: none"> - $\Delta PD > (\text{product interest} - \text{funding cost})$ - PD equivalent to overdue (CRR of 20) • Qualitative <ul style="list-style-type: none"> - $OLTV > 90.0\%$ and $\Delta CLTV > 10.0\%$ - $OLTV \leq 90.0\%$ and $CLTV > 100.0\%$ ▪ Stage 2 standard <ul style="list-style-type: none"> • hit minimum requirement; or • hit 2 high risk indicators 	Lifetime ECL
Stage 3	Credit impaired	<ul style="list-style-type: none"> • 91+ days past due • items in litigation ▪ Charge-off unsecured accounts ▪ Restructured ▪ Covid 19 Rescheduled Stage 3 without 6 months consecutive payments 	Lifetime ECL

OLTV is the original loan-to-value.

CLTV is the current loan-to-value.

To test the sensitivity of the ECL variables to macro-economic factors for both corporate and retail loans the forward-looking methodology is adopted where:

- probability of default uses the Bank's internal default data adjusted by macro-economic factors such as GDP growth, interest and unemployment rate; and
- loss given default (LGD) applies the two-stage adjustment approach.

There is a rebuttable presumption that default does not occur even when the financial asset is 90 days past due as defined above provided that the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For credit losses from other financial assets not assessed using the ECL model, the Bank uses a simplified approach where loss allowance always equals to lifetime ECL.

The tables below show the credit quality by class of the Bank's financial assets, including loans and receivables (gross of loss allowance and unearned interest discount, in thousands):

	ECL				Simplified	
	Stage 1	Stage 2	Stage 3	POCI	Approach	2021
Financial Assets at Amortized Cost						
<i>Due from BSP</i>						
High grade	P -	P -	P -	P -	P4,720,100	P4,720,100
	-	-	-	-	4,720,100	4,720,100
<i>Due from Other Banks</i>						
High grade	-	-	-	-	1,192,416	1,192,416
	-	-	-	-	1,192,416	1,192,416
<i>Interbank Loans Receivable</i>						
High grade	-	-	-	-	696,003	696,003
	-	-	-	-	696,003	696,003
Investment Securities at Amortized Cost						
<i>Quoted Debt</i>						
High grade	-	-	-	-	6,632,171	6,632,171
	-	-	-	-	6,632,171	6,632,171
Loans and Discounts						
<i>Institutional Banking</i>						
High grade	4,325,902	-	-	-	-	4,325,902
Standard grade	9,223,854	-	-	-	-	9,223,854
High risk	7,010,306	-	-	-	-	7,010,306
Watchlist	-	1,465,871	-	-	-	1,465,871
Default	-	-	2,178,125	-	-	2,178,125
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	-	-	-	-
	20,560,062	1,465,871	2,178,125	-	-	24,204,058
<i>Retail Banking</i>						
High grade	3,555,224	-	-	-	-	3,555,224
Standard grade	-	93,114	-	-	-	93,114
High risk	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	240,603	-	-	240,603
Specifically impaired	-	-	76,993	-	-	76,993
	3,555,224	93,114	317,596	-	-	3,965,934
<i>Mortgage Banking</i>						
High grade	-	-	-	-	-	-
Standard grade	-	-	-	-	-	-
High risk	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	2,618,430	11,617	19,459	-	-	2,649,506
PD but not individually impaired	-	53,567	-	-	-	53,567
Specifically impaired	-	-	-	-	-	-
	2,618,430	65,184	19,459	-	-	2,703,073
<i>Small Business Loans</i>						
High grade	762,947	45,628	38,393	-	-	846,968
Standard grade	-	-	-	-	-	-
High risk	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	762,947	45,628	38,393	-	-	846,968
<i>Forward</i>						

	ECL				Simplified Approach	2021
	Stage 1	Stage 2	Stage 3	POCI		
Accrued Interest Receivable						
High grade	P -	P -	P -	P -	P405,593	P405,593
Standard grade	-	-	-	-	1,906	1,906
High risk	-	-	-	-	455	455
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	1,163	1,163
Unrated	-	-	-	-	92,510	92,510
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	-	-	-	-
	-	-	-	-	501,627	501,627
Other Receivables						
Unrated	-	-	-	-	191,288	191,288
PD but not individually impaired	-	-	-	-	-	-
	-	-	-	-	191,288	191,288
Other Assets*	-	-	-	-	53,083	53,083
Subtotal	27,496,663	1,669,797	2,553,573	-	13,986,688	45,706,720
Financial Assets at FVTPL						
<i>Quoted Debt</i>						
High grade	-	-	-	-	558,645	558,645
<i>Derivative Assets</i>						
High grade	-	-	-	-	140,951	140,951
Unrated	-	-	-	-	-	-
	-	-	-	-	140,951	140,951
Subtotal	-	-	-	-	699,596	699,596
Financial Assets at FVOCI						
<i>Quoted Debt</i>						
High grade	-	-	-	-	5,423,456	5,423,456
Standard grade	-	-	-	-	12,441	12,441
<i>Quoted Equity</i>						
High grade	-	-	-	-	1,098	1,098
Subtotal	-	-	-	-	5,436,995	5,436,995
Total	P27,496,663	P1,669,797	P2,553,573	P -	P20,123,279	P51,843,311

	ECL				Simplified Approach	2020
	Stage 1	Stage 2	Stage 3	POCI		
Financial Assets at Amortized Cost						
<i>Due from BSP</i>						
High grade	P -	P -	P -	P -	P3,781,209	P3,781,209
	-	-	-	-	3,781,209	3,781,209
<i>Due from Other Banks</i>						
High grade	-	-	-	-	958,810	958,810
	-	-	-	-	958,810	958,810
<i>Interbank Loans Receivable</i>						
High grade	-	-	-	-	1,198,186	1,198,186
	-	-	-	-	1,198,186	1,198,186
Investment Securities at Amortized Cost						
<i>Quoted Debt</i>						
High grade	-	-	-	-	3,149,837	3,149,837
	-	-	-	-	3,149,837	3,149,837
Loans and Discounts						
<i>Institutional Banking</i>						
High grade	3,468,390	-	-	-	-	3,468,390
Standard grade	7,901,793	-	4,662	-	-	7,906,455
High risk	7,191,852	501,048	265,020	-	-	7,957,920
Watchlist	-	2,083,786	923,114	-	-	3,006,900
Default	-	-	987,187	-	-	987,187
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	-	-	-	-
	18,562,035	2,584,834	2,179,983	-	-	23,326,852

Forward

	ECL				Simplified Approach	2020
	Stage 1	Stage 2	Stage 3	POCI		
<i>Retail Banking</i>						
High grade	P3,919,414	P -	P -	P -	P -	P3,919,414
Standard grade	-	-	-	-	-	-
High risk	-	160,049	-	-	-	160,049
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	334,865	-	-	334,865
Specifically impaired	-	-	145,041	-	-	145,041
	3,919,414	160,049	479,906	-	-	4,559,369
<i>Mortgage Banking</i>						
High grade	-	-	-	-	-	-
Standard grade	-	-	-	-	-	-
High risk	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	2,257,078	67,439	13,567	-	-	2,338,084
PD but not individually impaired	-	-	41,747	-	-	41,747
Specifically impaired	-	-	-	-	-	-
	2,257,078	67,439	55,314	-	-	2,379,831
<i>Small Business Loans</i>						
High grade	970,653	16,310	39,173	-	-	1,026,136
Standard grade	-	-	-	-	-	-
High risk	-	-	-	-	-	-
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	970,653	16,310	39,173	-	-	1,026,136
<i>Accrued Interest Receivable</i>						
High grade	-	-	-	-	389,979	389,979
Standard grade	-	-	-	-	22,695	22,695
High risk	-	-	-	-	14,697	14,697
Watchlist	-	-	-	-	550	550
Default	-	-	-	-	18,795	18,795
Unrated	-	-	-	-	147,006	147,006
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	-	-	-	-
	-	-	-	-	593,722	593,722
<i>Other Receivables</i>						
Unrated	-	-	-	-	224,627	224,627
PD but not individually impaired	-	-	-	-	-	-
	-	-	-	-	224,627	224,627
<i>Other Assets*</i>	-	-	-	-	32,802	32,802
Subtotal	25,709,180	2,828,632	2,754,376	-	9,939,193	41,231,381
<i>Financial Assets at FVTPL</i>						
<i>Quoted Debt</i>						
High grade	-	-	-	-	918,792	918,792
<i>Derivative Assets</i>						
High grade	-	-	-	-	181,666	181,666
Unrated	-	-	-	-	-	-
	-	-	-	-	181,666	181,666
Subtotal	-	-	-	-	1,100,458	1,100,458
<i>Financial Assets at FVOCI</i>						
<i>Quoted Debt</i>						
High grade	-	-	-	-	7,960,964	7,960,964
Standard grade	-	-	-	-	12,441	12,441
<i>Quoted Equity</i>						
High grade	-	-	-	-	650	650
Subtotal	-	-	-	-	7,974,055	7,974,055
Total	P25,709,180	P2,828,632	P2,754,376	P -	P19,013,706	P50,305,894

*Includes returned checks and other cash items and rent deposit

Corporate Loans

For corporate loans, obligors are considered non-performing even without any missed contractual payments once there are objective indicators of impairment (per MORB Section 304). However, for revolving lines, all other loan accounts of an obligor are considered non-performing if any principal and/or interest remains unpaid for more than thirty (30) days from contractual due date while for term loans, all other loan accounts are considered non-performing if any principal and/or interest remains unpaid in accordance with the following schedule:

Mode of Payment	Classification to NPL
Monthly	91 days after 1 st installment in arrears
Quarterly	31 days after 1 st installment in arrears
Semi-annual	31 days after 1 st installment in arrears

Retail Loans

In the case of retail loans, the total outstanding balance thereof shall be considered nonperforming if any principal/interest are unpaid for more than ninety (90) days from contractual due date for Personal Loans and Mortgage Loans, or if any principal/interest are unpaid for more than thirty (30) days from contractual due date for retail SME.

For both corporate and retail loans, non-performing loans, investments, receivables, or any financial asset, shall remain classified as such until: (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written-off.

The table below shows the aging analysis of past due but not specifically impaired loans and discounts by class (in thousands).

	2021			2020		
	Up to 30 Days	31 to 90 Days	Total	Up to 30 Days	31 to 90 Days	Total
Loans and Discounts						
Institutional banking	P50,952	P259,743	P310,695	P218,003	P -	P218,003
Retail banking	-	91,317	91,317	473	145,075	145,548
Mortgage banking	-	53,567	53,567	-	41,747	41,747
Small business loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Accrued interest receivable	353	16,114	16,467	762	5,718	6,480
Total	P51,305	P420,741	P472,046	P219,238	P192,540	P411,778

The above aging analysis already excludes accounts that have been assessed to be specifically impaired.

For Institutional Banking, loan accounts or receivables shall be considered past due when any principal and/or interest or installment due, or portions of which, are not paid on the seventh (7th) day from contractual due date in which case, the total outstanding balance of the loan account or receivable shall be considered as past due. As such, a cure period based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays of up to six (6) days is given to provide leeway for obligors to work on their late payment without being considered as past due. Said cure period, however, shall not prevent the timely adverse classification of an account that has already exhibited material credit weakness/es. The table below further illustrates and differentiates each status on a per product basis (for purposes of these illustrations, “dpd” shall mean “days past due” in calendar days):

Normal Account		Corporate Loans: (1) Revolving Lines (2) Term Loans (IBG)	Trade Loans (IBG)	IPF (IBG)	Domestic Bills Purchase (IBG)	<ul style="list-style-type: none"> ▪ Revolving Lines ▪ Term Loans (RBG-SME)
Loan Status	Current	0 dpd	0 dpd	0 dpd	0 dpd	0 dpd
	Cure Period (Overdue)	1-6 dpd	1-6 dpd	1-6 dpd	1-6 dpd	1-6 dpd
	Past Due	≥ 7 dpd	≥ 7 dpd	≥ 7 dpd	≥ 7 dpd	≥ 7 dpd

The detailed information with respect to the Bank’s loss allowance on loans and receivables is disclosed in Note 12.

Included in specifically impaired financial assets are the Bank’s restructured loan receivables. The table below shows the carrying amounts of restructured loan receivables by class (in thousands):

	2021	2020
Institutional banking:		
Performing	P799,518	P -
Non-performing	25,161	136,045
Personal loans:		
Performing	-	-
Non-performing	21,528	17,362
Mortgage banking:		
Non-performing	-	-
Performing	-	-
	P846,207	P153,407

Restructured performing and non-performing loans (NPLs) of the Bank, net of specific impairment allowances as at December 31, 2021 and 2020 amounted to P846.2 million and P153.4 million, respectively.

Non-performing Loans

The Bank monitors its NPLs ratio as part of its credit risk monitoring and reporting to the BSP. Shown below are the Bank’s NPL:

	2021	2020
Secured	P115,704,893	P118,472,659
Unsecured	737,258,340	952,987,270
	P852,963,233	P1,071,459,929

Collateral and Credit Risk Mitigation Techniques

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Bank follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained for loans and receivables are as follows:

- For Institutional Lending - cash, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); and
- For Retail Lending - cash, securities, mortgages on residential and commercial properties.

Management regularly monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of collateral is considered during the review of the adequacy of the loss allowance. For unsecured lending, the Bank performs comprehensive credit evaluation process before each loan is approved.

The following table shows information relating to loans and receivables (at gross amounts) broken down into secured and unsecured, with types of collateral being shown for the secured portion:

	2021		2020	
	Amount	%	Amount	%
Secured by:				
Hold-out on deposits	P2,775,703,224	8.6	P2,858,537,434	8.9
Real estate	2,737,734,818	8.4	3,190,820,209	9.9
Mortgage trust indenture	497,335,005	1.5	492,335,005	1.5
Government bonds	18,349,650	0.1	28,333,570	0.1
Chattel	40,452,496	0.1	58,287,348	0.2
Stand by letter of credit (LC)	9,995,804	0.1	9,412,508	0.1
	6,079,570,997	18.8	6,637,726,074	20.7
Unsecured	26,333,375,761	81.2	25,472,811,964	79.3
	P32,412,946,758	100.0	P32,110,538,038	100.0

As at December 31, 2021 and 2020, the fair values of real estate collaterals held for past due and impaired loans and discounts, amounted to P747.7 million and P498.8 million, respectively. There were no other types of collaterals held during 2021 and 2020.

Fair values were determined by the Bank's internal appraisers, or by accredited external appraisers. Normally, there are three approaches available to the Bank in arriving at the fair value of collateral (i.e., real estate and chattel). These are the cost approach, market data approach and income approach.

The cost approach takes into consideration the current cost of reproducing a property less depreciation from all sources (i.e., deterioration, functional and economic obsolescence). On the other hand, the market data approach takes into consideration the value indicated by recent sales of comparable properties in the market. Lastly, income approach takes into consideration the value which the property's net earning power will support based upon a capitalization of net income.

The Bank utilizes all three approaches to determine the fair values of the collateral and chooses the appropriate valuation approach on a case-to-case basis.

As at December 31, 2021 and 2020, no collaterals were subjected to repurchase and reverse repurchase agreements with BSP.

Liquidity Risk

Liquidity risk is the risk of loss to earnings or capital due to the inability to meet funding requirements within a reasonable period of time at a reasonable price.

The Bank applies a liquidity risk management strategy of maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions.

The MRMD is responsible in managing liquidity risk. The MRMD is independent of the risk-taking unit and in charge of formulating Asset and Liability Management Policy and establishing implementation guidelines as needed; developing the methods of identification, measurement, monitoring and reporting of risk and pushing for the implementation; and studying asset and liability management related issues.

In view of the COVID-19 and its impact to both on a market-wide and institution specific liquidity, the Bank instituted the following pre-emptive controls:

- COVID-19 monitoring assessment report that covers the following:
 - COVID-19 Development & Government Control Measures
 - Economic Changes
 - Government Relief Measures
 - Internal Assessment for Liquidity and Credit Risk and Action Plan
 - Other Relevant Information, if any.
- Two weeks assets and liabilities cash flow projection and its corresponding compliance to internal liquidity ratios (LDR, LCR, NSFR) being discussed in ALCO

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

	2021					Total
	On Demand	1 to 3 Months	3 to 6 Months	6 to 12 Months	Greater than One Year	
Financial Liabilities at FVTPL	P126	P -	P -	P -	P -	P126
Deposit liabilities:						
Demand	11,100	-	-	-	-	11,100
Savings	7,858	-	-	-	-	7,858
Time	11,140	5,356	855	785	246	18,382
Bills payable	2,040	-	-	-	-	2,040
Outstanding acceptances	7	-	-	-	-	7
Manager's checks	36	-	-	-	-	36
Accrued interest, taxes and other expenses*	481	-	-	-	-	481
Lease liabilities	-	-	1	2	706	709
Other liabilities**	1,250	-	-	-	-	1,250
	34,038	5,356	856	787	952	41,989
Financial Liabilities at FVTPL						
Forward contract payable	12,324	-	-	-	-	12,324
Forward contract receivable	(12,309)	-	-	-	-	(12,309)
	15	-	-	-	-	15
	P34,053	P5,356	P856	P787	P952	P42,004

*Excludes retirement liability, accrued taxes and other non-financial accruals.

** Excludes withholding taxes payable, provision liability and lease liabilities.

	2020					Total
	On Demand	1 to 3 Months	3 to 6 Months	6 to 12 Months	Greater than One Year	
Financial Liabilities at FVTPL	P232	P -	P -	P -	P -	P232
Deposit liabilities:						
Demand	8,054	-	-	-	-	8,054
Savings	8,532	-	-	-	-	8,532
Time	7,451	8,072	1,286	596	277	17,682
Bills payable	-	-	-	1,912	997	2,909
Outstanding acceptances	182	-	-	-	-	182
Manager's checks	123	-	-	-	-	123
Accrued interest, taxes and other expenses*	548	-	-	-	-	548
Lease liabilities	-	24	18	31	606	679
Other liabilities**	1,391	-	-	-	-	1,391
	26,513	8,096	1,304	2,539	1,880	40,332
Financial Liabilities at FVTPL						
Forward contract payable	17,097	-	-	-	-	17,097
Forward contract receivable	(17,350)	-	-	-	-	(17,350)
	(253)	-	-	-	-	(253)
	P26,260	P8,096	P1,304	P2,539	P1,880	P40,079

*Excludes retirement liability, accrued taxes and other non-financial accruals.

** Excludes withholding taxes payable, provision liability and lease liabilities.

The above maturity table shows the undiscounted cash flows whose expected maturities are not the same as the asset-liability gap. The Bank does not expect all time depositors to require repayment on the earliest date the Bank could be required to pay. Further, the maturity table does not reflect expected cash flows based on deposit behavior and historical retention rate.

Accrued interest and other expenses exclude taxes, payroll-related balances and other non-financial items. Other liabilities exclude non-financial liabilities such as withholding taxes payable.

Financial liabilities at FVTPL pertain to the notional amounts of the outstanding forward contract as at year end.

The table below shows the contractual expiry by maturity of the Bank's off-balance sheet commitments (in thousands).

	2021					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Commitments	P -	P -	P -	P -	P618,192	P618,192
Contingent liabilities	51,041	1,270,680	15,165	801,282	39,000	2,177,168
Total	P51,041	P1,270,680	P15,165	P801,282	P657,192	P2,795,360

	2020					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Commitments	P -	P -	P -	P -	P288,138	P288,138
Contingent liabilities	109,211	1,091,850	402,994	9,715	-	1,613,770
Total	P109,211	P1,091,850	P402,994	P9,715	P288,138	P1,901,908

As required by the BSP, the Bank sets aside funds in due from BSP as liquidity reserves. These funds are withdrawable on demand and are used as financial assets held for managing liquidity risk (see Note 13).

To ensure that adequate liquidity is maintained at all times, the Bank's Liquidity and Balance Sheet Management Unit diversifies funding sources and evaluates cash flows and future funding needs on a daily basis. This involves projecting the Bank's liquidity position under current market conditions. MRMD, in close coordination with Treasury, also conduct liquidity stress testing to evaluate the potential effects of a set of specified changes in liquidity risk factors on the Bank's financial position under a severe but plausible scenario to assist the Board and senior management in decision making.

In addition to its core deposit base, the Bank maintains a portfolio of marketable assets that can be readily liquidated in the event of an unforeseen interruption of cash flows. Additional funding may be secured from the interbank market by tapping the Bank's credit facilities. Further, the Bank maintains with the BSP statutory reserves on its non-FCDU deposits.

Liquidity risk control entails primarily the setting of risk limits, which define management's tolerance for liquidity risk. Specifically, limits are set on the maximum cumulative outflow and level of interbank borrowings. Liquidity risk is also monitored through the use of liquidity ratios. One of the more important liquidity ratios is the ratio of net liquid assets to total deposits. Net liquid assets consist of the sum of cash, due from BSP, due from other banks, interbank loans receivable, financial assets at FVTPL, financial assets at FVOCI, and investment securities at amortized cost with remaining maturities of less than one month, less derivative liabilities and interbank borrowings. The ratios for the year 2021 and 2020 were as follows:

	2021	2020
December 31	29.6%	40.0%
Average during the year	34.6%	30.8%
Highest	40.7%	40.0%
Lowest	29.6%	18.6%

The analysis on net liquidity using undiscounted contractual cash flows (in thousands) is as follows:

	2021									
	Carrying Value	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	2 Years	3 Years	4 Years	Greater than 5 Years	Total
Assets										
Financial assets at amortized cost:										
Cash and other cash items	P598,249	P598,249	P -	P -	P -	P -	P -	P -	P -	P598,249
Due from BSP	4,720,100	4,720,100	-	-	-	-	-	-	-	4,720,100
Due from other banks	1,192,416	1,192,416	-	-	-	-	-	-	-	1,192,416
Interbank loans receivable - gross	695,996	696,003	-	-	-	-	-	-	-	696,003
Investment securities - gross	6,630,903	-	-	19,853	-	859,193	225,849	433,457	5,093,819	6,632,171
Loans and discounts - gross	31,012,510	8,811,522	5,043,512	3,564,713	1,660,501	8,678,301	280,652	1,232,530	3,141,216	32,412,947
Other assets*	53,083	1,936	2,414	1,346	1,643	2,871	2,380	1,775	38,718	53,083
Subtotal	44,903,257	16,020,226	5,045,926	3,585,912	1,662,144	9,540,365	508,881	1,667,762	8,273,753	46,304,969
Financial assets at FVTPL	699,596	699,596	-	-	-	-	-	-	-	699,596
Financial assets at FVOCI	5,436,994	5,423,456	-	-	-	-	-	-	13,538	5,436,994
Total Financial Assets	51,039,847	22,143,278	5,045,926	3,585,912	1,662,144	9,540,365	508,881	1,667,762	8,287,291	52,441,559
Liabilities										
Financial liabilities at FVTPL	126,239	126,239	-	-	-	-	-	-	-	126,239
Other financial liabilities at amortized cost:										
Deposit liabilities	37,340,058	30,097,942	5,356,486	854,776	784,805	128,956	117,093	-	-	37,340,058
Bills payable	2,039,960	2,039,960	-	-	-	-	-	-	-	2,039,960
Outstanding acceptances	6,983	6,983	-	-	-	-	-	-	-	6,983
Manager's checks	36,139	36,139	-	-	-	-	-	-	-	36,139
Accrued interest, taxes and other expenses**	481,158	481,158	-	-	-	-	-	-	-	481,158
Other liabilities***	1,958,706	1,249,644	-	681	947	6,685	28,551	8,686	663,512	1,958,706
Total Financial Liabilities	41,989,243	34,038,065	5,356,486	855,457	785,752	135,641	145,644	8,686	663,512	41,989,243
Net Liquidity Gap	P9,050,604	(P11,894,787)	(P310,560)	P2,730,455	P876,392	P9,404,724	P363,237	P1,659,076	P7,623,779	P10,452,316

*Includes returned checks and other cash items and rent deposit.

**Excludes retirement liability, accrued taxes and other non-financial accruals.

*** Excludes withholding taxes payable and provision liability.

2020										
	Carrying Value	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	2 Years	3 Years	4 Years	Greater than 5 Years	Total
Assets										
Financial assets at amortized cost:										
Cash and other cash items	P589,313	P589,313	P -	P -	P -	P -	P -	P -	P -	P589,313
Due from BSP	3,781,209	3,781,209	-	-	-	-	-	-	-	3,781,209
Due from other banks	958,810	958,810	-	-	-	-	-	-	-	958,810
Interbank loans receivable - gross	1,198,103	1,198,186	-	-	-	-	-	-	-	1,198,186
Investment securities - gross	3,149,233	240,281	-	-	19,805	-	-	862,819	2,026,933	3,149,838
Loans and discounts - gross	30,728,342	8,348,595	6,715,002	2,106,048	2,481,125	8,207,853	1,616,233	263,820	2,371,862	32,110,538
Other assets*	32,802	963	758	4,441	3,943	4,102	1,898	923	15,774	32,802
Subtotal	40,437,812	15,117,357	6,715,760	2,110,489	2,504,873	8,211,955	1,618,131	1,127,562	4,414,569	41,820,696
Financial assets at FVTPL	1,100,458	1,100,458	-	-	-	-	-	-	-	1,100,458
Financial assets at FVOCI	7,974,055	7,960,964	-	-	-	-	-	-	13,091	7,974,055
Total Financial Assets	49,512,325	24,178,779	6,715,760	2,110,489	2,504,873	8,211,955	1,618,131	1,127,562	4,427,660	50,895,209
Liabilities										
Financial liabilities at FVTPL	231,792	231,792	-	-	-	-	-	-	-	231,792
Other financial liabilities at amortized cost:										
Deposit liabilities	34,268,059	24,036,433	8,071,507	1,285,994	596,163	155,281	122,681	-	-	34,268,059
Bills payable	2,909,237	-	-	-	1,912,265	996,972	-	-	-	2,909,237
Outstanding acceptances	181,633	181,633	-	-	-	-	-	-	-	181,633
Manager's checks	123,313	123,313	-	-	-	-	-	-	-	123,313
Accrued interest, taxes and other expenses**	548,177	548,177	-	-	-	-	-	-	-	548,177
Other liabilities***	2,016,117	2,016,117	-	-	-	-	-	-	-	2,016,117
Total Financial Liabilities	40,278,328	27,137,465	8,071,507	1,285,994	2,508,428	1,152,253	122,681	-	-	40,278,328
Net Liquidity Gap	P9,233,997	(P2,958,686)	(P1,355,747)	P824,495	(P3,555)	P7,059,702	P1,495,450	P1,127,562	P4,427,660	P10,616,881

*Includes returned checks and other cash items and rent deposit.

**Excludes retirement liability, accrued taxes and other non-financial accruals.

*** Excludes withholding taxes payable and provision liability.

Liquidity Coverage Ratio (LCR)

The ratios for 2021 and 2020 are as follows:

	2021	2020
High-quality liquid assets	P18,145,905,593	P16,250,790,540
Net cash outflows	13,646,220,393	8,486,169,321
Liquidity coverage ratio	132.97%	191.50%

High-quality liquid assets consist of cash or assets that can be converted into cash at little or no loss of value in private markets. LCR is being measured in accordance with BSP Circular 905 and 996. The LCR in single currency shall not be less than the minimum required level of 100%.

During the year 2021 and 2020, the Bank is compliant with the LCR requirements.

Net Stable Funding Ratio (NSFR)

The ratios for the years 2021 and 2020 are as follows:

	2021	2020
Available stable funding (ASF)	P33,914,351,204	P34,197,227,264
Required stable funding (RSF)	25,892,649,932	26,084,060,752
Ratio of ASF to RSF	130.98%	131.10%

NSFR is being measured in accordance with BSP Circular 1007. The covered bank shall maintain a NSFR of at least 100% at all times.

During the year 2021 and 2020, the Bank is compliant with the NSFR requirements.

Market Risk

Market risk is the risk that the Bank's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rates (including credit spread), foreign exchange, equities and commodities. The Bank's market risk originates from its holdings in its foreign exchange instruments, debt securities, and derivatives.

MRMD is responsible in managing market risk. MRMD performs the second line of defense. It is responsible for designing and executing appropriate identification, measurement, monitoring, control and reporting of market risk; and developing the market risk management policy and relevant procedures; and monitoring and reporting overall market risk profile and limit utilization.

The Bank classifies exposures to market risk into either trading or non-trading portfolios.

It is exposed to the potential loss in its trading portfolio because the values of its trading positions are sensitive to changes in the market prices and rates. Similarly, it is also exposed to market risk in its non-trading portfolio.

The Bank sets its market risk limits by considering market predictions, capital and annual budgets. It takes into account the correlation among different market risk factors to estimate potential loss using Value-at-Risk (VaR) approach and also determines if this potential loss is appropriate in light of the size of its annual budget. The Bank also determines its market risk limits by considering the experience of its risk-taking units and its risk appetite.

The Bank utilizes market risk factor sensitivities as a tool to manage market risk. Market risk factor sensitivities of a position are defined as a change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate and foreign exchange factor sensitivities. The calculation of the factor sensitivities is obtained by measuring the effect of a one (1) unit increase in current interest rates or current foreign exchange rates upon various product types.

The Bank uses the VaR methodology in managing probable losses arising from potential changes in the market price of underlying assets. In deriving the VaR, the Bank employs the historical simulation approach, which estimates potential losses by assuming that future price movements will mimic historical trends.

The VaR methodology is a statistical estimate based on a historical simulation approach and generated from a historical database. It is important to note that VaR is only an estimate of maximum potential loss given a level of confidence. It can be based on historical data, which may not necessarily replicate itself in the future, or be computed from randomly generated numbers. As such, VaR cannot predict losses with 100.0% confidence.

The VaR will be based on a 1-day holding period, a level of confidence of 99.0% and a time series equivalent to 500 days (or two years). The level of confidence can be adjusted in response to heightened volatility in the market.

The following are the VaR statistics (in millions):

	2021		
	Foreign Exchange	Fixed Income	Total VaR
December 31	P2.354	P4.115	P5.125
Average daily	4.879	4.604	7.399
Highest	13.222	14.723	17.077
Lowest	0.575	0.023	1.310

	2020		
	Foreign Exchange	Fixed Income	Total VaR
December 31	P1.652	P3.264	P3.574
Average daily	5.108	6.388	9.366
Highest	11.518	23.471	24.408
Lowest	0.469	0.021	1.109

The fixed income column comprises both Peso and Dollar bonds.

The highs and lows of the total portfolio may not equal the sum of the individual components as the highs and lows of the individual portfolios may have occurred on different trading days. The VaR for foreign exchange is the foreign exchange risk throughout the Bank. The Bank, when aggregating the foreign exchange VaR and interest VaR, considers the correlation effects between the two risks. Annually, the BOD sets the VaR limit for the trading books to which compliance is reviewed daily by Risk Management.

The model's validity is assessed daily via back-testing. The back testing is an ex-post comparison of the VaR generated by the model against actual daily changes in portfolio value over longer periods of time. Based on 99.0% coverage with 250 observations, the number of times that the daily losses exceed the VaR estimates is the number of "exceptions". The higher the exception number suggests a more significant problem with the quality or accuracy of the model, and hence more regulatory capital is required.

Market risk positions are also subjected to daily stress tests to ensure that the Bank could withstand an extreme event. Historical events considered for stress testing represent crises - political or economic - which impacted greatly and adversely the financial markets.

In view of COVID-19 and its impact to market-wide prices and volatilities, the Bank took a risk aversion position to preemptively manage possible price uncertainties brought about by changes in quarantine classification and sudden limitation in economic activities. Likewise, risk limits for VaR and Management Action Trigger (MAT) took into consideration the impact of pandemic in market volatilities.

Equity Price Risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual stocks (whether traded or not). The Bank has no significant exposure to equity price risk.

Interest Rate Risk

The table below summarizes the Bank's exposure to interest rate risk as at December 31, 2021 and 2020.

HFT Summary	2021	2020
USD (PVBP) PHP	(P1,758)	(P190,099)
PHP (PVBP) PHP	(262,528)	(208,979)

Foreign Exchange Risk

The table below summarizes the Bank's exposure to foreign exchange risk as of December 31, 2021 and 2020. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorized by currency (in thousands):

	2021			2020		
	USD	Others	Total	USD	Others	Total
Assets						
Financial assets at amortized cost:						
Cash and other cash items	P142,758	P12,789	P155,547	P160,172	P13,304	P173,476
Due from BSP and other banks	1,046,413	103,459	1,149,872	674,892	112,671	787,563
Interbank loans receivable - net	48,442	-	48,442	809,104	-	809,104
Investment securities - net	2,763,150	-	2,763,150	2,211,211	-	2,211,211
Loans and receivables - net	9,063,925	36,059	9,099,984	7,846,512	28,140	7,874,652
Financial assets at FVTPL	140,951	-	140,951	327,385	-	327,385
Financial assets at FVOCI	1,667,154	-	1,667,154	2,983,719	-	2,983,719
	14,872,793	152,307	15,025,100	15,012,995	154,115	15,167,110
Liabilities						
Financial liabilities at amortized cost:						
Deposit liabilities	11,948,701	117,834	12,066,535	12,075,560	122,596	12,198,156
Bills payable	2,039,960	-	2,039,960	1,912,265	-	1,912,265
Outstanding acceptances	5,416	1,097	6,513	179,318	2,315	181,633
Accrued interest and other expenses	1,386	-	1,386	4,177	-	4,177
Other liabilities	519,673	(13,086)	506,587	160,714	1,079	161,793
Financial liabilities at FVTPL	126,239	-	126,239	231,792	-	231,792
	14,641,375	105,845	14,747,220	14,563,826	125,990	14,689,816
Net Exposure	P231,418	P46,462	P277,880	P449,169	P28,125	P477,294

The table below indicates the third currencies which the FCDU of the Bank has significant exposure to as at December 31, 2021 and 2020 based on its foreign currency denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the USD, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Change in currency rates are based on the historical movements of each currency for the same period:

	Foreign Currency Appreciates by	Effects on Profit before Tax (in Thousands)	Foreign Currency Depreciates by	Effects on Profit before Tax (in Thousands)
2021				
Currency				
USD	50%	115.71	-50%	-115.71
Others	40%	18.58	-40%	-18.58
2020				
Currency				
USD	50%	224.58	-50%	-224.58
Others	40%	11.25	-40%	-11.25

Information relating to the Bank's currency derivatives is contained in Note 26. The Bank has outstanding foreign currency spot transactions (in equivalent peso amounts) of P0.6 billion (sold) and P0.4 billion (bought) as at December 31, 2021 and P0.9 billion (sold) and none (bought) as at December 31, 2020.

Foreign exchange factor sensitivities ("FX Delta") represent the change in the net present value of the foreign exchange portfolios caused by a unit shift of 100.0% of the underlying currency's exchange rate. The FX Delta risk comes from the FX exposure of derivatives, the hedging of foreign exchange positions and foreign currency cash positions.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

Foreign currency liabilities generally consist of foreign currency deposits in the Bank's FCDU. Foreign currency deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Effective January 1, 2018, the BSP, through Circular 946, no longer required FCDU liabilities to be covered by liquid assets.

Outside the FCDU, the Bank has additional foreign currency assets and liabilities in the RBU representing trade assets and corresponding foreign currency borrowings.

Interest Rate Risk in Banking Book

Interest rate risk is the risk to future earnings or equity arising from the movement of interest rates. Changes in interest rates affect: (1) the Bank's earnings by changing its net interest income (NII) and the level of other interest rate-sensitive income; and (2) the underlying economic value of the Bank's assets, liabilities and off-balance sheet instruments by means of reducing the present value of future cash flows (and in some cases, the cash flows themselves).

As the primary interest rate risk management unit, the Liquidity and Balance Sheet Management Unit adjusts the repricing structure of assets and liabilities to ensure that interest rate risk exposure stays within a controllable range. Limits on the change in one-year earnings (delta NII) and economic value of equity (EVE) given a one basis point change in interest rates are also established.

The following are the Delta NII and EVE statistics (in thousands):

	1bp Delta NII		1bp EVE	
	2021	2020	2021	2020
December 31	US\$ 4.96	US\$ 3.12	(US\$70.95)	(US\$84.67)
Average monthly	7.94	4.89	(66.28)	(74.43)
Highest	13.21	10.55	(50.90)	(55.56)
Lowest	0.59	(3.69)	(83.19)	(89.56)

The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Accordingly, limits on interest rate gaps for stipulated periods have been established by management.

Risk Monitoring and Control

The interest rate risk limits are monitored on monthly or daily basis. The MRMD is responsible for independent monitoring of the business units' compliance with the established limit framework as well as distributing monthly re-pricing gap report and advisory summary to the Asset and Liability Committee (ALCO), RMC and BOD for their review periodically. These reports are appropriately tailored to include, according to the requirements of the intended recipient, the limit utilizations, trend and limit excess information.

The Liquidity and Balance Sheet Management Unit is allowed to apply for hedge supported by duly approved hedge plan for the purpose of reducing risks. Financial instruments may be used to hedge for the purpose of reducing exposure or stabilizing profits. This can be achieved through conducting financial markets transactions with external counterparties to mitigate interest rate risk for non-trading purpose position.

As part of the internal control, the IRRBB reports are subjected to a regular and independent audit - internal or external - to ensure accuracy and validity of data and practice. Likewise, risk model development and regular review of assumptions and methodologies are conducted by the MRMD in close coordination with Parent Bank and Treasury Group. Risk model validation relating to methodology and quantification is conducted by a banking unit independent to the MRMD and Treasury Group. Risk model validation except for methodology and quantification is conducted by the internal audit as part of their regular audit program.

Risk Measurement

The Bank's exposure to IRRBB is being measured by the following tools:

- a. Re-pricing Gap Report measures the re-pricing gap between asset and liability by various time buckets in order to understand interest rate mismatch; and
- b. Risk Sensitivity measures the impact of 1 basis point change in interest rate on NII and that on EVE. The analysis of such impact on NII ($1bp\Delta NII$) focuses on changes in interest income and expense within a year, hence, a short-term perspective. The analysis of such impact on EVE ($1bp\Delta EVE$) is of a long-term perspective as it focuses on changes of economic value which will become net interest income received every year later on.

Measurement of $1bp\Delta NII$ and $1bp\Delta EVE$ stems from the Repricing Gap Report. The Repricing Gap Report considers rate-sensitive assets and liabilities such as due from other banks, interbank loans receivable, debt investment securities, loans and receivables, deposit liabilities and bills payable, and equity. For those rate-sensitive assets and liabilities with no available repricing dates, the repricing assumption is based on the two years historical repricing behavior. The longest repricing maturity assigned to non-maturity deposits is the checking and demand deposit products of the Bank. The repricing assumption is a function of estimated decay rate, established cap on core deposit, and established cap on repricing tenor.

Likewise, regular stress-testing is performed to approximate the effect of extreme interest rate fluctuation on the economic value of equity. Stress-testing can be done in the form of pre-defined parallel shifts in interest rate curve or on the basis of ad hoc projected interest rate scenario. MRMD monthly monitored the stress test result of IRRBB and report to ALCO possible economic value decline of capital.

IRRBB stress testing is performed to evaluate the appropriateness of exposure to comprehend the Bank's interest rate risk profile and its impact to the capital through NII or EVE and its corresponding impact to Capital Adequacy Ratio (CAR). Stress testing starts with the collective evaluation of the degree of interest rate movement under stress condition being determined during the Internal Capital Adequacy Assessment Process (ICAAP) with primary consideration of the key economic variables in the future to establish IRRBB stress shocks.

In 2021 and 2020, the Bank uses the same +350 basis point movement for Peso Book and +250 and +300 basis point movement for FCY book as a stress scenario, respectively.

The tables below show the sensitivity of the Bank's economic value of equity to possible changes in interest rates as at December 31, 2021 and 2020. The sensitivity of equity to interest rate movements is the present value of future cash flows discounted at the market rate.

2021										
Sensitivity of Equity										
Currency	Increase in bps	1 Month	3 Months	6 Months	1 Year	2 Years	5 Years	7 Years	10 Years Up	Total
PHP (in 000s)	15	(395)	(295)	5,119	14,144	2,605	(32,512)	(13,920)	(10,755)	(36,008)
	20	(527)	(393)	6,822	18,849	3,471	(43,294)	(18,523)	(14,301)	(47,896)
	25	(658)	(491)	8,525	23,549	4,336	(54,048)	(23,110)	(17,829)	(59,726)
USD (in 000s)	15	(359)	362	300	208	16,122	(752)	(10,866)	(31,253)	(26,238)
	20	(478)	482	400	277	21,481	(1,002)	(14,460)	(41,541)	(34,841)
	25	(597)	602	500	346	26,831	(1,251)	(18,039)	(51,765)	(43,374)

2021										
Sensitivity of Equity										
Currency	Decrease in bps	1 Month	3 Months	6 Months	1 Year	2 Years	5 Years	7 Years	10 Years Up	Total
PHP (in 000s)	-15	396	295	(5,130)	(14,186)	(2,617)	32,761	14,083	10,928	36,531
	-20	528	394	(6,843)	(18,923)	(3,492)	43,738	18,814	14,610	48,826
	-25	660	492	(8,557)	(23,666)	(4,368)	54,742	23,564	18,312	61,180
USD (in 000s)	-15	359	(362)	(301)	(208)	(16,195)	757	10,997	31,845	26,892
	-20	479	(483)	(401)	(278)	(21,610)	1,011	14,691	42,594	36,003
	-25	599	(604)	(501)	(347)	(27,032)	1,265	18,401	53,410	45,189

2020										
Sensitivity of Equity										
Currency	Increase in bps	1 Month	3 Months	6 Months	1 Year	2 Years	5 Years	7 Years	10 Years Up	Total
PHP (in 000s)	15	(403)	76	4,650	12,703	(3,840)	(32,950)	-	(1,613)	(21,377)
	20	(537)	102	6,198	16,928	(5,116)	(43,874)	-	(2,145)	(28,444)
	25	(671)	127	7,745	21,150	(6,391)	(54,768)	-	(2,674)	(35,482)
USD (in 000s)	15	(301)	462	238	9,142	31	(2,900)	(11,777)	(34,012)	(39,117)
	20	(401)	616	317	12,183	41	(3,863)	(15,671)	(45,201)	(51,979)
	25	(501)	770	396	15,221	51	(4,823)	(19,551)	(56,318)	(64,755)

2020										
Sensitivity of Equity										
Currency	Decrease in bps	1 Month	3 Months	6 Months	1 Year	2 Years	5 Years	7 Years	10 Years Up	Total
PHP (in 000s)	-15	403	(76)	(4,661)	(12,741)	3,857	33,219	-	1,639	21,640
	-20	538	(102)	(6,216)	(16,996)	5,147	44,352	-	2,192	28,915
	-25	673	(128)	(7,773)	(21,256)	6,438	55,516	-	2,747	36,217
USD (in 000s)	-15	301	(463)	(238)	(9,169)	(31)	2,920	11,918	34,688	39,926
	-20	402	(618)	(318)	(12,231)	(41)	3,898	15,923	46,403	53,418
	-25	502	(773)	(397)	(15,297)	(52)	4,878	19,943	58,195	66,999

The following table sets forth the repricing gap position of the Bank (in thousands):

2021						
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Assets						
Financial assets at amortized cost:						
Cash and other cash items	P598,249	P -	P -	P -	P -	P598,249
Due from BSP	4,720,100	-	-	-	-	4,720,100
Due from other banks	1,192,416	-	-	-	-	1,192,416
Interbank loans receivable - gross	696,003	-	-	-	-	696,003
Investment securities - gross	-	-	19,853	-	6,612,318	6,632,171
Loans and receivables - gross	17,530,108	7,022,352	2,197,063	1,094,190	4,569,234	32,412,947
Other assets*	1,936	2,414	1,346	1,643	45,744	53,083
Financial assets at FVTPL:	-	-	-	-	-	-
Quoted debt	558,645	-	-	-	-	558,645
Derivative assets	140,951	-	-	-	-	140,951
Financial assets at FVOCI	5,423,456	-	-	-	13,538	5,436,994
Total Financial Assets	30,861,864	7,024,766	2,218,262	1,095,833	11,240,834	52,441,559

Forward

	2021					Total
	Up to 1 Month	1 to 3 Months	3 to Months	6 to 12 Months	Beyond 1 Year	
Financial Liabilities						
Financial liabilities at FVTPL	P126,239	P -	P -	P -	P -	P126,239
Other financial liabilities at amortized cost:	-	-	-	-	-	-
Deposit liabilities:						
Demand	11,100,542	-	-	-	-	11,100,542
Savings	7,857,856	-	-	-	-	7,857,856
Time	11,139,543	5,356,486	854,776	784,805	246,050	18,381,660
Bills payable	2,039,960	-	-	-	-	2,039,960
Outstanding acceptances	6,983	-	-	-	-	6,983
Manager's checks	36,139	-	-	-	-	36,139
Accrued interest and other expenses**	481,158	-	-	-	-	481,158
Other liabilities***	1,249,644	-	681	947	707,434	1,958,706
Total Financial Liabilities	34,038,064	5,356,486	855,457	785,752	953,484	41,989,243
Repricing Gap	(P3,176,200)	P1,668,280	P1,362,805	P310,081	P10,287,350	P10,452,316
Cumulative Repricing Gap	(P3,176,200)	(P1,507,920)	(P145,115)	P164,966	P10,452,316	P -

*Includes returned checks and other cash items and rent deposit.

**Excludes retirement liability, accrued taxes and other non-financial accruals.

***Excludes withholding taxes payable and provision liability.

	2020					Total
	Up to 1 Month	1 to 3 Months	3 to Months	6 to 12 Months	Beyond 1 Year	
Financial Assets						
Financial assets at amortized cost:						
Cash and other cash items	P589,313	P -	P -	P -	P -	P589,313
Due from BSP	3,781,209	-	-	-	-	3,781,209
Due from other banks	958,810	-	-	-	-	958,810
Interbank loans receivable - gross	1,198,186	-	-	-	-	1,198,186
Investment securities - gross	240,281	-	-	19,805	2,889,751	3,149,837
Loans and receivables - gross	17,254,434	7,634,555	1,046,573	1,412,252	4,762,725	32,110,539
Other assets*	963	758	4,441	3,943	22,697	32,802
Financial assets at FVTPL:	-	-	-	-	-	-
Quoted debt	918,792	-	-	-	-	918,792
Derivative assets	181,666	-	-	-	-	181,666
Financial assets at FVOCI	7,960,964	-	-	-	13,091	7,974,055
Total Financial Assets	33,084,618	7,635,313	1,051,014	1,436,000	7,688,264	50,895,209
Financial Liabilities						
Financial liabilities at FVTPL	231,792	-	-	-	-	231,792
Other financial liabilities at amortized cost:						
Deposit liabilities:						
Demand	8,053,690	-	-	-	-	8,053,690
Savings	8,531,948	-	-	-	-	8,531,948
Time	7,450,796	8,071,507	1,285,994	596,163	277,961	17,682,421
Bills payable	-	-	-	1,912,265	996,972	2,909,237
Outstanding acceptances	181,633	-	-	-	-	181,633
Manager's checks	123,313	-	-	-	-	123,313
Accrued interest and other expenses**	548,177	-	-	-	-	548,177
Other liabilities***	2,016,117	-	-	-	-	2,016,117
Total Financial Liabilities	27,137,466	8,071,507	1,285,994	2,508,428	1,274,933	40,278,328
Repricing Gap	P5,947,152	(P436,194)	(P234,980)	(P1,072,428)	P6,413,331	P10,616,881
Cumulative Repricing Gap	P5,947,152	P5,510,958	P5,275,978	P4,203,550	P10,616,881	P -

*Includes returned checks and other cash items and rent deposit.

**Excludes retirement liability, accrued taxes and other non-financial accruals.

***Excludes withholding taxes payable and provision liability.

The following table sets forth, for the period indicated, the impact of the range of reasonably possible changes in the interest rates (accounting perspective) on the profit or loss and equity:

	Impact to Statements of Income		Impact to Equity	
	2021	2020	2021	2020
PHP Interest Rates				
Increase by 15 bps	P4,919,516	(P4,118,343)	(P706,053,469)	(P445,136,283)
Increase by 20 bps	6,559,355	(5,491,124)	(939,149,241)	(592,302,813)
Increase by 25 bps	8,199,193	(6,863,905)	(1,171,125,912)	(738,866,999)
Decrease by 15 bps	(4,919,516)	4,118,343	716,312,098	450,639,244
Decrease by 20 bps	(6,559,355)	5,491,124	957,387,056	602,085,945
Decrease by 25 bps	(8,199,193)	6,863,905	1,199,623,007	754,153,325
USD Interest Rates				
Increase by 15 bps	69,546,917	50,956,268	(514,482,867)	(814,553,576)
Increase by 20 bps	92,729,222	67,941,691	(683,174,589)	(1,082,389,770)
Increase by 25 bps	115,911,528	84,927,114	(850,480,948)	(1,348,406,087)
Decrease by 15 bps	(69,546,917)	(50,956,268)	527,297,897	831,389,177
Decrease by 20 bps	(92,729,222)	(67,941,691)	705,957,521	1,112,320,646
Decrease by 25 bps	(115,911,528)	(84,927,114)	886,080,593	1,395,174,928

The Bank has exposures to other currencies that are not material.

The following table provides for the average effective interest rates by period of maturity or repricing of the Bank:

	2021		
	Less than 3 Months	3 Months to 1 Year	Greater than 1 Year
Peso-denominated			
<i>Financial Assets</i>			
Due from BSP	0.7%	-	-
Due from other banks	0.5%	-	-
Interbank loans receivable	2.0%	-	-
Financial assets at FVOCI	-	-	3.3%
Investment securities at amortized cost	0.0%	8.1%	3.8%
Loans and receivables	4.9%	5.9%	10.8%
Financial assets at FVTPL	0.0%	0.0%	3.0%
<i>Financial Liabilities</i>			
Deposit liabilities	0.2%	1.1%	1.2%
Bills payable	2.8%	-	-
Foreign Currency-denominated			
<i>Financial Assets</i>			
Due from other banks	0.0%	-	-
Interbank loans receivable	0.1%	-	-
Financial assets at FVOCI	-	-	2.6%
Investment securities at amortized cost	-	-	2.9%
Loans and receivables	1.7%	1.5%	1.8%
Financial assets at FVTPL	-	-	1.9%
<i>Financial Liabilities</i>			
Deposit liabilities	0.0%	0.2%	0.2%
Bills payable	1.4%	-	-

	2020		
	Less than 3 Months	3 Months to 1 Year	Greater than 1 Year
Peso-denominated			
<i>Financial Assets</i>			
Due from BSP	0.7%	-	-
Due from other banks	0.5%	-	-
Interbank loans receivable	3.1%	-	-
Financial assets at FVOCI	-	-	3.6%
Investment securities at amortized cost	0.4%	-	5.3%
Loans and receivables	5.2%	6.1%	12.1%
Financial assets at FVTPL	4.0%	-	3.2%
<i>Financial Liabilities</i>			
Deposit liabilities	0.6%	2.1%	2.0%
Bills payable	4.1%	-	-
Foreign Currency-denominated			
<i>Financial Assets</i>			
Due from other banks	0.2%	-	-
Interbank loans receivable	0.6%	-	-
Financial assets at FVOCI	-	-	3.3%
Investment securities at amortized cost	-	-	2.6%
Loans and receivables	0.6%	3.3%	1.7%
Financial assets at FVTPL	-	-	1.9%
<i>Financial Liabilities</i>			
Deposit liabilities	0.4%	1.4%	0.9%
Bills payable	2.0%	-	-

Prepayment Risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate mortgages when interest rates fall. The Bank has exposures in consumer, e.g., salary loans, mortgage loans. These activities generate market risk since these loan products are inherently sensitive to changes in the level of market interest rates.

The impact on the Bank's profitability of mortgage loan prepayment risk is deemed negligible as actual prepayments were small relative to the loan portfolio.

Operational Risk

Operational risk is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Direct Loss is a result primarily from an operational failure while an Indirect Loss relates to the impact of operational risk on other risks such as Market, Credit or Liquidity Risk.

The Operational and Reputational Risk Management Department (ORRMD) is responsible for establishing, overseeing and supporting CTBC's Operational Risk Management ("ORM") framework. Specific responsibilities include:

- Recommend to the BOD and Senior Management appropriate policies and procedures relating to ORM.

- Design and implement Bank's operational risk assessment methodology, tools, and risk reporting system.
- Coordinate risk management activities across the organization.
- Consolidated all relevant operational risk information and reports to be elevated and reported to the BOD and Senior Management.
- Provide ORM training and advice to BU's on ORM issues.
- Coordinate with Compliance function, Internal Audit, and External Audit on ORM matters.
- Monitoring and reporting of Operational Risk incidents.
- Manage the stress testing activities for the Bank's operational risk.

Operational Risk Process

The Bank implements the Risk and Control Assessment Framework to ensure that all operational risks of the different Business and Functional Units are reported and properly managed.

The Risk and Control Assessment (RCA) Framework is composed of 3 main activities namely:

- Annual Risk Assessment (ARA) - refers to the process of assessing key risks to be faced by the Bank in the upcoming year and mapping key controls and/or indicators for each identified key risk.
- Management Control Assessment (MCA) - refers to the year-long process of assessing the effectiveness of key control through self-inspection, monitoring trend/s of risk indicators, and taking action on any identified vulnerability or gap.
- Business Risk, Compliance, and Control (BRCC) Forum - refers to the integrated review on internal controls across first, second, and third lines of defense. Its main objective is to enable Senior Management to supervise the overall status of key risk trend, weakness in controls, and correction on major events and audit issues.

The Bank's Operational Risk Process is as follows:

Key Risk and Control Identification Process

This involves the review of existing business processes, products and services with the aim of identifying vulnerabilities and assessing the extent of damage that can happen should breaches occur. The RCA Framework is followed.

Review and Document Policies and Procedures

In reviewing and documenting policies and procedures, each business and operating unit ensures clear and complete documentation of the following:

- Processes - Include all functions that are being done to ensure complete delivery of the transaction. This covers both client interface processes and internal control.
- People - Identify everyone involved in the process, their duties and responsibilities and required competencies.
- Reports - Identify those that would be needed to assess risk management effectiveness.
- Methodologies - Detail the tools and activities that would support decision making for critical areas of the process.
- Systems and Data - Cite the system and data requirement for the business unit to efficiently manage reports and methodologies employed.

All Business and Operating Units shall ensure that actual practices are consistent with documented policies and procedures.

Monitor and Formulate Action Plan

Monitoring and formulating action plans against established standards, via the KRIs is an important component in ensuring that these standards are met. There are three units involved in the over-all formulation and monitoring of action plans for all Business and Functional Units.

- Business and Functional Units - They are expected to report the operational exceptions, deviations on the policies and procedures and deficiencies on the documentations and process.
- ORRMD - Collates and consolidates the reports from different business and functional units. They are also responsible for monitoring, analyzing and reporting operational risk losses and exposures to Management.
- Internal Audit Department (IAD) - Primarily responsible for ensuring that all Operations Units are in compliance with the set of policies and procedures. They should be able to provide an independent opinion on the effectiveness of established internal controls.

Management Oversight

On a monthly basis, the Operations Committee convenes to discuss operational risk issues. This is presided by the President/CEO with the following members: Deputy CEO, CRO, CFO, Information Security Officer, and Heads of ORRMD, ICMG, RCMG, IBG, RBG, Trust Department, Treasury Group, ITG, BOG, HRAG, Marketing Communications Services Department, Internal Audit and Compliance.

Strategic Risk

Strategic risk is the risk that the current and prospective earnings or capital will be adversely impacted because of business decisions, improper implementation of decisions or lack of responsiveness to industry changes. This definition gives importance to business planning, where business decisions and its implementation are derived from.

The strategic risk of the Bank is a function of the compatibility of its strategic goals, the quality of carrying out its implementation, and building the infrastructure to meet such goals.

Strategic risk is managed throughout the Bank and is primarily monitored by Finance and Corporate Affairs Group through budget analysis and variances.

Legal Risk

Legal risks belong to non-quantifiable risks that are not subject to specific numerical measurements but likewise require similar management attention. While unpredictable, non-quantifiable risks may cause severe impact of the Bank's statements of income. These risks are mitigated by developing a strong control culture, an organizational structure that is risk-aware, and an effective internal control system that continually monitors and updates processes and procedures. Legal risks include the potential for the Bank to suffer a financial loss due to non-existent, incomplete, incorrect and/or unenforceable documentation used by the Bank to protect and enforce its rights under contracts and obligations. This risk is closely related to credit risk as it most often involves legal problems with counterparties to the Bank's transactions. It is also closely related to other non-quantifiable risks that have to be assessed: fiduciary, reputational risk and regulatory risk.

A legal review process is the primary control mechanism for legal risks and shall be part of every product program or process of the Bank. The review aims to validate the existence, propriety and enforceability of documents, and verify the capacity and authority of counterparties and customers to enter into transactions.

The Bank's Legal Department is the primary unit assigned to identify, assess, manage and monitor the Bank's legal risk.

Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains a strong credit standing and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank considers its paid-in capital and retained earnings as its core economic capital.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital

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

The BSP sets and monitors compliance with minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 781 which implemented the Revised Risk-Based Capital Adequacy Framework under Basel III effective January 1, 2014. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0% for both solo and consolidated basis. The Bank is also required to maintain a minimum Common Equity Tier 1 and Tier 1 capital ratio of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5% comprised of CET1 capital was likewise imposed through BSP Circular 1024.

Shown below are the Bank's minimum capital-to-risk assets ratios as reported to the BSP as of December 31, 2021 and 2020 (in millions except for percentages).

	2021	2020
CET 1 capital	P9,938	P10,107
Tier 1 capital	9,938	10,107
Tier 2 capital	328	335
Gross qualifying capital	10,266	10,442
Less: Required deductions	-	-
Total Qualifying Capital	P10,266	P10,442
Risk-weighted Assets	P38,135	P38,652
CET 1 ratio	26.0%	26.2%
Tier 1 capital ratio	26.0%	26.2%
Tier 2 capital ratio	0.9%	0.9%
Risk-based capital adequacy ratio	26.9%	27.0%

The regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprise of common stock, additional paid-in capital and surplus. Tier 2 comprises upper Tier 2 and lower Tier 2. Upper Tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision, and deposit for common stock subscription. Lower Tier 2 consists of unsecured subordinated debt.

BSP Circular 560 dated January 31, 2007, which took effect on February 22, 2007, requires the deduction of unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates from capital accounts for purposes of computing CAR.

Moreover, BSP Circular 1027 dated December 14, 2018, provides the guidelines on the computation of the required capital for banks to ensure that capital is only composed of instruments that are of highest quality to absorb losses.

The Bank complied with the minimum Capital Adequacy Ratio (CAR) of 10.0% throughout 2021 and 2020.

BASEL III

On December 13, 2013, the BSP issued Circular 822 on amendments to the capital framework of foreign bank. It provides that the minimum capital required for locally incorporated subsidiaries of foreign banks shall be the same as that prescribed by the Monetary Board for domestic banks of the same category under Circular 781 issued last January 15, 2013.

The following are the revised minimum capital requirements:

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs);
- 7.5% Tier 1 Capital/RWAs; and
- 100% Total Qualifying Capital (Tier 1 plus Tier 2)/RWAs.

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1] and Tier 2 - 'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer of 2.5% of RWAs, comprised of CET1 capital, has been required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress. The restrictions on distribution that a bank must meet at various levels of CET1 capital ratios are established, as shown in below table. Restrictions will be imposed if a bank has no positive earnings, has CET1 of not more than 8.5% (CET Ratio of 6.0% plus conservation buffer of 2.5%) and has not complied with the minimum 10.0% CAR.

Level of CET 1 Capital	Restriction on Distributions
<6.0%	No distribution
6.0% - 7.2%	No distribution until more than 7.2% CET1 capital is met
>7.2% - 8.5%	50.0% of earnings may be distributed
>8.5%	No restriction on the distribution

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

The Bank exceeded the minimum leverage ratio of 5.0% in 2021 and 2020 as presented below (amounts in thousands):

	2021	2020
Capital measure	P9,937,588	P10,106,977
Exposure measure	54,535,287	52,804,741
Leverage ratio	18.22%	19.14%

6. Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair value of the financial assets and financial liabilities are:

Cash and Other Cash Items, Due from BSP and Other Banks, and Interbank Loans Receivable

Carrying amounts approximate fair values due to their short-term nature.

Quoted Debt and Equity Securities

Fair values are based on quoted prices published in markets.

Unquoted Equity Securities

The unquoted equity securities of the Bank are measured at fair value. However, due to the lack of suitable methods of arriving at a reliable fair value, the cost is determined to be an appropriate estimate of fair value. The unquoted equity securities are instead measured at their carrying amounts. These are interests in BancNet, Philippine Clearing House Corporation and Bankers Association of the Philippines held as per membership requirement.

Derivative Instruments

Derivative products are valued using valuation techniques with market observable inputs including foreign exchange rates and interest rate curves prevailing at the statements of financial position date. For cross-currency swaps and foreign exchange contracts, discounted cash flow model is applied. This valuation method discounts each cash flow of the derivatives at a rate that is dependent on the tenor of the cash flow.

Loans and Receivables

Fair values of loans subject to periodic interest repricing of more than one year are estimated based on the discounted cash flow methodology using the loan's latest interest rate. Carrying values of loans subject to periodic interest repricing of one year or less approximate fair value because of recent and regular repricing based on market conditions.

Investment Properties

Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. The fair values of the Bank's investment properties are based on recent sales of similar properties in the same areas, taking into account the economic conditions prevailing at the time the valuations were made. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities

Carrying amounts of demand and savings deposit approximate fair values considering that these are currently due and demandable. Fair values of time deposits are estimated based on discounted cash flow methodology using the Bank's latest interest rates due to lack of suitable methods of arriving at reliable fair value.

Other Financial Liabilities

Carrying values of liabilities, other than deposit liabilities approximates fair values due to their short-term nature.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed:

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL:					
Held-for-trading:					
Quoted debt	P558,644,860	P -	P558,644,860	P -	P558,644,860
Derivative assets	140,951,014	-	140,951,014	-	140,951,014
	699,595,874	-	699,595,874	-	699,595,874
Financial assets at FVOCI:					
Quoted debt	5,191,869,775	-	5,191,869,775	-	5,191,869,775
Private Debt Securities	231,586,015	-	231,586,015	-	231,586,015
Unquoted equity	12,440,817	-	-	12,440,817	12,440,817
Quoted equity	1,097,500	-	1,097,500	-	1,097,500
	5,436,994,107	-	5,424,553,290	12,440,817	5,436,994,107
	P6,136,589,981	P -	P6,124,149,164	P12,440,817	P6,136,589,981

Forward

2021					
	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Cash and other cash items	P598,248,744	P -	P -	P598,248,744	P598,248,744
Due from BSP	4,720,099,954	-	-	4,720,099,954	4,720,099,954
Due from other banks	1,192,416,156	-	-	1,192,416,156	1,192,416,156
Interbank loans receivable - net	695,996,233	-	-	695,996,233	695,996,233
Investment securities - net	6,630,902,785	-	6,632,170,572	-	6,632,170,572
Loans and discounts - net:					
Institutional banking	23,349,112,769	-	-	23,349,112,769	23,349,112,769
Retail banking	3,472,117,218	-	-	3,472,117,218	3,472,117,218
Mortgage banking	2,685,719,895	-	-	2,685,719,895	2,685,719,895
Small business loans	844,744,182	-	-	844,744,182	844,744,182
Accrued interest receivable	446,772,752	-	-	446,772,752	446,772,752
Other receivables	214,043,443	-	-	214,043,443	214,043,443
Other assets*	53,082,632	-	-	53,082,632	53,082,632
	44,903,256,764	-	6,632,170,572	38,272,353,980	44,904,524,552
<i>Non-financial Asset</i>					
Investment properties	162,761,126	-	-	162,761,126	162,761,126
	P45,066,017,890	P -	P6,632,170,572	P38,435,115,105	P45,067,285,677
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL	P126,239,470	P -	P126,239,470	P -	P126,239,470
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities:					
Demand	11,100,542,454	-	-	11,100,542,454	11,100,542,454
Savings	7,857,856,478	-	-	7,857,856,478	7,857,856,478
Time	18,381,658,917	-	-	18,381,658,917	18,381,658,917
Subtotal	37,340,057,849	-	-	37,340,057,849	37,340,057,849
Bills payable	2,039,960,000	-	-	2,039,960,000	2,039,960,000
Outstanding acceptances	6,983,390	-	-	6,983,390	6,983,390
Manager's checks	36,138,953	-	-	36,138,953	36,138,953
Accrued interest, taxes and other expenses**	481,157,857	-	-	481,157,857	481,157,857
Other liabilities***	2,022,661,496	-	-	2,022,661,496	2,022,661,496
	41,926,959,545	-	-	41,926,959,545	41,926,959,545
	P42,053,199,015	P -	P126,239,470	P41,926,959,545	P42,053,199,015

*Includes returned checks and other cash items and rent deposit.

**Excludes retirement liability, accrued taxes and other non-financial accruals.

***Excludes withholding taxes payable, and provision liability

2020					
	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVTPL:					
Held-for-trading:					
Quoted debt	P918,792,082	P -	P918,792,082	P -	P918,792,082
Derivative assets	181,666,073	-	181,666,073	-	181,666,073
	1,100,458,155	-	1,100,458,155	-	1,100,458,155
Financial assets at FVOCI:					
Quoted debt	7,730,965,342	-	7,730,965,342	-	7,730,965,342
Private debt securities	229,999,080	-	229,999,080	-	229,999,080
Unquoted equity	12,440,817	-	-	12,440,817	12,440,817
Quoted equity	650,000	-	650,000	-	650,000
	7,974,055,239	-	7,961,614,422	12,440,817	7,974,055,239
	P9,074,513,394	P -	P9,062,072,577	P12,440,817	P9,074,513,394
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Cash and other cash items	P589,312,970	P -	P -	P589,312,970	P589,312,970
Due from BSP	3,781,208,825	-	-	3,781,208,825	3,781,208,825
Due from other banks	958,810,394	-	-	958,810,394	958,810,394
Interbank loans receivable - net	1,198,102,580	-	-	1,198,102,580	1,198,102,580
Investment securities - net	3,149,232,958	-	3,475,015,849	-	3,475,015,849
Loans and discounts - net:					
Institutional banking	22,950,479,262	-	-	22,950,479,262	22,950,479,262
Retail banking	3,602,627,242	-	-	3,602,627,242	3,602,627,242
Mortgage banking	2,368,593,649	-	-	2,368,593,649	2,368,593,649
Small business loans	1,022,817,867	-	-	1,022,817,867	1,022,817,867
Accrued interest receivable	572,404,881	-	-	572,404,881	572,404,881
Other receivables	211,419,219	-	-	211,419,219	211,419,219
Other assets*	32,802,079	-	-	32,802,079	32,802,079
	40,437,811,926	-	3,475,015,849	37,288,578,967	40,763,594,816
<i>Non-financial Asset</i>					
Investment properties	181,954,537	-	-	193,066,996	193,066,996
	P40,619,766,463	P -	P3,475,015,849	P37,481,645,963	P40,956,661,812

Forward

	2020				Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL	P231,791,715	P -	P231,791,715	P -	P231,791,715
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities:					
Demand	8,053,689,764	-	-	8,053,689,764	8,053,689,764
Savings	8,531,947,501	-	-	8,531,947,501	8,531,947,501
Time	17,682,421,549	-	-	17,682,421,549	17,682,421,549
Subtotal	34,268,058,814	-	-	34,268,058,814	34,268,058,814
Bills payable	2,909,236,515	-	-	2,909,236,515	2,909,236,515
Outstanding acceptances	181,632,600	-	-	181,632,600	181,632,600
Manager's checks	123,313,454	-	-	123,313,454	123,313,454
Accrued interest, taxes and other expenses**	548,176,824	-	-	548,176,824	548,176,824
Other liabilities***	2,069,773,313	-	-	2,069,773,313	2,069,773,313
	40,100,191,520	-	-	40,100,191,520	40,100,191,520
	P40,331,983,235	P -	P231,791,715	P40,100,191,520	P40,331,983,235

*Includes returned checks and other cash items and rent deposit.

**Excludes retirement liability, accrued taxes and other non-financial accruals.

***Excludes withholding taxes payable, and provision liability

The following ranges of discount rates were used in estimating the fair values unquoted fixed-rate and floating-rate debt instruments:

	PHP			
	2021		2020	
	High	Low	High	Low
Loans and discounts:				
Retail banking	23.22%	8.27%	18.6%	4.96%
Mortgage banking	10.40%	5.00%	11.5%	5.3%

The following table shows financial instruments recognized at fair value, analyzed by bases of fair value (in thousands):

- Level 1 - quoted market prices in active markets for identical assets or liabilities; when fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.
- Level 2 - those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); for all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models; and
- Level 3 - those with inputs for the asset or liability that are not based on observable market data (unobservable inputs). Instruments included in Level 3 are those for which there are currently no active market.

The fair values of Level 1 instruments are based on the Bloomberg Valuation Service (BVAL) reference rates as used as the benchmark of PHP government securities in the active market of which comprise the quoted debt securities at FVTPL at reporting date. These BVAL reference rates are based on accumulated market data and real-time market observations on actively traded identical fixed income securities.

The fair values of Level 2 instruments are based on broker quotes from similar contracts that are traded in an active market. These quotes reflect the actual transactions in similar instruments.

In 2021, there were no transfers into and out of Level 1 to 3 of fair value measurements. In 2020, there were transfers between Level 1 to Level 2 category since the Bank established that markets are no longer active and therefore quoted prices no longer provide reliable pricing information. Conversely, there were no transfers into and out of Level 3 fair value measurements.

The COVID-19 situation does not have material impact on the manner how the Bank conducts its fair valuation practices. The securities position remains to be valued based on its reference rates (e.g., Bloomberg BVAL for PHP government securities) similar in the pre-COVID 19 situation. This might be attributable to the fact that the financial market was allowed to operate despite the government-imposed quarantine lockdown.

7. Investment Securities

The effective interest rates of the Bank's debt securities range from 0.0% to 5.2%, 0.1% to 7.7% and 1.4% to 7.4% in 2021, 2020 and 2019, respectively.

Financial Assets at FVTPL

Financial assets at FVTPL consist of the following:

	<i>Note</i>	2021	2020
Government debt securities		P558,644,860	P918,792,082
Derivative assets	26	140,951,014	181,666,073
		P699,595,874	P1,100,458,155

The Bank's debt securities and derivative assets are mandatorily classified as at FVTPL on initial recognition.

Net unrealized gain (loss) on revaluation to market of financial assets at FVTPL amounting to (P13.3) million, P4.9 million and P0.4 million in 2021, 2020 and 2019, respectively are included under "Trading and securities gain (loss) - net" in the statements of income.

Financial Assets at FVOCI

Financial assets at FVOCI consist of the following:

	2021	2020
Government debt securities	P5,191,869,775	P7,730,965,342
Private debt securities	231,586,015	229,999,080
Unquoted equity securities	12,440,817	12,440,817
Quoted equity securities	1,097,500	650,000
	P5,436,994,107	P7,974,055,239

Quoted equity securities pertain to club shares from Orchard Golf and Country Club and Subic Bay Yacht Club Corporation which were irrevocably designated at FVOCI as at January 1, 2018.

Unquoted equity securities are held as local requirement (PCHC), consortium for ATM networks and on-line banking (Bancnet) and membership with the BAP.

The movements of net unrealized gain (loss) on financial assets at FVOCI are as follows:

	2021	2020
Balance at beginning of the year	P65,917,610	P108,233,872
Net change in fair value recognized in OCI:		
Unrealized gain (loss) on debt financial assets at FVOCI recognized in OCI	(290,390,049)	299,679,506
Amount realized in the statements of income	2,282,200	(341,965,768)
	(290,107,849)	(42,286,262)
Unrealized gain (loss) on equity financial assets at FVOCI recognized in OCI	447,500	(30,000)
	(289,660,349)	(42,316,262)
Balance at end of year	(P223,742,739)	P65,917,610

In 2021, effective interest rates of FVOCI debt securities ranged from 0.2% to 4.6% for peso-denominated and 0.0% to 3.4% for foreign currency-denominated FVOCI debt securities. In 2020, effective interest rates of FVOCI debt securities ranged from 1.7% to 5.1% for peso-denominated and 0.1% to 3.3% for foreign currency-denominated FVOCI debt securities. In 2019, effective interest rates ranged from 3.6% to 6.3% for peso-denominated and 1.5% to 3.9% for foreign currency-denominated FVOCI debt securities.

As at December 31, 2021 and 2020, loss allowance on financial assets at FVOCI amounted to P2.2 million and P1.9 million, respectively (see Note 12).

Investment Securities at Amortized Cost

Investment securities at amortized cost consist of Philippine government treasury notes that bear nominal annual interest rates ranging from 0.0% to 10.6% in 2021 and 2020 and 3.7% to 9.5% 2019.

As at December 31, 2021 and 2020, the carrying value of investment securities at amortized cost amounted to P6.6 billion and P3.1 billion, respectively. Loss allowance on investment securities at amortized cost amounted to P1.3 million and P0.6 million as at December 31, 2021 and 2020, respectively (see Note 12).

Interest income on investment securities consists of:

	2021	2020	2019
Financial assets at FVOCI	P172,030,435	P150,816,169	P116,528,627
Investment securities at amortized cost	158,922,652	117,095,167	119,923,663
Financial assets at FVTPL	18,341,606	25,827,878	49,805,270
	P349,294,693	P293,739,214	P286,257,560

Trading and securities gain (loss) - net consists of:

	2021	2020	2019
Financial assets at FVTPL	(P61,186,881)	P5,807,790	P103,038,010
Financial assets at FVOCI - debt securities	(1,651,363)	342,604,393	38,210,299
Investment securities at amortized cost	-	-	38,146,181
	(P62,838,244)	P348,412,093	P179,394,490

Net gain (loss) on derivative transactions amounting to P134.8 million, (P26.6 million) and P125.0 million in 2021, 2020 and 2019, respectively, is included under "Foreign exchange gain - net" in the statements of income.

8. Loans and Receivables

This account consists of:

	Note	2021	2020
Loans and discounts:			
Institutional banking	P24,204,058,122	P23,326,851,888	
Retail banking	3,965,933,909	4,559,369,194	
Mortgage banking	2,703,072,579	2,379,830,905	
Small business loans	846,968,607	1,026,136,905	
Accrued interest receivable	501,626,002	593,722,050	
Other receivables	191,287,539	224,627,096	
	32,412,946,758	32,110,538,038	
Unearned interest discount and capitalized interest	(1,644,586)	(2,404,407)	
	32,411,302,172	32,108,133,631	
Loss allowance	¹² (1,398,791,912)	(1,379,791,511)	
	P31,012,510,260	P30,728,342,120	

Institutional banking loans and Small business loans include domestic bills purchased amounting to P35.2 million and P80.3 million as at December 31, 2021 and 2020, respectively (see Note 16).

Other receivables include due from ICCS and PVB representing impaired loans amounting to P105.0 million and P112.4 million as at December 31, 2021 and 2020, respectively, which are secured by real properties transferred to ICCS and PVB.

Other receivables also include sales contract receivables amounting to P27.5 million and P22.5 million as at December 31, 2021 and 2020, respectively. Sales contract receivables bear fixed interest rates per annum ranging from 10.0% to 10.5% in 2021, 10.0% to 11.0% in 2020 and 9.0% to 11.4% in 2019.

Interest income on loans and receivables consists of:

	2021	2020	2019
Retail banking	P1,032,344,367	P1,174,925,253	P1,240,649,185
Institutional banking	970,960,942	1,267,123,452	1,376,844,813
Mortgage banking	184,474,276	176,273,206	147,190,631
Small business loans	43,272,303	55,426,776	58,644,875
Other receivables	2,192,114	2,333,030	2,986,432
	P2,233,244,002	P2,676,081,717	P2,826,315,936

The effective interest rates of loans and discounts, and sales contract receivables ranged from 1.8% to 2.3%, 2.2% to 3.2% and 2.0% to 3.8% for foreign currency-denominated receivables in 2021, 2020 and 2019, respectively while for peso-denominated receivables, the effective interest rates ranged from 8.9% to 10.0%, 9.0% to 10.4% and 10.0% to 11.2% in 2021, 2020 and 2019, respectively.

As at December 31, 2021 and 2020, the Bank's loan portfolio includes non-risk loans, as defined under BSP regulations, totaling P2.8 billion and P2.9 billion, respectively.

As of December 31, 2021, 54.5% of the total loans of the Bank are subject to periodic interest repricing (2020: 85.4%; 2019: 86.4%). Remaining loans earn annual fixed interest rates ranging from 5.00% to 21.48% in 2021, from 4.13% to 21.48% in 2020 and from 4.13% to 21.48% in 2019, for peso-denominated.

There is no interest income accrued on loans and receivables which includes unwinding of the loss allowance as of December 31, 2021 and 2020.

Breakdown of Total Loans as to Status

The following table shows the breakdown of receivable from customers, gross of loss allowance and unearned interest and discount, as to performing and non-performing as of December 31, 2021 and 2020:

	2021	2020
Performing loans		
Institutional banking	P23,704,435,494	P22,820,203,303
Retail banking	3,643,577,466	4,052,589,706
Mortgage banking	2,672,088,417	2,321,799,050
Small business loans	846,968,607	1,026,136,904
	30,867,069,984	30,220,728,963
Non-performing loans		
Institutional banking	499,622,628	506,648,585
Retail banking	322,356,443	506,779,489
Mortgage banking	30,984,162	58,031,855
	852,963,233	1,071,459,929
	P31,720,033,217	P31,292,188,892

9. Property and Equipment

The composition and movements of this account are as follows:

	2021						Total
	Bank Premises	Right-of-Use Assets	Computer Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	
Cost							
Balance at January 1	P80,229,255	P841,758,799	P253,693,211	P97,620,541	P86,298,848	P359,213,799	P1,718,814,453
Additions	-	114,487,542	6,591,096	28,198,000	1,070,967	1,144,262	151,491,867
Disposals	-	-	(1,822,332)	(27,979,122)	(2,078,923)	-	(31,880,377)
Balance at end of year	80,229,255	956,246,341	258,461,975	97,839,419	85,290,892	360,358,061	1,838,425,943
Accumulated Depreciation and Amortization							
Balance at beginning of year	56,707,835	181,797,783	208,510,720	52,258,929	76,450,724	354,306,285	930,032,276
Depreciation and amortization	3,709,868	110,294,821	22,291,756	16,700,300	3,572,619	1,731,290	158,300,654
Disposals	-	-	(1,798,952)	(18,208,437)	(2,078,814)	-	(22,086,203)
Balance at end of year	60,417,703	292,092,604	229,003,524	50,750,792	77,944,529	356,037,575	1,066,246,727
Net Book Value at End of Year	P19,811,552	P664,153,737	P29,458,451	P47,088,627	P7,346,363	P4,320,486	P772,179,216

	2020						Total
	Bank Premises	Right-of-Use of Asset	Computer Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	
Cost							
Balance at January 1	P80,229,255	P186,878,299	P216,609,901	P97,321,423	P80,328,658	P358,734,958	P1,020,102,494
Additions	-	655,760,174	37,283,305	20,478,339	7,230,138	478,841	721,230,797
Disposals	-	-	(199,995)	(20,179,221)	(1,259,948)	-	(21,639,164)
Adjustments	-	(879,674)	-	-	-	-	(879,674)
Balance at end of year	80,229,255	841,758,799	253,693,211	97,620,541	86,298,848	359,213,799	1,718,814,453
Accumulated Depreciation and Amortization							
Balance at beginning of year	52,997,967	81,969,543	191,132,541	54,766,273	74,553,922	349,616,699	805,036,945
Depreciation and amortization	3,709,868	99,828,240	17,578,169	15,724,049	3,156,671	4,689,586	144,686,583
Disposals	-	-	(199,990)	(18,231,393)	(1,259,869)	-	(19,691,252)
Balance at end of year	56,707,835	181,797,783	208,510,720	52,258,929	76,450,724	354,306,285	930,032,276
Net Book Value at End of Year	P23,512,420	P659,970,016	P45,182,491	P45,361,612	P9,848,124	P4,907,514	P788,782,177

As at December 31, 2021 and 2020, bank premises account includes right-of-use assets with carrying value amounting to P664.2 million and P660.0 million, respectively pertaining to leased branches and office premises (see Note 20).

As at December 31, 2021 and 2020, there were no property and equipment pledged as collateral for liabilities.

10. Investment Properties

The Bank's investment properties consist of house and lot and condominium units. Movements in this account are as follows:

	2021	2020
Cost		
Balance at beginning of year	P202,328,719	P195,208,709
Additions	16,808,149	16,759,010
Disposals	(27,228,414)	(9,639,000)
Balance at end of year	191,908,454	202,328,719
Accumulated Depreciation		
Balance at beginning of year	18,324,232	13,231,864
Depreciation	5,478,149	5,437,607
Disposals	(1,377,957)	(345,239)
Balance at end of year	22,424,424	18,324,232
Allowance for Impairment Losses		
Balance at beginning of year	2,049,950	3,096,835
Impairment losses (reversal)	4,672,954	(1,046,885)
Balance at end of year	6,722,904	2,049,950
Net Book Value at End of Year	P162,761,126	P181,954,537

The Bank does not occupy repossessed properties for business use. As at December 31, 2021 and 2020, the fair value of investment properties amounted to P183.8 million and P193.07 million, respectively.

11. Other Assets

This account consists of:

	2021	2020
Computer software costs - net	P222,077,054	P273,051,189
Prepaid expenses and other charges	65,769,598	42,898,876
Rental deposits	51,146,161	32,452,178
Returned checks and other cash items	1,936,471	349,901
Miscellaneous	119,997,715	55,903,309
	P460,926,999	P404,655,453

Prepaid expenses and other charges include prepayments for medical insurance, rent relating to short-term and low value assets, and software maintenance, and deferred charges.

Miscellaneous assets include hardware and software items under installation process, documentary stamps on hand, and stationery and office supplies. As at December 31, 2021 and 2020, hardware and software items related to the Bank's new core banking system which is under development amounted to P91.4 million and P14.0 million, respectively.

The movements in computer software costs are as follows:

	2021	2020
Cost		
Balance at beginning of year	P703,279,950	P625,624,555
Additions	9,546,309	77,937,423
Disposals	(12,955,886)	(282,028)
Balance at end of year	699,870,373	703,279,950
Accumulated Amortization		
Balance at beginning of year	430,228,761	375,846,064
Amortization	60,520,444	54,382,697
Disposals	(12,955,886)	(28,000)
Balance at end of year	477,793,319	430,228,761
	P222,077,054	P273,051,189

As at December 31, 2021 and 2020, there were no other assets pledged as collateral for liabilities.

12. Loss Allowance on Financial Instruments

Composition and movements in loss allowance on financial instruments are as follows:

	2021					
	Loans and Receivables (Note 8)	Interbank Loans Receivable	Debt Financial Assets at FVOCI (Note 7)	Investment Securities at Amortized Cost (Note 7)	Off-balance Sheet Commitments and Contingencies (Note 16)	Total
Balance at beginning of year	P1,379,791,511	P83,496	P1,928,390	P604,056	P5,542,337	P1,387,949,790
Impairment losses	507,654,641	(78,755)	298,070	635,702	15,009,732	523,519,390
Accounts charged off and others	(492,172,625)	-	-	-	-	(492,172,625)
Foreign exchange and other movements	3,518,385	2,062	21,755	28,029	456,364	4,026,595
Balance at end of year	P1,398,791,912	P6,803	P2,248,215	P1,267,787	P21,008,433	P1,423,323,150

	2020					
	Loans and Receivables (Note 8)	Interbank Loans Receivable	Debt Financial Assets at FVOCI (Note 7)	Investment Securities at Amortized Cost (Note 7)	Off-balance Sheet Commitments and Contingencies (Note 16)	Total
Balance at beginning of year	P863,611,179	P162,611	P1,199,374	P544,624	P3,828,488	P869,346,276
Impairment losses (reversals)	827,208,701	(73,960)	749,224	82,801	1,843,110	829,809,876
Accounts charged off and others	(307,190,143)	-	-	-	-	(307,190,143)
Foreign exchange and other movements	(3,838,226)	(5,155)	(20,208)	(23,369)	(129,261)	(4,016,219)
Balance at end of year	P1,379,791,511	P83,496	P1,928,390	P604,056	P5,542,337	P1,387,949,790

The loss allowance on loans and receivables includes the loss allowances for sales contract receivables and accounts receivables amounting to P2.3 million and P4.4 million in 2021 and 2020, respectively.

The loss allowance on debt financial assets at FVOCI is not recognized in the statements of financial position because the carrying amounts of these assets are their fair values. The loss allowance is recognized as part of the "Net unrealized gain (loss) on financial assets at FVOCI" in the statements of OCI.

The loss allowance on off-balance sheet commitments and contingencies is recognized by the Bank as an additional provision under "Other liabilities" in the statements of financial position (see Note 16).

Movements in the loss allowance on loans and receivables are as follows:

2021						
	Institutional Banking	Mortgage Banking	Small Business Loans	Retail Banking	Other Receivables	Total
Balance at beginning of year	P672,801,723	P12,463,105	P1,983,325	P646,306,723	P46,236,635	P1,379,791,511
Impairment losses	228,007,303	5,412,151	(518,669)	196,863,057	76,990,804	506,754,646
Accounts charged off and others	(52,182,819)	-	-	(393,555,363)	(46,434,443)	(492,172,625)
Foreign exchange and other movements	4,403,634	-	8,602	-	-	4,412,236
Balance at end of year	P853,029,841	P17,875,256	P1,473,258	P449,614,417	P76,792,996	P1,398,785,768

2020						
	Institutional Banking	Mortgage Banking	Small Business Loans	Retail Banking	Other Receivables	Total
Balance at beginning of year	P298,736,716	P22,528,736	P6,173,666	P500,715,798	P35,456,263	P863,611,179
Impairment losses	381,924,585	(10,065,631)	(4,183,419)	428,544,093	32,543,363	828,762,991
Accounts charged off and others	(4,146,374)	-	-	(282,953,168)	(19,216,876)	(306,316,418)
Foreign exchange and other movements	(3,713,204)	-	(6,922)	-	(2,546,115)	(6,266,241)
Balance at end of year	P672,801,723	P12,463,105	P1,983,325	P646,306,723	P46,236,635	P1,379,791,511

The following tables show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument:

2021				
	Stage 1	Stage 2	Stage 3	Total
Loans and Receivables				
Balance at beginning of the year	P354,954,073	P315,630,625	P709,206,813	P1,379,791,511
Movement of beginning balance:				
Transfer to Stage 1	29,679,783	(22,055,096)	(7,624,687)	-
Transfer to Stage 2	(26,893,419)	29,119,362	(2,225,943)	-
Transfer to Stage 3	(26,390,654)	(137,327,178)	163,717,832	-
Net remeasurement of loss allowance	(109,746,474)	25,272,037	67,097,617	(17,376,820)
New financial assets originated or purchased	276,121,696	98,245,629	193,022,455	567,389,780
Derecognized assets	(113,729,251)	(107,030,275)	(307,278,534)	(528,038,060)
Subtotal	383,995,754	201,855,104	815,915,553	1,401,766,411
Foreign exchange and other movements	(2,974,500)	-	-	(2,974,500)
Balance at end of the year	P381,021,254	P201,855,104	P815,915,553	P1,398,791,911

2020				
	Stage 1	Stage 2	Stage 3	Total
Loans and Receivables				
Balance at beginning of the year	P357,739,552	P64,768,331	P417,940,082	P840,447,965
Movement of beginning balance:				
Transfer to Stage 1	48,377,772	(15,401,706)	(32,976,066)	-
Transfer to Stage 2	(9,719,226)	26,811,984	(17,092,758)	-
Transfer to Stage 3	(7,142,935)	(1,329,136)	8,472,071	-
Net remeasurement of loss allowance	(118,359,881)	(36,259,550)	(199,284,128)	(353,903,559)
New financial assets originated or purchased	186,669,124	158,991,625	109,267,586	454,928,335
Write-offs	-	-	(190,029,803)	(190,029,803)
Subtotal	457,564,406	197,581,548	96,296,984	751,442,938
Foreign exchange and other movements	(102,610,333)	118,049,077	612,909,829	628,348,573
Balance at end of the year	P354,954,073	P315,630,625	P709,206,813	P1,379,791,511

	2021	2020
	Stage 1	Stage 1
Interbank Loans Receivable		
Balance at beginning of the year	P83,496	P162,611
Net remeasurement of loss allowance	(78,755)	(162,611)
New financial assets originated or purchased	-	88,651
Foreign exchange and other movements	2,062	(5,155)
Balance at end of year	P6,803	P83,496

	2021	2020
	Stage 1	Stage 1
Debt Financial Assets at FVOCI		
Balance at beginning of the year	P1,928,390	P1,199,373
Net remeasurement of loss allowance	(225,039)	(793,648)
New financial assets originated or purchased	566,619	1,542,872
Foreign exchange and other movements	(21,755)	(20,207)
Balance at end of year	P2,248,215	P1,928,390

	2021	2020
	Stage 1	Stage 1
Investment Securities at Amortized Cost		
Balance at beginning of the year	P604,056	P544,624
Net remeasurement of loss allowance	18,557	(24,915)
New financial assets originated or purchased	617,145	107,716
Foreign exchange and other movements	28,029	(23,369)
Balance at end of year	P1,267,787	P604,056

	2021	2020
	Stage 1	Stage 1
Off-balance Sheet Commitments and Contingencies		
Balance at beginning of the year	P5,542,337	P3,828,488
Net remeasurement of loss allowance	(5,864,336)	(954,632)
New financial assets originated or purchased	20,864,598	2,797,742
Foreign exchange and other movements	465,834	(129,261)
Balance at end of year	P21,008,433	P5,542,337

The breakdown of impairment losses is as follows:

	2021		
	Individual Impairment	Collective Impairment	Total
Loans and receivables:			
Loans and discounts	P284,713,816	P145,061,458	P429,775,274
Other receivables	-	77,879,368	77,879,368
Interbank loans receivable	-	(78,756)	(78,756)
Financial assets at FVOCI	-	298,070	298,070
Investment securities at amortized cost	-	635,702	635,702
Off-balance sheet commitments and contingencies	-	15,009,732	15,009,732
Total	P284,713,816	P238,805,574	P523,519,390

	2020		
	Individual Impairment	Collective Impairment	Total
Loans and receivables:			
Loans and discounts	P433,817,084	P362,401,907	P796,218,991
Other receivables	-	30,989,710	30,989,710
Interbank loans receivable	-	(73,960)	(73,960)
Financial assets at FVOCI	-	749,224	749,224
Investment securities at amortized cost	-	82,801	82,801
Off-balance sheet commitments and contingencies	1,312,287	530,823	1,843,110
Total	P435,129,371	P394,680,505	P829,809,876

	2019		
	Individual Impairment	Collective Impairment	Total
Loans and receivables:			
Loans and discounts	P37,434,175	P467,316,743	P504,750,918
Other receivables	-	2,980,767	2,980,767
Interbank loans receivable	-	(585,895)	(585,895)
Financial assets at FVOCI	-	830,878	830,878
Investment securities at amortized cost	-	544,624	544,624
Off-balance sheet commitments and contingencies	-	(1,571,893)	(1,571,893)
Total	P37,434,175	P469,515,224	P506,949,399

BSP Reporting

Loan provisioning under BSP regulations hinges on the qualitative appraisal and classification of the loan. Aside from classifying loans to past due and current, these are also grouped as unclassified or classified.

These classified loans are further grouped depending on the likelihood of losses the Bank will incur. Definitions of each classification are as follows:

- I. Pass - These are loans or other credit accommodations that do not have a greater-than-normal credit risk. The borrower has the apparent ability and willingness to satisfy his obligations in full and therefore no loss in ultimate collection is anticipated.
- II. Especially Mentioned (EM) - These are loans or other credit accommodations that have potential weaknesses that deserve management's close attention. If left uncorrected, these make affect the repayment of the loan.
- III. Substandard - These are loans or other credit accommodations that have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
- IV. Doubtful - These are loans and other credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however the exact amount remains undeterminable.

Under Regulatory reporting, effective August 29, 2018, BSP Circular 1011 requires a general loan loss provision equivalent to one percent (1.0%) of the outstanding balance of collectively and individually assessed loans when estimated/computed provisions are less than one percent (<1.0%) and/or no specific provisions are made, excluding loans which are considered non-risk under existing laws, rules, and regulations.

	2021	2020
NPLs	P852,963,233	P1,071,459,929
Less NPLs fully provided with loss allowance	229,341,173	197,611,634
	P623,622,060	P873,848,295

13. Deposit Liabilities

As of December 31, 2021 and 2020, non-interest bearing deposits are 0.4% and 0.5% of the total deposits, respectively.

The remaining deposit liabilities earn annual fixed interest rates ranging from 0.01% to 2.13%, 0.1% to 3.3% and 0.1% to 3.3% in 2021, 2020 and 2019, respectively.

On March 31, 2020, the BSP issued Circular No. 1082 which reduced the reserve requirement from 14% to 12% effective on the reserve week starting on April 3, 2020. No further reduction was made by BSP in 2021, reserve requirement is still at 12% as of December 31, 2021.

In 2021 and 2020, the Bank is in compliance with such reserve requirements regulations.

The total liquidity and statutory reserves, as reported to the BSP, are as follows:

	2021	2020
Due from BSP	P2,822,005,945	P2,675,761,393

Interest expense on deposit liabilities consists of:

	2021	2020	2019
Time	P140,193,538	P341,842,719	P665,289,875
Demand	21,013,241	15,848,067	14,217,235
Savings	3,323,487	16,786,436	22,411,515
	P164,530,266	P374,477,222	P701,918,625

Accrued interest payable on deposit liabilities amounted to P14.6 million and P28.9 million as at December 31, 2021 and December 31, 2020, respectively (see Note 15).

14. Bills Payable

This account consists of short-term and long-term borrowings from banks and other financial institutions.

The Bank is an accredited Participating Financial Institution, as a conduit bank for Official Development Assistance Wholesale Lending Facilities managed by various government or sovereign lending institutions.

As at December 31, 2021 and 2020, the Bank's bills payable amounted to P2.0 billion and P2.9 billion, respectively.

Foreign currency denominated interbank borrowings are subject to interest rates ranging from 1.08% to 1.15%, 1.1% to 2.8% and 1.6% to 3.5% in 2021, 2020 and 2019, respectively.

Interest expense on bills payable amounted to P43.3 million, P108.6 million and P255.0 million in 2021, 2020 and 2019, respectively.

Accrued interest payable on bills payable amounted to P0.2 million and P5.4 million as at December 31, 2021 and December 31, 2020, respectively (see Note 15).

15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	<i>Note</i>	2021	2020
Accrued taxes and other expenses		P513,110,124	P553,363,489
Net retirement liability	19	88,162,831	135,676,468
Accrued interest payable	13, 14	14,773,554	34,354,709
		P616,046,509	P723,394,666

Accrued taxes and other expenses refer to various payables for taxes and licenses, payroll, utilities and other expenses.

16. Other Liabilities

This account consists of:

	<i>Note</i>	2021	2020
Accounts payable		P1,214,293,606	P1,256,568,491
Lease liabilities	20	709,062,230	678,975,886
Bills purchased - contra	8	35,183,127	80,269,561
Withholding taxes payable		27,269,144	26,046,778
Provision for liability	12	21,008,433	5,542,337
Payment order payable		167,454	303,266
Miscellaneous		63,955,079	53,656,109
		P2,070,939,073	P2,101,362,428

The majority of the accounts payable as at year-end represent monies to be credited to customer deposit accounts for payroll and inward remittances and amounts owed to government agencies for statutory deductions and taxes and other creditors for normal expenditures. These are non-interest bearing and are payable on demand.

Bills purchased account is a contra-account to domestic bills purchase transactions recorded as part of Loans and receivables account. This represents accommodations given to Bank customers with approved bills purchase line of credit which enables the customer to encash checks with one day clearing instead of the usual three days clearing time.

Provision for liability pertains to loss allowance on the Bank's off-balance sheet commitments and contingencies.

Miscellaneous includes unclaimed manager's check for more than one year and unclaimed balances of credit or deposits with the Bank as defined by the Revised Unclaimed Balances Act of 2013.

17. Maturity Analysis of Assets and Liabilities

The following table presents the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled with and/or after more than one year after the reporting period (in thousands):

	2021			2020		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Financial assets at amortized cost:						
Cash and other cash items	P598,249	P -	P598,249	P589,313	P -	P589,313
Due from BSP	4,720,100	-	4,720,100	3,781,209	-	3,781,209
Due from other banks	1,192,416	-	1,192,416	958,810	-	958,810
Investment securities - gross	19,853	6,612,318	6,632,171	260,086	2,889,751	3,149,837
Interbank loans receivable - gross	696,003	-	696,003	1,198,186	-	1,198,186
Loans and receivables - gross	19,080,248	13,332,699	32,412,947	19,650,770	12,459,768	32,110,538
Other assets*	7,339	45,744	53,083	10,105	22,697	32,802
	26,314,208	19,990,761	46,304,969	26,448,479	15,372,216	41,820,695
Financial assets at FVTPL	140,951	558,645	699,596	239,870	860,588	1,100,458
Financial assets at FVOCI	537,583	4,899,411	5,436,994	500,814	7,473,241	7,974,055
	26,992,742	25,448,817	52,441,559	27,189,163	23,706,045	50,895,208
Non-financial Assets						
Property and equipment - net	-	772,179	772,179	-	788,782	788,782
Investment properties - net	-	162,761	162,761	-	181,955	181,955
Deferred tax assets - net	-	524,404	524,404	-	596,739	596,739
Other assets	82,755	325,089	407,844	68,871	302,308	371,179
	82,755	1,784,433	1,867,188	68,871	1,869,784	1,938,655
	27,075,497	27,233,250	54,308,747	27,258,034	25,575,829	52,833,863
Less: Loss allowance	(1,021,020)	(379,047)	(1,400,067)	(814,248)	(566,231)	(1,380,479)
Unearned discount and capitalized interest	(1,301)	(344)	(1,645)	(2,001)	(403)	(2,404)
	P26,053,176	P26,853,859	P52,907,035	P26,441,785	P25,009,195	P51,450,980

*Includes returned checks and other cash items and rent deposit.

	2021			2020		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Financial liabilities at FVTPL	P126,239	P -	P126,239	P231,792	P -	P231,792
Financial liabilities at amortized cost:						
Deposit liabilities	37,094,009	246,049	37,340,058	33,990,098	277,961	34,268,059
Bills payable	2,039,960	-	2,039,960	1,912,265	996,972	2,909,237
Outstanding acceptances	6,983	-	6,983	181,633	-	181,633
Manager's checks	36,139	-	36,139	123,313	-	123,313
Accrued interest, taxes and other expenses**	481,158	-	481,158	548,177	-	548,177
Other liabilities***	1,251,272	707,434	1,958,706	2,016,117	-	2,016,117
	41,038,878	953,483	41,992,361	39,003,395	1,274,933	40,278,328
Non-financial Liabilities						
Accrued taxes and other expenses	134,889	-	134,889	175,218	-	175,218
Income tax payable	5,376	-	5,376	-	-	-
Other liabilities	112,233	-	112,233	85,245	-	85,245
	252,498	-	252,498	260,463	-	260,463
	P41,288,258	P953,483	P42,241,741	P39,263,858	P1,274,933	P40,538,791

**Excludes retirement liability, accrued taxes and other non-financial accruals.

***Excludes withholding taxes payable, provision liability and deposits for future stock subscription.

18. Equity

For two consecutive years, Capital stock and related additional paid-in capital (APIC) consists of the following (in thousands):

	2021		2020	
	Shares	Amount	Shares	Amount
Common stock - P10 par value:				
Issued and fully paid, beginning	348,307	P3,483,072	300,000	P3,000,000
Additional shares,	-	-	48,307	483,072
Treasury shares	-	-	-	-
Issued and fully paid, ending	348,307	P3,483,072	348,307	P3,483,072
Authorized	400,000	P4,000,000	400,000	P4,000,000
Additional paid-in capital	-	P2,022,762	-	P2,022,762

The number of holders of the Bank's outstanding common shares is 111 for both December 31, 2021 and 2020.

The shares of the Bank were listed in the PSE since June 1999. In December 2000, the Parent Bank substantially increased its equity in the Bank through the acquisition of shares held by a minority group. As a result of this acquisition, the Parent Bank controlled approximately 91.0% of the Bank's capital stock compared to 57.0% prior to the acquisition. The General Banking Law of 2000 allows foreign banks to own up to 100.0% of Philippine incorporated banks, compared to 60.0% under the previous law. A further acquisition of shares held by the public representing approximately 4.0% of the Bank's equity was made by the Parent Bank in January 2001 through a tender offer at a price of P19.0 per share, the same price at which the shares from the minority group was acquired. In May 2001, the Parent Bank purchased another 4.0% of the outstanding shares at a price of P18.3 per share.

Revised Minimum Capitalization of Banks

On October 29, 2014, the BSP issued Circular No. 854, which became effective on November 19, 2014, prescribing the revised minimum capitalization of banks operating in the Philippines. Existing banks not meeting the requirement shall be given a period of five years from effectivity of the circular within which to meet the minimum capital. In addition, these banks must submit an acceptable capital build-up program within one year from date of effectivity of the circular. The Bank, falling under the category of commercial banks with total number of branches ranging from ten to one hundred, must have a minimum capital of P10.0 billion by November 2019.

On April 28, 2016, the Bank submitted its capital build up program (CBUP) to the BSP detailing the Bank's strategic plans in order to meet the required capital level. On June 16, 2016, the Monetary Board approved the Bank's CBUP. As at December 31, 2018, the Bank's unimpaired capital amount to P6.9 billion. Thus, the Bank needed additional P3.0 billion capital in order to comply with BSP Circular 854 by November 2019.

In accordance with the Bank's CBUP, the Bank's stockholders, during their annual meeting held on July 25, 2019, approved the increase of authorized shares from 300 million to 400 million shares in order to have sufficient unissued shares to be purchased by Parent Bank.

On September 27, 2019, in compliance with BSP Circular No. 854, Parent Bank purchased the remaining 52,031,269 unissued shares of the Bank and the 484,920 treasury shares at a price of P29.755 per share. The issuance resulted to the following movements:

	Increase (Decrease)
Additional paid-in capital	P1,019,770,021
Capital stock	520,312,690
Treasury stock	(15,951,674)
Retained earnings	(1,571,372)

The decrease in Retained earnings pertains to (a) the excess of the carrying amount of the treasury stock over the consideration; and (b) stock issuance costs amounting to P0.05 million.

In addition, Parent Bank subscribed to 48,307,202 new shares at the same price of P29.755 per share and paid the entire subscribed amount in cash. Consequently, the Bank paid for documentary stamp taxes (DST) amounting to P4.8 million, which was charged against APIC.

The Bank filed its application for the amendment of its articles of incorporation with the BSP for the increase in authorized capital on October 11, 2019.

Based on Section 123 of the MORB, deposits for stock subscription shall be recognized as part of equity for prudential reporting purposes when all of the following conditions are met:

- a. The deposit for stock subscription meets the definition of an equity instrument under PAS 32 *Financial Instruments: Presentation* such that the deposit for stock subscription shall not be interest-bearing nor withdrawable by the subscriber;
- b. The bank's existing authorized capital is already fully subscribed;
- c. The bank's stockholders and board of directors have approved the proposed increase in authorized capital;
- d. The bank has filed an application for the amendment of its articles of incorporation for the increase in authorized capital with the appropriate supervising department of the BSP, duly supported by complete documents as prescribed by the BSP: Provided, That the approval of the SEC on the same application shall be obtained within the period prescribed under the SEC Financial Reporting Bulletin (FRB) on Deposits for future Subscription.

In case the applications for the amendment of articles of incorporation for the increase in authorized capital have been returned due to insufficiency of supporting documents, the deposit for stock subscription shall not qualify for recognition as an equity instrument; and

- e. The bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Sec. 122 (Transactions involving voting shares of stocks, Item "b"), if applicable.

Considering the status of the Bank's application for the increase in capital stock as at December 31, 2019, the deposits for stock subscription, did not meet conditions (d) and (e).

As at December 31, 2019, the said subscription amounting to P1.4 billion is lodged under the “Deposits for future stock subscription” account in “Other liabilities” in the statements of financial position. The said deposit was reclassified by the Bank as capital on February 10, 2020 for prudential reporting purposes and on March 6, 2020 for financial reporting purposes.

The Bank’s application for the increase in authorized capital stock was approved by the Monetary Board of the BSP on February 10, 2020 and was later approved by SEC on March 6, 2020.

The reclassification resulted to additional 48,307,202 shares issued and outstanding and reflected the following movements:

	Increase
Additional paid-in capital	P949,478,054
Capital stock	483,072,020

As at December 31, 2021 and 2020, Parent Bank owns 99.72% of the Bank’s capital stock.

Voluntary Share Delisting

As discussed in Note 1, the Bank has filed voluntary delisting of its shares in PSE on October 7, 2011 and has officially delisted from the trading Board effective on February 24, 2012.

On November 28, 2012, the BSP issued Circular No. 775 requiring banks, which are majority-owned by foreign banks and are established in the Philippines, to list on the local stock exchange within three years from the effectivity of the circular (which was 15 days after it was published in a newspaper of general circulation).

Circular No. 775 cited as basis the provisions of Republic Act (RA) No. 7721 or “An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and for other purposes”.

Section 2 of RA No. 7721 cited the listing requirement for foreign banks that entered the country by buying as much as 60.0% of an existing bank or investing in up to 60.0% of the voting stock of a new subsidiary incorporated in the country.

On July 15, 2014, Republic Act No. 10641 entitled “An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act 7721” was signed into a law by the President of the Philippines. Under the new law, foreign banks may now own up to 100.0% of domestic subsidiary banks. On November 21, 2014, the BSP issued Circular No. 858 implementing R.A. 10641. The said circular effectively removed the listing requirement for foreign banks.

Restricted Retained Earnings

At the regular meeting of the BOD held on June 23, 2015, the BOD approved the restriction of the full amount of retained earnings for the following purposes:

- i.) to comply with minimum capital requirement set forth under BSP Circular No. 854;
- ii.) to comply with the requirements of the ICAAP pursuant to BSP Circular No. 639;
- iii.) to provide for buffer in preparation for BASEL III requirements.

The restriction on retained earnings relating to ICAAP and BASEL III ensure that the Bank has adequate, available qualified capital at all times to reasonably manage the significant risks identified and assessed in the ICAAP and BASEL III. The guidelines on bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework.

Appropriation for the Deficiency on General Loan Loss Provision (GLLP)

BSP Circular 1011 requires the Bank to set up GLLP equivalent to 1.0% of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. In cases when the computed loss allowance on such Stage 1 accounts is less than the 1.0% percent general provision required, the deficiency shall be recognized by appropriating the Retained Earnings account.

As at December 31, 2021 and 2020, the loss allowance computed in accordance with PFRS 9 is more than the required GLLP by P88.1 million and P63.9 million, respectively. As such, appropriation is not necessary.

Statutory Reserve

As at December 31, 2021 and 2020, statutory reserves amounting to P4.98 million pertains to reserves for trust business.

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the retained earnings amount to 20.0% of the Bank's authorized capital stock.

During 2021 and 2020, the Bank did not appropriate additional reserves since the Bank's retained earnings already amounted to at least 20.0% of the authorized capital stock.

19. Compensation and Fringe Benefits

The account consists of:

	2021	2020	2019
Employee benefits:			
Salaries and wages	P663,827,427	P613,663,751	P589,324,565
Fringe benefits	254,929,262	328,113,860	322,697,886
Medical allowance	41,232,355	40,048,403	36,761,142
Retirement benefit expense	41,657,798	31,669,155	19,062,925
Statutory employer contributions	23,365,061	19,025,777	16,125,187
	1,025,011,903	1,032,520,946	983,971,705
Directors' fees	8,423,812	8,336,643	9,903,591
	P1,033,435,715	P1,040,857,589	P993,875,296

The Bank has a funded, noncontributory, defined benefit retirement plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method and valuations are obtained on a periodic basis. The Bank's latest actuarial valuation date is December 31, 2021.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT). The BOT of the retirement plan exercises voting rights over the shares and approve material transactions. The retirement plan's accounting and administrative functions are undertaken by the Bank's Trust Operations Department.

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability and its components:

	Defined Benefits Obligation		Fair Value of Plan Assets		Net Retirement Benefit Liability	
	2021	2020	2021	2020	2021	2020
Balance at January 1	P337,758,953	P250,531,769	P202,082,485	P191,219,452	P135,676,468	P59,312,317
Included in Profit or Loss						
Current service cost	36,502,092	28,644,227	-	-	36,502,092	28,644,227
Interest expense (income)	12,834,840	12,777,120	7,679,134	9,752,192	5,155,706	3,024,928
	49,336,932	41,421,347	7,679,134	9,752,192	41,657,798	31,669,155
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	10,865,367	45,640,699	-	-	10,865,367	45,640,699
Experience adjustment	(56,948,090)	29,574,678	-	-	(56,948,090)	29,574,678
Return on plan assets excluding interest income	-	-	1,411,078	(1,194,472)	(1,411,078)	1,194,472
	(46,082,723)	75,215,377	1,411,078	(1,194,472)	(47,493,801)	76,409,849
Others						
Contributions paid by the employer	-	-	41,677,634	31,714,853	(41,677,634)	(31,714,853)
Benefits paid	(44,450,054)	(29,409,540)	(44,450,054)	(29,409,540)	-	-
	(44,450,054)	(29,409,540)	(2,772,420)	2,305,313	(41,677,634)	(31,714,853)
Balance at December 31	P296,563,108	P337,758,953	P208,400,277	P202,082,485	P88,162,831	P135,676,468

Retirement benefit expense is recognized under "Compensation and fringe benefits" in the statements of income. Net remeasurement loss (gain) on retirement liability, net of tax, is recognized in statements of OCI.

The actual return on plan assets amounted to P9.1 million and P8.6 million in 2021 and 2020, respectively.

The net retirement liability is included under "Accrued Interest, Taxes and Other Expenses" account in the statements of financial position (see Note 15).

The movements in net remeasurement loss on retirement liability are as follows:

	Note	2021	2020
Net remeasurement loss on retirement liability at beginning of year		(P119,922,604)	(P66,435,710)
Net remeasurement loss recognized in OCI:			
Change in remeasurement gain (loss) on retirement liability during the year		47,493,801	(76,409,849)
Deferred tax:			
Change in deferred tax on remeasurement losses on retirement liability during the year		(14,248,140)	22,922,955
Impact of CREATE Law		(6,191,211)	-
	21	(20,439,351)	22,922,955
		27,054,450	(53,486,894)
		(P92,868,154)	(P119,922,604)

The Bank's plan assets consist of the following (in thousands):

	2021	2020
Debt securities	67.7%	67.4%
Equity investments	17.1%	15.3%
Loans	12.1%	10.9%
Due from banks	2.4%	5.7%
Accrued interest receivables	0.6%	0.6%
Dividends receivable	0.1%	0.1%
	100.0%	100.0%

The Bank expects to contribute P37.3 million to its defined benefits retirement plan in 2022 (2021: P41.7 million).

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2021	2020
Discount rate	5.4%	3.8%
Salary increase rate	4.0%	4.0%

Assumptions for mortality and disability rate are based on the adjusted 1985 Unisex Annuity Table and the Adjusted 1952 Disability Table reflecting experience improvement and Philippine experience.

As at December 31, 2021 and 2020, the weighted average duration of defined benefit obligation is 14 years.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2021			
	Discount Rate		Salary Increase Rate	
	+0.5%	-0.5%	+0.5%	-0.5%
Defined benefit obligation	(P15,066,772)	P16,275,070	P15,506,502	(P14,501,373)
Retirement liability	(15,066,772)	16,275,070	15,506,502	(P14,501,373)

	2020			
	Discount Rate		Salary Increase Rate	
	+0.5%	-0.5%	+0.5%	-0.5%
Defined benefit obligation	(P18,706,347)	P20,327,692	P19,142,172	(P17,818,452)
Retirement liability	(18,706,347)	20,327,692	19,142,172	(17,818,452)

Although the analysis does not take into account of the full distribution of cashflows expected under the plan, it does provide an appropriation of the sensitivity of the assumptions shown.

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as at December 31, 2021 and 2020 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Bank has no impairment losses relating to the receivables from retirement plan in 2021 and 2020.

The plan exposes the Bank to interest rate risk and market (investment) risk.

The BOT reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Bank's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Bank monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

20. Leases

Rent, utilities and equipment maintenance expenses recognized under "Occupancy and other equipment-related costs" in the statements of income are presented below:

	2021	2020	2019
Repairs and maintenance	P117,873,630	P126,681,128	P100,496,720
Rent relating to short-term and low value assets	22,074,279	28,538,840	34,428,918
Power, light and water	19,067,986	19,701,105	20,522,790
	P159,015,895	P174,921,073	P155,448,428

Right-of-use assets relate to leased branches and office premises that are presented within property and equipment (see Note 9).

	2021	2020
Balance at January 1	P659,961,016	P104,908,756
Additions	114,487,542	655,760,174
Depreciation charge for the year	(110,294,821)	(99,828,240)
Adjustments	-	(879,674)
Balance at December 31	P664,153,737	P659,961,016

Lease liabilities relate to the present value of the remaining lease payments on the Bank's lease contracts presented within Other liabilities (see Note 16).

	2021	2020
Balance at January 1	P678,975,886	P115,279,980
Additions	114,487,542	647,920,151
Accretion of interest	28,939,620	19,493,134
Payment of lease liabilities	(113,340,818)	(103,717,379)
Balance at December 31	P709,062,230	P678,975,886

Amounts recognized in the statements of income:

	2021	2020
Depreciation charge for the year	P110,294,821	P99,828,240
Interest on lease liabilities	28,939,620	19,493,134
Expenses relating to leases of low-value assets	11,231,663	11,623,811
Expenses relating to short-term leases	9,314,652	15,290,021
	P159,780,756	P146,235,206

Expenses relating to short-term leases and low-value assets are recognized as rent expense under "Occupancy and other equipment-related costs" in the statements of income.

Amounts recognized in statement of cash flows:

	2021	2020
Total cash outflow for leases	P133,887,133	P130,631,211

21. Income and Other Taxes

Under Philippine tax laws, the RBU of the Bank is subject to percentage and other taxes (presented as "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and DST. Income taxes include the corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Taxes and licenses incurred by the Bank amounted to P245.6 million and P274.3 million in 2021 and 2020, respectively.

On March 26, 2021, the President of the Philippines has approved the Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act), provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Bank:

- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.00 million and with total assets not exceeding P100.00 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
- MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
- The imposition of improperly accumulated earnings tax has been repealed.

The measure took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

On April 8, 2021, the BIR issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of Republic Act (RA) No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”, Amending Section 20 of the National Internal Revenue Code of 1997, As Amended*
- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended*
- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997*

With the effectivity of the CREATE Law, the Bank adjusted its net deferred tax assets (DTA) to reflect the future tax benefits from 30% to 25%. Consequently, the Bank reduced its net DTA resulting to a one-time tax expense amounting to P99.4 million.

In addition, current tax regulations provide for the ceiling on the amount of entertainment and representation (EAR) that can be claimed as a deduction against taxable income. Under the regulation, EAR allowed as deductible expense for a service bank like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue. EAR of the Bank amounted to P0.2 million and P0.5 million (included under “Miscellaneous expenses” account in the statements of income) in 2021 and 2020, respectively (see Note 22).

The regulations also provide for MCIT of 1.0% on modified gross income and allow a Net Operating Loss Carry Over (NOLCO). The Bank’s MCIT and NOLCO may be applied against the Bank’s income tax liability and taxable income, respectively, over a three-year period from the year of inception/incurrence, except for MCIT and NOLCO incurred in 2020 and 2021, which may be applied over five (5) years pursuant to Section 4 (bbbb) of Bayanihan II.

According to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020, the net operating loss of a business or enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.0% income tax. The FCDU’s other income, those that are not classified as onshore or offshore under R.A. 11534, is subject to 25.0% RCIT based on net taxable income (or 1.0% MCIT based on gross income, if applicable). In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15%. RA No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.0% income tax.

Income taxes consist of:

	2021	2020
Recognized in Statements of Income		
Current	P198,964	P167,291,559
Final	63,132,164	52,513,582
	63,331,128	219,805,141
Deferred income tax expense (benefit)	51,896,475	(199,884,798)
	P115,227,603	P19,920,343
Recognized in Statements of OCI		
Deferred income tax expense (benefit)	P20,439,351	(P22,922,955)

The impact of CREATE Law on the current year's current income and deferred income tax benefit (expense) follows:

	2021
Current Income Tax	
Current year income tax	P16,727,758
Impact of CREATE Law	(16,528,794)
	198,964
Deferred Income Tax Benefit (Expense)	
Current year deferred income tax benefit	(27,120,744)
Impact of CREATE Law	99,456,570
	P72,335,826

Net deferred tax assets consist of:

	2021	2020
Deferred tax assets:		
Loss allowances	P338,461,740	P395,695,572
Net expense accrual	115,645,508	153,164,790
Net Operating Loss Carry Over	25,881,900	-
Net retirement liability	22,040,708	40,722,776
Excess MCIT over RCIT	16,727,758	-
Leases - PFRS 16	11,227,123	-
Accumulated depreciation of investment properties	7,958,592	8,216,065
Unamortized past service costs	5,308,913	5,767,423
Unrealized gain/loss on debt securities	5,188,198	-
Unrealized mark-to-market gain on derivatives	-	15,048,493
	548,440,440	618,615,119
Deferred tax liabilities:		
Unrealized gain on non-financial asset	13,755,898	15,222,367
Revaluation gain on AR trustee	6,658,060	6,653,330
Unrealized mark-to-market gain on derivatives	3,622,886	-
	24,036,844	21,875,697
	P524,403,596	P596,739,422

The movement in the deferred tax balances as recognized in the statements of income and statements of OCI as is follows:

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31, 2021		
				Net	Deferred Tax Assets	Deferred Tax Liabilities
Loss allowances:						
Loans and receivables	P392,952,965	(P62,089,440)	P -	P330,863,525	P330,863,525	P -
Off-balance sheet commitments and contingencies	1,662,701	3,589,407	-	5,252,108	5,252,108	-
Investment properties	614,985	1,065,741	-	1,680,726	1,680,726	-
Interbank loans receivable	-	-	-	-	-	-
Investment securities at amortized cost	52,493	128,782	-	181,275	181,275	-
Investment securities at FVOCI	412,428	71,678	-	484,106	484,106	-
Net expense accrual	153,164,789	(37,519,282)	-	115,645,507	115,645,508	-
Net Operating Loss Carry Over	-	25,881,900	-	25,881,900	25,881,900	-
Net retirement liability	40,722,777	1,757,283	(20,439,351)	22,040,709	22,040,708	-
Excess MCIT over RCIT	-	16,727,758	-	16,727,758	16,727,758	-
Leases - PFRS 16	-	11,227,123	-	11,227,123	11,227,123	-
Accumulated depreciation of investment properties	8,216,065	(257,473)	-	7,958,592	7,958,592	-
Unamortized past service costs	5,767,423	(458,510)	-	5,308,913	5,308,913	-
Unrealized gain/loss on debt securities	-	5,188,198	-	5,188,198	5,188,198	-
Unrealized gain on non-financial asset	(15,222,367)	1,466,469	-	(13,755,898)	-	(13,755,898)
Revaluation gain AR trustee	(6,653,330)	(4,730)	-	(6,658,060)	-	(6,658,060)
Unrealized mark-to-market gain on derivatives	15,048,493	(18,671,379)	-	(3,622,886)	-	(3,622,886)
Deferred tax assets (liabilities)	P596,739,422	(P51,896,475)	(P20,439,351)	P524,403,596	P548,440,440	(P24,036,844)
Breakdown:						
Movement during the year		P40,772,966	(P13,652,222)			
Impact of CREATE Law		(92,669,441)	(6,787,130)			
		(P51,896,475)	(P20,439,351)			

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31, 2020		
				Net	Deferred Tax Assets	Deferred Tax Liabilities
Loss allowances:						
Loans and receivables	P237,801,157	P155,151,808	P -	P392,952,965	P392,952,965	P -
Off-balance sheet commitments and contingencies	1,148,546	514,155	-	1,662,701	1,662,701	-
Investment properties	929,051	(314,066)	-	614,985	614,985	-
Interbank loans receivable	-	-	-	-	-	-
Investment securities at amortized cost	163,387	(110,894)	-	52,493	52,493	-
Investment securities at FVOCI	-	412,428	-	412,428	412,428	-
Net expense accrual	120,993,686	32,171,103	-	153,164,789	153,164,789	-
Net retirement liability	17,799,822	-	22,922,955	40,722,777	40,722,777	-
Accumulated depreciation of investment properties	6,732,718	1,483,347	-	8,216,065	8,216,065	-
Unamortized past service costs	7,463,670	(1,696,247)	-	5,767,423	5,767,423	-
Unrealized mark-to-market gain on derivatives	5,289,557	9,758,936	-	15,048,493	15,048,493	-
Unrealized gain on non-financial asset	(17,502,041)	2,279,674	-	(15,222,367)	-	(15,222,367)
Revaluation gain AR trustee	(6,887,884)	234,554	-	(6,653,330)	-	(6,653,330)
Deferred tax assets (liabilities)	P373,931,669	P199,884,798	P22,922,955	P596,739,422	P618,615,119	(P21,875,697)

The Bank did not recognize deferred tax assets on the following:

	2021		2020	
	Tax Base	DTA	Tax Base	DTA
Loss allowance	P76,199,093	P19,049,773	P71,014,500	P21,304,350
Excess of MCIT over RCIT	-	-	75,761	75,761
	P76,199,093	P19,049,773	P71,090,261	P21,380,111

The unrecognized deferred tax assets on loss allowance and excess of MCIT over RCIT pertain to FCDU books to which management believes that it is not likely that sufficient taxable profits will be available to allow the related deferred tax benefits to be realized in the future.

The reconciliation between the statutory income tax and income taxes follows:

	2021	2020	2019
Income tax expense at statutory rate	P31,671,604	P61,691,218	P108,063,498
Tax effects of:			
Deferred tax asset	51,896,475	(199,884,798)	(150,665,692)
Nondeductible interest expense	14,900,060	26,201,683	21,806,089
FCDU loss (income)	(11,466,267)	(34,429,391)	(1,227,897)
Nondeductible operating expense	10,070,201	53,424,746	41,284,608
Tax-paid (tax-exempt income)	(6,963,897)	(51,726,848)	(27,740,393)
Others:			
Nondeductible loss allowance	131,817,509	247,897,043	139,986,676
Nondeductible written off accounts	(117,505,902)	(91,894,926)	(109,539,408)
Net Operating Loss Carry Over	25,881,900	-	-
Excess MCIT over RCIT	16,727,758	-	-
Nontaxable trading loss (gains)	(12,765,046)	9,447,994	17,748,931
Nontaxable other income	(1,400,959)	(2,570,792)	(10,187,974)
Other	(17,635,833)	1,764,414	-
	25,119,427	164,643,733	38,008,225
Effective income tax	P115,227,603	P19,920,343	P29,528,438

The details of the Bank's NOLCO and MCIT are as follows:

NOLCO:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2021	P103,527,600	P -	P103,527,600	2026

Excess MCIT over RCIT:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2021	P16,727,758	P -	P16,727,758	2026

22. Income and Expenses

In the following table, service fees and commission income from contracts with customers in the scope of PFRS 15 is disaggregated by major type of service. The table also includes a reconciliation of the disaggregated service fees and commission income with the Bank's reportable segments (see Note 24).

	2021				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Deposit-related	P -	P1,160	P59,850	(P22)	P60,988
Credit-related	173	25,682	89,992	393	116,240
Miscellaneous	(1)	3,262	32,666	5,403	41,330
	P172	P30,104	P182,508	P5,774	P218,558

	2020				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Deposit-related	P -	P2,552	P75,576	(P56)	P78,072
Credit-related	466	24,839	49,080	33	74,418
Miscellaneous	(1)	1,895	25,660	4,847	32,401
	P465	P29,286	P150,316	P4,824	P184,891

	2019				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Deposit-related	P -	P2,471	P90,914	P96	P93,481
Credit-related	71	37,437	44,335	(47)	81,796
Miscellaneous	-	2,158	44,250	6,571	52,979
	P71	P42,066	P179,499	P6,620	P228,256

Miscellaneous income consists of:

	2021	2020	2019
Recovery on charged-off assets	P64,386,845	P32,881,182	P52,067,687
Income from trust division	8,379,988	9,239,346	10,513,971
Income from assets acquired	6,371,132	4,114,581	12,030,487
Dividend income	2,145,000	8,443,000	1,622,000
Rent income - safety deposit box	655,551	617,927	637,117
Gain (loss) on disposal of property and equipment	67,566	1,230,250	(145,870)
Unrealized gain from non- financial assets	-	217,615	7,636,138
Other income	28,828,755	32,916,717	38,235,900
	P110,834,837	P89,660,618	P122,597,430

Other income mainly consists of proceeds from sale of cash cards. The following table shows the disaggregation of other income by the reportable segments of the Bank.

	2021	2020	2019
Retail banking	P26,513,290	P28,824,181	P32,074,588
Institutional banking	2,342,471	2,672,499	4,703,612
Treasury	(47,959)	669,762	307,537
Others	20,953	750,276	1,150,163
	P28,828,755	P32,916,718	P38,235,900

Miscellaneous expenses consist of:

	2021	2020	2019
Insurance	P77,549,294	P80,575,613	P79,240,969
Management and professional fees	32,549,907	45,622,000	53,783,953
Postage and cable	26,593,127	27,699,451	24,911,017
Office supplies	22,020,940	37,058,786	42,973,043
Banking and supervision fees	19,036,621	17,706,330	16,332,915
Travel and transportation	17,952,087	14,875,395	10,177,911
Telecommunications	7,003,461	8,276,511	7,962,754
Litigation	6,666,644	7,644,625	15,608,861
Advertising	4,452,308	12,559,186	5,386,191
Donation	3,725,672	-	-
Bank charges	3,334,347	2,860,183	2,768,698
Membership dues	1,630,655	1,612,133	2,305,255
Freight	1,205,889	1,036,753	1,644,285
Fuel and lubricants	902,905	458,489	312,423
Entertainment and representation	202,765	509,768	1,244,282
Other expenses	44,176,511	49,546,906	51,455,848
	P269,003,133	P308,042,129	P316,108,405

Other expenses consist of fees paid for periodicals, VISA and check processing.

The following table shows the disaggregation of other expense by the reportable segments of the Bank.

	2021	2020	2019
Retail banking	P33,477,364	P35,628,003	P38,085,489
Treasury	2,249,302	2,947,966	6,228,757
Institutional banking	(1,479,479)	1,546,070	2,474,133
Others	9,929,324	9,424,867	4,667,469
	P44,176,511	P49,546,906	P51,455,848

23. Basic/Diluted Earnings Per Share

Earnings per share is computed as follows:

	2021	2020	2019
Net income	P11,458,814	P186,378,835	P330,683,222
Weighted number of shares outstanding	348,307,202	339,596,067	261,653,668
Basic/diluted earnings per share	P0.03	P0.55	P1.26

There are no potentially dilutive shares as at December 31, 2021, 2020 and 2019. Accordingly, diluted EPS is the same as basic EPS.

24. Operating Segment Information

The Bank is organized based on the products and services that it offers and operates three principal areas namely: Treasury, Institutional Banking and Retail Banking.

Treasury - principally provides money market, trading and treasury services, as well as the management of the Bank's funding operations by use of government securities and placements and acceptances with other banks.

Institutional Banking - principally handles loans, trade finance and other credit facilities and deposit and current accounts for institutional customers.

Retail Banking - addresses the individual and retail markets. It covers deposit taking and servicing, consumer lending such as home mortgages and personal loans.

Others - principally handling supportive roles which are performed by Operations, Finance Group, Institutional Credit Risk Management Group and Retail Credit Management Group and other divisions under the direct stewardship of the Office of the President.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported at the net as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Bank has no significant customers which contributes 10.0% or more of the total revenue, net of interest expense.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.

The following table presents revenue and income information of operating segments presented in accordance with PFRS as of and for the years ended December 31, 2021, 2020 and 2019 (amount in thousands):

	2021				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Net interest income					
Third party	P371,483	P890,564	P1,127,708	(P659)	P2,389,096
Intersegment	(65,706)	(85,389)	151,223	(128)	-
	305,777	805,175	1,278,931	(787)	2,389,096
Non-interest income	(22,168)	35,456	313,964	6,242	333,494
Revenue - net of interest expense	283,609	840,631	1,592,895	5,455	2,722,590
Less: Non-interest expenses	111,671	510,221	1,122,501	851,511	2,595,904
Income (loss) before income taxes	171,938	330,410	470,394	(846,056)	126,686
Less: Income taxes	22,750	(6,163)	100,636	(1,996)	115,227
Net income(loss)	P149,188	P336,573	P369,758	(P844,060)	P11,459
Service fees and commission income	P172	P30,104	P182,509	P5,773	P218,558
Depreciation and amortization	P4,243	P14,899	P72,869	P71,768	P163,779
Software amortization	P6	P12,713	P17,995	P29,806	P60,520
Impairment losses	P858	P244,895	P283,714	(P1,275)	P528,192

	2020				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Net interest income					
Third party	P247,801	P1,076,521	P1,195,499	P660	P2,520,482
Intersegment	(128,600)	(138,317)	267,157	(240)	-
	119,201	938,204	1,462,656	420	2,520,482
Non-interest income	358,869	33,519	257,126	6,834	656,348
Revenue - net of interest expense	478,070	971,723	1,719,782	7,254	3,176,830
Less: Non-interest expenses	151,752	649,247	1,291,530	878,002	2,970,531
Income (loss) before income taxes	326,318	322,476	428,252	(870,748)	206,299
Less: Income taxes	127,472	(84,503)	(23,094)	46	19,921
Net (loss) income	198,846	406,979	451,346	(870,794)	186,378
Service fees and commission income	P465	P29,286	P150,316	P4,824	184,891
Depreciation and amortization	P3,949	P10,432	P66,979	P68,764	150,124
Software amortization	P6	P12,699	P18,239	P23,439	P54,383
Impairment losses	P764	P383,604	P443,494	P901	P828,763

	2019				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Net interest income					
Third party	P158,855	P934,404	P1,185,330	P -	P2,278,589
Intersegment	(82,927)	(244,462)	327,676	(287)	-
	75,928	689,942	1,513,006	(287)	2,278,589
Non-interest income	283,187	59,212	304,598	8,361	655,358
Revenue - net of interest expense	359,115	749,154	1,817,604	8,074	2,933,947
Less: Non-interest expenses	157,656	501,766	1,143,859	770,454	2,573,735
Income (loss) before income taxes	201,459	247,388	673,745	(762,380)	360,212
Less: Income taxes	81,056	2,346	(53,972)	99	29,529
Net (loss) income	P120,403	P245,042	P727,717	(P762,479)	P330,683
Service fees and commission income	P71	P42,066	P179,500	P6,619	P228,256
Depreciation and amortization	P2,796	P6,701	P72,167	P66,263	P147,927
Software amortization	P4	P12,700	P15,603	P13,583	P41,890
Impairment losses	P804	P215,410	P291,620	P1,079	P508,913

Segment information for the statements of financial position is as follows (amounts in thousands):

	Year	Segment Assets	Segment Liabilities	Capital Expenditures
Treasury	2021	P14,633,460	P149,878	P420
	2020	13,904,057	247,381	7,129
Institutional Banking	2021	24,656,143	14,817,694	4,972
	2020	24,056,316	16,402,450	17,124
Retail Banking	2021	12,556,065	25,849,230	9,215
	2020	12,333,968	22,227,108	14,833
Others	2021	1,061,367	1,424,939	22,397
	2020	1,157,314	1,661,851	26,385
Total	2021	P52,907,035	P42,241,741	P37,004
Total	2020	P51,451,655	P40,538,790	P65,471

Presented below is the summary of information on reportable segments:

	2021	2020	2019
Revenues - net of interest expense			
Total revenue for reportable segments	P2,722,590	P3,176,830	P2,933,947
Income before Taxes			
Total profit for reportable segments	126,686	206,299	360,212
	2021	2020	
Assets			
Total assets for reportable segments	P52,907,035	P51,451,655	
Liabilities			
Total liabilities for reportable segments	42,241,741	40,538,790	

25. 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 subjected 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.

The Bank treats other subsidiaries and branch offices of the Parent Bank as related parties (collectively referred to as "entities under common control").

The Bank has loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.0% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the respective total regulatory capital or 15.0% of total loan portfolio, whichever is lower.

On March 15, 2004, the BSP issued Circular 423 which provides for the amended definition of DOSRI accounts. It clarifies that loans granted to officers and employees under an approved fringe benefit program is excluded from the individual ceiling but is subject to 5.0% aggregate ceiling.

The following table shows information relating to DOSRI/Related Party loans (in thousands):

	2021		2020	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Total outstanding loans	P -	P -	P -	P -
Percent of DOSRI/Related Party loans to total loan portfolio	0.0%	0.0%	0.0%	0.0%
Percent of unsecured DOSRI/Related Party loans to total loans	Nil	Nil	Nil	Nil
Percent of past due DOSRI/Related Party loans to total loans	Nil	Nil	Nil	Nil

None of the Bank's Directors have any self-dealing/related party transactions with the Bank directly by themselves in 2021 and 2020.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of bank's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

The significant account balances with respect to related parties included in the financial statements (after appropriate eliminations have been made) are as follows:

Category/Transaction	Year	Amount of the Transaction	Outstanding Balance		Terms	Conditions
			Due from Related Parties	Due to Related Parties		
Parent						
Current Deposits						
Deposits	2021	P -	P -	P -	Demandable;	Unsecured;
Withdrawals		(13,815,968)	-	-	non-interest bearing	no impairment
Deposits	2020	7,597,865,432	13,815,968	-	Demandable;	Unsecured;
Withdrawals		7,536,220,955	-	-	non-interest bearing	no impairment
Current Deposits						
Deposits	2021	59,869,098	-	59,869,098	Demandable;	Unsecured
Withdrawals		-	-	-	non-interest bearing	
Deposits	2020	51,625,056	-	51,625,056	Demandable;	Unsecured
Withdrawals		-	-	-	non-interest bearing	
Entities under Common Control						
Bills Payable from CTBC - Singapore						
Availments	2021	127,695,222	-	-	3 years;	Unsecured;
Settlements		-	-	2,039,960,000	interest bearing	no impairment
Availments	2020	-	-	-	1-3 months and 3 years;	Unsecured;
Settlements		(1,866,822,140)	-	1,912,264,778	interest bearing	no impairment
Interest Expense on Bills Payable						
	2021	30,931,210	-	187,316	Demandable;	Unsecured;
	2020	62,054,493	-	245,024	Demandable;	Unsecured;
					interest bearing	no impairment

Forward

Category/Transaction	Year	Amount of the Transaction	Outstanding Balance		Terms	Conditions
			Due from Related Parties	Due to Related Parties		
<i>Current Deposits to CTBC - Hongkong</i>						
Deposits	2021	P51,385,778	P13,099,570	P -	Demandable;	Unsecured;
Withdrawals		(51,970,715)	-	-	non-interest bearing	no impairment
Deposits	2020	28,926,749	13,017,435	-	Demandable;	Unsecured;
Withdrawals		(47,161,954)	-	-	non-interest bearing	no impairment
<i>Current Deposits to CTBC - Canada</i>						
Deposits	2021	57,993,674	1,122,993	-	Demandable;	Unsecured;
Withdrawals		(60,905,142)	-	-	non-interest bearing	no impairment
Deposits	2020	47,887,036	1,854,056	-	Demandable;	Unsecured;
Withdrawals		(49,492,488)	-	-	non-interest bearing	no impairment
Other Related Parties						
Employees' retirement fund held by Trust Operations						
<i>Deposit Liabilities</i>						
Deposits	2021	217,819,580	-	4,341,725	1 - 3years,	Secured,
Withdrawals		(217,752,695)	-	-	interest bearing	no impairment
Deposits	2020	225,371,220	-	4,294,695	1 - 3years,	Secured,
Withdrawals		(222,656,402)	-	-	interest bearing	no impairment
TOTAL	2021		P14,222,563	P2,100,016,414		
TOTAL	2020		P28,687,459	P1,968,429,553		

All transactions with related parties are to be settled in cash.

Impairment losses recognized on loans and receivables from key management personnel is P0.1 million for the year ended December 31, 2021 (2020: P1.4 million; 2019: P0.3 million).

The remuneration of directors and other members of key management personnel are as follows:

	2021	2020	2019
Short-term benefits	P119,034,654	P99,796,246	P91,591,501
Post-employment benefits	12,859,913	5,179,931	-
Other long-term benefits	2,363,311	1,929,633	1,929,633
	P134,257,878	P106,905,810	P93,521,134

In accordance with the Bank's By-Laws, profit share of officers and employees is computed at 10.0% of net income after tax.

The Bank's compensation to Key Management Personnel is shown as part of "Compensation and fringe benefits" in the statements of income.

Furthermore, the Bank has a separate funded noncontributory defined benefit plans covering substantially all its officers and regular employees. Under this retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The Bank's employee benefit fund (or "retirement plan asset") is in the form of a trust account being maintained by the Bank's Trust Operations Department.

As discussed in Note 19, the Bank's retirement plan assets are invested in various debt and equity instruments, such as government securities, corporate papers, equity securities traded in PSE, as well as investments in BSP's special deposit account and placements with the Bank. The Bank's retirement plan assets do not have investments in real properties.

Other than placements with the Bank, the Bank's retirement plan assets do not have investments in securities, whether debt or equity, issued by the Bank as at December 31, 2021 and 2020.

As at December 31, 2021 and 2020, the carrying values of the Bank's retirement plan assets, which approximate its fair value, amounted to P208.4 million and P202.1 million, respectively (see Note 19).

26. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as at December 31, 2021 and 2020 and are not indicative of either market risk or credit risk (in thousands).

	2021		Notional Amount
	Assets	Liabilities	
Freestanding Derivatives - Currency forwards and swaps			
Buy:			
USD/PHP	P99,721	P -	USD55,765
Sell:			
USD/PHP	41,230	126,239	USD2,936,385
	P140,951	P126,239	
	2020		Notional Amount
	Assets	Liabilities	
Freestanding Derivatives - Currency forwards and swaps			
Buy:			
USD/PHP	P635	P231,750	USD168,455
Sell:			
USD/PHP	181,031	42	USD160,715
	P181,666	P231,792	

The Bank entered into currency forwards and swap contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. Currency swaps are contractual agreements to exchange principal and interest payments at fixed intervals denominated in two different currencies.

The net movements in fair value changes of derivatives are as follows (amount in thousands):

	2021	2020
Net derivative asset at beginning of year	(P50,125)	(P22,159)
Net changes in fair value of derivatives	64,868	(32,526)
Fair value of settled contracts	(31)	4,560
Net derivative asset at end of year	P14,712	(P50,125)

27. Classification and Measurement of Financial Instruments under PFRS 9

The following table provides a reconciliation between line items in the statements of financial position and categories of financial instruments:

	Note	2021					Total Carrying Amount
		Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortized Cost	
Financial Assets							
Cash and other cash items	17	P -	P -	P -	P -	P598,248,744	P598,248,744
Due from BSP	17	-	-	-	-	4,720,099,954	4,720,099,954
Due from other banks	17	-	-	-	-	1,192,416,156	1,192,416,156
Interbank loans receivable		-	-	-	-	696,003,036	696,003,036
Financial assets at FVTPL	7, 17	699,595,874	-	-	-	-	699,595,874
Financial assets at FVOCI	7, 17	-	-	5,423,455,790	13,538,317	-	5,436,994,107
Investment securities at amortized cost	7, 17	-	-	-	-	6,630,902,785	6,630,902,785
Loans and receivables	8	-	-	-	-	31,012,510,260	31,012,510,260
Other assets*	17	-	-	-	-	53,082,632	53,082,632
Total Financial Assets		P699,595,874	P -	P5,423,455,790	P13,538,317	P44,903,263,567	P51,039,853,548
Financial Liabilities							
Deposit liabilities	17	P -	P -	P -	P -	P37,340,057,849	P37,340,057,849
Financial liabilities at FVTPL	17, 26	126,239,470	-	-	-	-	126,239,470
Bills payable	14, 17	-	-	-	-	2,039,960,000	2,039,960,000
Outstanding acceptances	17	-	-	-	-	6,983,390	6,983,390
Manager's checks	17	-	-	-	-	36,138,953	36,138,953
Accrued interest, taxes and other expenses**	17	-	-	-	-	481,157,857	481,157,857
Other liabilities***	17	-	-	-	-	1,958,706,417	1,958,706,417
Total Financial Liabilities		P126,239,470	P -	P -	P -	P41,863,004,465	P41,989,243,935

*Includes returned checks and other cash items and rent deposit.

**Excludes retirement liability, accrued taxes and other non-financial accruals.

***Excludes withholding taxes payable and provision for liability.

		2020					
	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortized Cost	Total Carrying Amount
Financial Assets							
Cash and other cash items	17	P -	P -	P -	P -	P589,312,970	P589,312,970
Due from BSP	17	-	-	-	-	3,781,208,825	3,781,208,825
Due from other banks	17	-	-	-	-	958,810,394	958,810,394
Interbank loans receivable		-	-	-	-	1,198,102,580	1,198,102,580
Financial assets at FVTPL	7, 17	1,100,458,155	-	-	-	-	1,100,458,155
Financial assets at FVOCI	7, 17	-	-	7,960,964,422	13,090,817	-	7,974,055,239
Investment securities at amortized cost	7, 17	-	-	-	-	3,149,232,958	3,149,232,958
Loans and receivables	8	-	-	-	-	30,728,342,120	30,728,342,120
Other assets*	17	-	-	-	-	32,802,078	32,802,078
Total Financial Assets		P1,100,458,155	P -	P7,960,964,422	P13,090,817	P40,437,811,925	P49,512,325,319
Financial Liabilities							
Deposit liabilities	17	P -	P -	P -	P -	P34,268,058,814	P34,268,058,814
Financial liabilities at FVTPL	17, 26	231,791,715	-	-	-	-	231,791,715
Bills payable	14, 17	-	-	-	-	2,909,236,515	2,909,236,515
Outstanding acceptances	17	-	-	-	-	181,632,600	181,632,600
Manager's checks	17	-	-	-	-	123,313,454	123,313,454
Accrued interest, taxes and other expenses**	17	-	-	-	-	548,176,824	548,176,824
Other liabilities***	17	-	-	-	-	2,016,117,203	2,016,117,203
Total Financial Liabilities		P231,791,715	P -	P -	P -	P40,046,535,410	P40,278,327,125

*Includes returned checks and other cash items and rent deposit.

**Excludes retirement liability, accrued taxes and other non-financial accruals.

***Excludes withholding taxes payable and provision for liability.

28. Other Matter - Continuing Impact of Corona Virus Disease 2019 (COVID-19)

As of December 31, 2021, the effects of the COVID-19 pandemic and the Alert Levels set on National Capital Region and nearby cities, has not resulted to material impact on the Bank's liquidity. In addition, year on year comparison of provision for probable losses has shown significant improvement in the Bank's default rate. Notwithstanding this, the Bank remains cognizant of the risks and uncertainties brought about by the pandemic, thus, the Bank maintains its prudent and proactive approach towards maintaining its asset quality.

Other than this, there are no known trends, events, uncertainties that had or reasonably expected to have a material favorable or unfavorable impact on income from continuing operations. There are also no known material commitments for capital expenditures as of reporting date. There are no significant elements of income or loss that arose from the Bank's continuing operations. Likewise, there are no seasonal aspects that had material effect on the financial condition or results of operations.

There are no known events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation. Also, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unconsolidated entities or other persons created as of the reporting date.

29. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements (AFS) to Section 174 of the MORB of the BSP, amended by BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

A. Financial Performance Indicators

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

	2021	2020	2019
a. Net income	P11,458,814	P186,378,835	P330,683,222
b. Average total equity	10,789,079,157	10,147,651,063	8,373,211,275
Return on average equity (a/b)	0.1%	1.8%	3.9%
c. Net income	P11,458,814	P186,378,835	P330,683,222
d. Average total assets	52,179,344,940	53,559,217,955	55,020,839,232
Return on average assets (c/d)	0.0%	0.3%	0.6%
e. Net interest income	P2,389,095,722	P2,520,481,927	P2,278,588,945
f. Average interest earning assets	46,598,264,039	47,836,566,232	49,915,579,319
Net interest margin on average earning assets (e/f)	5.1%	5.3%	4.6%

Note: Average balances were determined as the average of the current and previous calendar balances of the respective statements of financial position accounts.

B. Commitments and Contingencies

In the normal course of business, the Bank enters into various commitments and incurs contingent liabilities that are not presented in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these commitments and contingent liabilities.

For regulatory reporting purposes, the following is a summary of the commitments and contingent liabilities at their equivalent peso contractual amounts (amount in thousands):

	2021	2020
Standby letters of credit	P848,026	P1,265,506
Trust department accounts	1,470,063	1,773,541
Credit commitments	618,192	288,138
Sight/usance import letters of credit	1,329,142	348,264
Outward bills for collection	34,647	1,436,503
Others	3,394	4,331

Securities and other properties held by the Bank in a fiduciary or agency capacity for its customers are not included in the Bank's statements of financial position since these items are not assets of the Bank. As at December 31, 2021 and 2020, total assets held by the Bank's Trust Department amounted to P1.5 billion and P1.8 billion, respectively.

In connection with the trust operations of the Bank, government securities with carrying value of P1.36 billion (face value of P1.38 billion) and P19.8 million (face value of P20.0 million) as of December 31, 2021 and 2020 are deposited with the BSP in compliance with existing banking regulations relative to the trust functions of the Bank.

In compliance with existing BSP regulations, 10.0% of the Bank's income from trust business is appropriated to retained earnings. This yearly appropriation is required until the retained earnings for trust functions equals 20.0% of the Bank's regulatory net worth. No part of such retained earnings shall at any time be paid out as dividends, but losses accruing in the course of business may be charged against such surplus. As at December 31, 2021 and 2020, the reserve for trust functions recorded under "Statutory reserve" in the statements of financial position amounted to P5.0 million.

As at December 31, 2021 and 2020, off-balance sheet commitments and contingent liabilities with credit risk exposure amounted to P2.8 million and P1.9 million. These include unused commercial letters of credit and credit commitments which are subject to ECL.

No sale and repurchase agreements were not recognized in the balance sheet asset as at December 31, 2021 and 2020.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2021 and 2020.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 3, 5 and 18.

30. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued Revenue Regulations (RR) No. 15-2010 for the amendments in certain provisions of RR No. 21-2002, as *Amended, Implementing Section 6(H) of the Tax Code of 1997, Authorizing the Commissioner of Internal Revenue to Prescribe Additional Procedural and/or Documentary Requirements in Connection with the Preparation and Submission of Financial Statements Accompanying the Bank's Tax Returns.*

In compliance with the above RR, the Bank presents information on taxes, duties and license fees paid or accrued during the taxable years.

The details of taxes and licenses account in 2021 are as follows:

Gross receipt tax (GRT)	P147,648,898
Documentary stamp tax	92,179,272
Business licenses	5,275,923
Bank car registration	209,389
Real property tax	172,533
Business taxes	68,002
Annual registration fee	18,000
Community tax certificate	13,000
	P245,585,017

The NIRC of 1997 provides for the imposition of GRT on gross receipts derived by banks from sources within the Philippines. Accordingly, the Bank's gross receipts are subject to GRT as re-imposed in RA No. 9238 beginning January 1, 2004.

Details of the GRT remitted in 2021 are as follows:

	Tax Base	Total Remittances	Balance
Income subject to 5.0%	P2,455,824,100	P112,478,735	P10,312,470
Income subject to 1.0%	22,625,356	217,408	8,846
Other income subject to 7.0%	351,877,712	22,588,089	2,043,351
	P2,830,327,168	P135,284,232	P12,364,667

Documentary Stamp Tax

Movement in documentary stamp tax as follows:

	Balance
Documentary stamps on hand, December 31, 2020	P25,581,473
Purchases (BIR Form 2000)	280,000,000
Documentary stamps used	(286,084,385)
Documentary stamps on hand, December 31, 2021	P19,497,088

Withholding Taxes

Details of total remittances of withholding taxes in 2021 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	P182,229,250	P21,939,986
Final withholding tax on interest on deposits	32,094,765	2,486,611
Expanded withholding taxes	22,390,207	1,982,789
	P236,714,222	P26,409,386

Outstanding amount of withholding taxes are included in “Other liabilities” account in the statements of financial position.

Deficiency Tax

On March 16, 2015, the Bank received a Preliminary Assessment Notice (PAN) from the BIR, covering the taxable year 2011, amounting to P200.6 million, inclusive of penalties and interest. The said PAN pertains to the allocation of expenses under Revenue Regulations No. 4-2011 (RR 4-11).

In relation to RR 4-11, on April 6, 2015, several local banks and branches of foreign banks, including the Bank, filed a Petition for Declaratory Relief (with urgent application for the issuance of a Temporary Restraining Order and/or a Writ of Preliminary Injunction) with the Makati Regional Trial Court (RTC).

On April 27, 2015, the Makati RTC granted the application for a Writ of Preliminary Injunction and issued an Order stopping the BIR from enforcing, carrying-out, and implementing RR 4-11. The BIR moved for the reconsideration, but the same was denied. The case is now undergoing pre-trial conference which will eventually lead to trial stage proper. Pending these incidents, however, the court issued injunction against the BIR stays. Pre-trial conference was concluded in 2017, with Makati RTC directing the submission of legal memorandum. Both plaintiff and defendant complied with the court’s directive. With the submission of the legal memoranda, Makati RTC has considered the case submitted for decision.

On June 26, 2018, our external counsel, ACCRA Law Office, received RTC-Makati’s ruling which favoured the consortium banks and nullified the BIR regulation (RR 4-11) which then BIR Commissioner Henares issued and from where the tax assessments arose. In other words, the Court absolved the banks from their alleged tax liabilities. In its November 2018 report, ACCRA Law Office informed the consortium banks that BIR filed an appeal with the Supreme Court and ACCRA Law Office is now waiting for the Supreme Court’s resolution whether it will reject/dismiss the appeal outright, or direct the consortium banks to file their Comment on this appeal before rendering its decision.

Acting on BIR’s appeal, the Supreme Court issued its Resolution dated March 27, 2019 requiring the banks to submit their comment on BIR’s petition. As required, our external counsel, ACCRA Law Office, submitted the Comment which opposed the BIR’s appeal and prayed for the confirmation of RTC-Makati’s ruling. Both BIR and the banks are now waiting for further orders or resolution from the Supreme Court.

On December 7, 2020, ACCRA Law Office received a Resolution from the Supreme Court which required the Office of the Solicitor General (OSG), the counsel of BIR, to file its Reply to the Comment which the banks filed earlier. It is expected that the OSG will be filing anytime soon the required Reply.

The Office of the Solicitor General (OSG), the counsel of BIR, filed its Consolidated Reply dated March 30, 2021. No new resolution or ruling yet from the Supreme Court as of this time.

31. Sustainable Finance Framework

The Bank recognizes that monitoring of Environment and Social Risks shall be of high priority in the coming years given the Parent Bank initiatives and local regulatory requirements such as the BSP Circular 1085, *Sustainable Finance Framework*, and BSP Circular 1128's, *Environmental and Social Risk Management Framework*, directive for all financial institutions to develop sustainable finance policy framework and environmental and social risk management framework.

The Bank has launched its three-year sustainability transition plan in response to the abovementioned BSP Circulars. To this end, the Bank aims to embed sustainability principles including environment and social risk areas, into our corporate governance framework, risk management systems, and strategic objectives consistent with the size, risk profile, and complexity of our operations.

The transition plan was approved by the Board of Directors on December 17, 2020. A working group was set up to focus on the launch and implementation of the initiative. It is comprised of the Enterprise Risk Management Group, Institutional Banking Group, Retail Banking Group, Retail Credit Management Group, Institutional Credit Management Group, Human Resources and Administration Group, Finance Group, Information Technology Group, Information Security, and Internal Audit. The transition will be done in phases and will be fully implemented on or before the due date of May 15, 2023. The Bank has completed the risk appetite setting on July 31, 2021, applicability assessment on September 30, 2021 and the action plan on December 31, 2021. The implementation of the action plan will commence in January 2022 and will last until December 2022.

The Risk Governance Policy has been updated to include the roles and responsibilities and policies on Environment and Social Risks of the Parent Bank have been adapted to the local setting. The other policies, guidelines and manuals impacted by the Circulars will also be updated in 2022.

Environmental, Social and Governance (ESG) considerations will be included in the stress testing exercise starting 2023 upon completion of the transition plan implementation.

CTBC BANK (PHILIPPINES) COMMERCIAL BANK CORPORATION
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Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C: Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D: Long-Term Debt
Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)
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CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
DECEMBER 31, 2021**

Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning¹	P11,458,814
Net income during the year closed to retained earnings	
Less: Non-actual/unrealized income (expenses)	
Unrealized foreign exchange gain-net (except those attributable to cash and cash equivalents)	62,811,131
Fair value adjustment (marking to market gains)	(13,327,748)
Fair value adjustment of investment properties during the year	6,371,132
Deferred tax benefit	(51,896,475)
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	955,569
Net income (loss) actually realized during the year	13,991,602
Add/Less:	
Dividend declaration during the period	
Appropriations of Retained Earnings during the period	
Trust operations	
Minimum capital requirements per BSP Circular No. 854, BASEL III requirements, and ICAAP ¹	(13,991,602)
Reversal of appropriations	
Effects of prior period adjustments	
Total retained earnings, available for dividend declaration¹, ending	P -

¹ - At the regular meeting of the BOD held on June 23, 2015, the BOD approved the restriction of the full amount of retained earnings for the following purposes:

- i.) to comply with minimum capital requirement set forth under BSP Circular No. 854.
- ii.) to comply with the requirements of the ICAAP pursuant to BSP Circular No. 639; and
- iii.) to provide for buffer in preparation for BASEL III requirements

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SCHEDULES REQUIRED BY ANNEX 68-J
DECEMBER 31, 2021

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
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CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
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SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2021

Financial Assets

Below is the detailed schedule of financial assets in equity and debt securities of the Bank as of December 31, 2021:

Name of Issuing Entity and Association of Each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Year	Income Received and Accrued
Financial Assets at FVTPL					
Government securities:					
Retail treasury bonds	n/a				
Philippine treasury bills	n/a	P567,203,449	P558,644,860	P558,644,860	(P8,468,596)
Sub-total		567,203,449	558,644,860	558,644,860	(8,468,596)
Derivative assets					
Amerton	n/a	208,418,400	5,790,310	-	-
HinduJaGlobal	n/a	1,479,485,500	53,404,925	-	-
SeaOil	n/a	450,885,000		-	-
VXI	n/a	1,042,805,750	40,525,364	-	-
BDO Unibank, Inc.	n/a	3,908,382,000	87,000	-	-
Bank of the Philippine Islands	n/a	1,242,775,000	14,843,748	-	-
Metropolitan Bank and Trust Co.	n/a	995,800,000	8,542,468	-	-
PNB	n/a	763,150,000	699,585	-	-
Security Bank	n/a	996,625,000	16,910,616	-	-
Robinsons Savings Bank	n/a	152,997,000	147,000	-	-
Sub-total		P11,241,323,650	P140,951,016	P -	P -
Financial Assets at FVOCI					
Government securities:					
Republic of the Philippines (ROP) bonds	n/a	P4,395,004,277	P4,881,367,934	P4,881,367,934	(P228,232,077)
Republic of Indonesia (ROI) bonds	n/a	235,013,592	4,505,120	4,505,120	(31,023)
Private Debt securities	n/a	230,000,000	231,586,016	231,586,016	1,586,789
United States treasury bills	n/a	305,992,523	305,996,720	305,996,720	3,857
Sub-total		5,706,010,391	5,423,455,790	5,423,455,790	(226,672,454)
Equity securities:					
BANCNET	50,000	-	6,940,717	n/a	-
PCHC	21,000	-	5,000,100	n/a	-
BAP		-	500,000	n/a	-
Orchard Gold and Country Club	1	-	767,500	767,500	-
Subic Bay Yacht Club Corporation	1	-	330,000	330,000	-
Sub-total		P -	P13,538,317	P1,097,500	P -
Investment Securities at Amortized Cost					
Government securities:					
ROP bonds	n/a	P6,585,796,871	P6,442,740,213	P6,442,740,213	
ROI bonds	n/a	173,396,727	168,313,748	168,313,748	
Philippine treasury bills	n/a	19,691,250	19,848,824	19,848,824	
Total		P6,778,884,848	P6,630,902,785	P6,630,902,785	

PART II - SCHEDULE B

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**
DECEMBER 31, 2021

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
Employee Loans/Total	P19,632,568	P3,732,986	(P10,648,654)	P -	P12,586,771	P130,129	P12,716,900

PART II - SCHEDULE C

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
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**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Name and Designation of Debtor	Balance at Beginning Period	Additions	Amounts Collected	Amounts Written Off	Current	Noncurrent	Balance at End of Period
None to report							

PART II - SCHEDULE D

CTBC BANK (PHILIPPINES) CORPORATION
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SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2021

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption “Current Portion of Long-Term Debt” in related balance sheet	Amount shown under caption “Long-Term Debt” in related balance sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Deposit liabilities - time	P244,368,423	P -	P244,368,423		Various	Various
Deposit liabilities - time	USD5,938,331	P -	USD5,938,331		Various	Various

CTBC BANK (PHILIPPINES) CORPORATION
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SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2021

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
CTBC Bank Co. Ltd.	P1,912,264,778	P2,039,960,000	3 years; interest bearing; unsecured

PART II - SCHEDULE F

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
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SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2021

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
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None to report

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2021

Title of issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common shares	400,000,000	400,000,000		347,319,203 Additional common shares and reissuance of treasury shares in September 2019	60	987,939

Required information is disclosed in Note 18: Equity to the basic financial statements of the Bank.

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
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SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2021

Liquidity Ratios

The ratios for the years 2021 and 2020 are as follows:

	2021	2020
Current assets	P26,053,174,320	P26,441,741,810
Current liabilities	41,288,258,548	39,263,857,244
Ratio of current assets to current liabilities	63.1%	67.3%
Net liquid assets ¹	P11,197,000,422	P13,698,125,715
Total deposits	37,340,057,849	34,268,058,814
Ratio of net liquid assets to total deposits	30.0%	40.0%

Solvency Ratio

The ratios for the years 2021 and 2020 are as follows:

	2021	2020
Total liabilities	P42,241,741,374	P40,538,790,192
Total equity	10,665,293,676	10,912,864,638
Ratio of debt to equity	396.1%	371.5%

Assets to Equity Ratio

The ratios for the years 2021 and 2020 are as follows:

	2021	2020
Total assets	P52,907,035,050	P51,451,654,830
Total equity	10,665,293,676	10,912,864,638
Ratio of total assets to equity	496.1%	471.5%

Interest Rate Coverage Ratio

The ratios for the years 2021 and 2020 are as follows:

	2021	2020
Income before interest and taxes	P363,499,945	P708,851,375
Interest expense	236,813,528	502,552,196
Interest coverage ratio	153.5%	141.1%

PART IV - SCHEDULE A*Profitability Ratios*

The ratios for the years 2021 and 2020 are as follows:

	2021	2020
Net income	P11,458,814	P186,378,835
Average total equity ²	10,789,079,157	10,147,651,063
Return on average equity	0.1%	1.8%
Net income	P11,458,814	P186,378,835
Average total assets ²	52,179,344,940	53,559,217,955
Return on average assets	0.0%	0.3%
Net interest income	P 2,389,095,722	P2,520,481,927
Average interest earning assets ²	46,598,264,039	47,836,566,232
Net interest margin on average earning assets	5.1%	5.3%

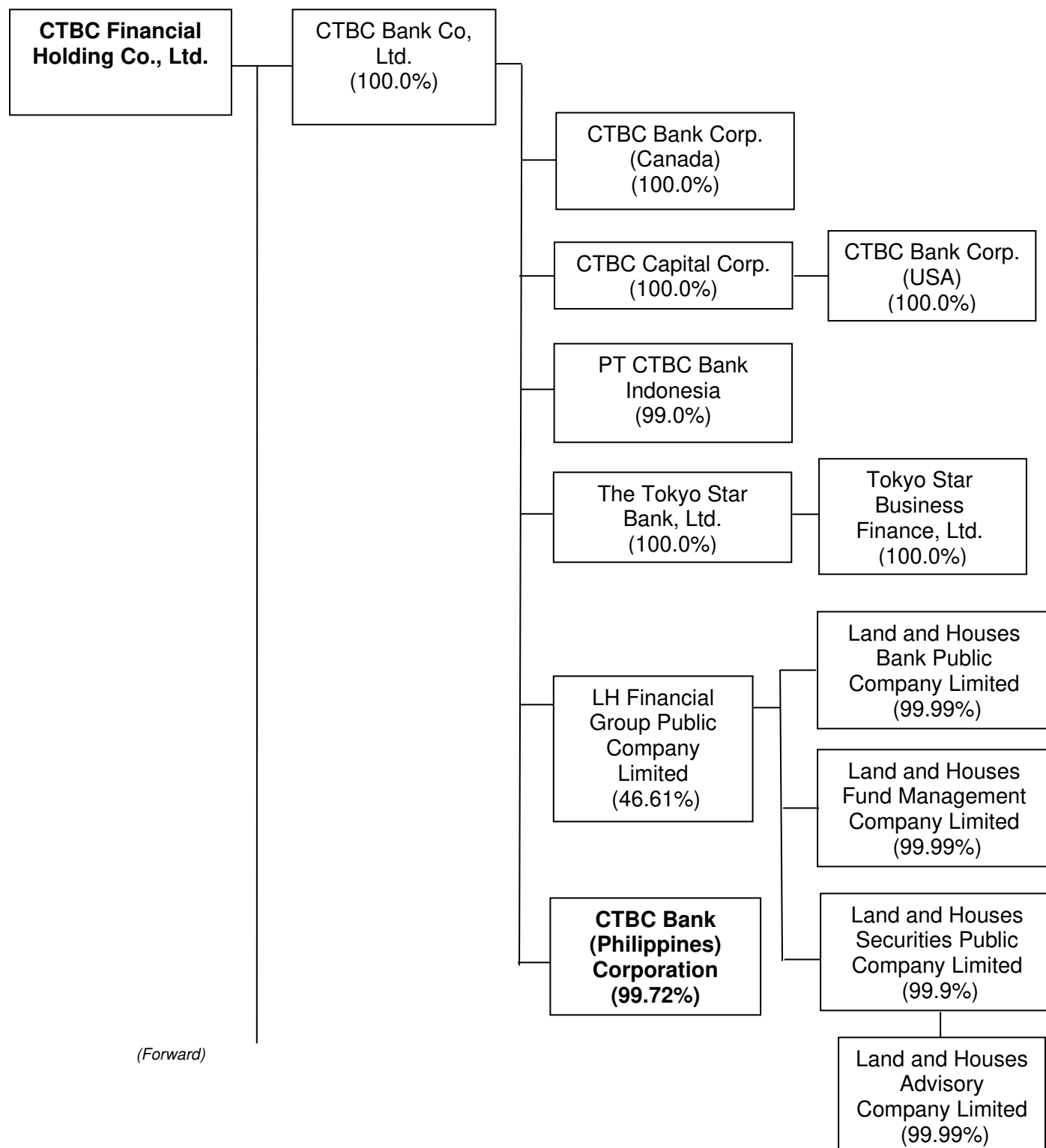
^{1/} Net liquid assets consist of cash, due from BSP, due from other banks, interbank loans, securities held for trade and available for sale less derivatives liabilities and interbank borrowings.

^{2/} Average balances were determined as the average of the current and previous calendar balances of the respective statements of financial position accounts.

CTBC BANK (PHILIPPINES) CORPORATION
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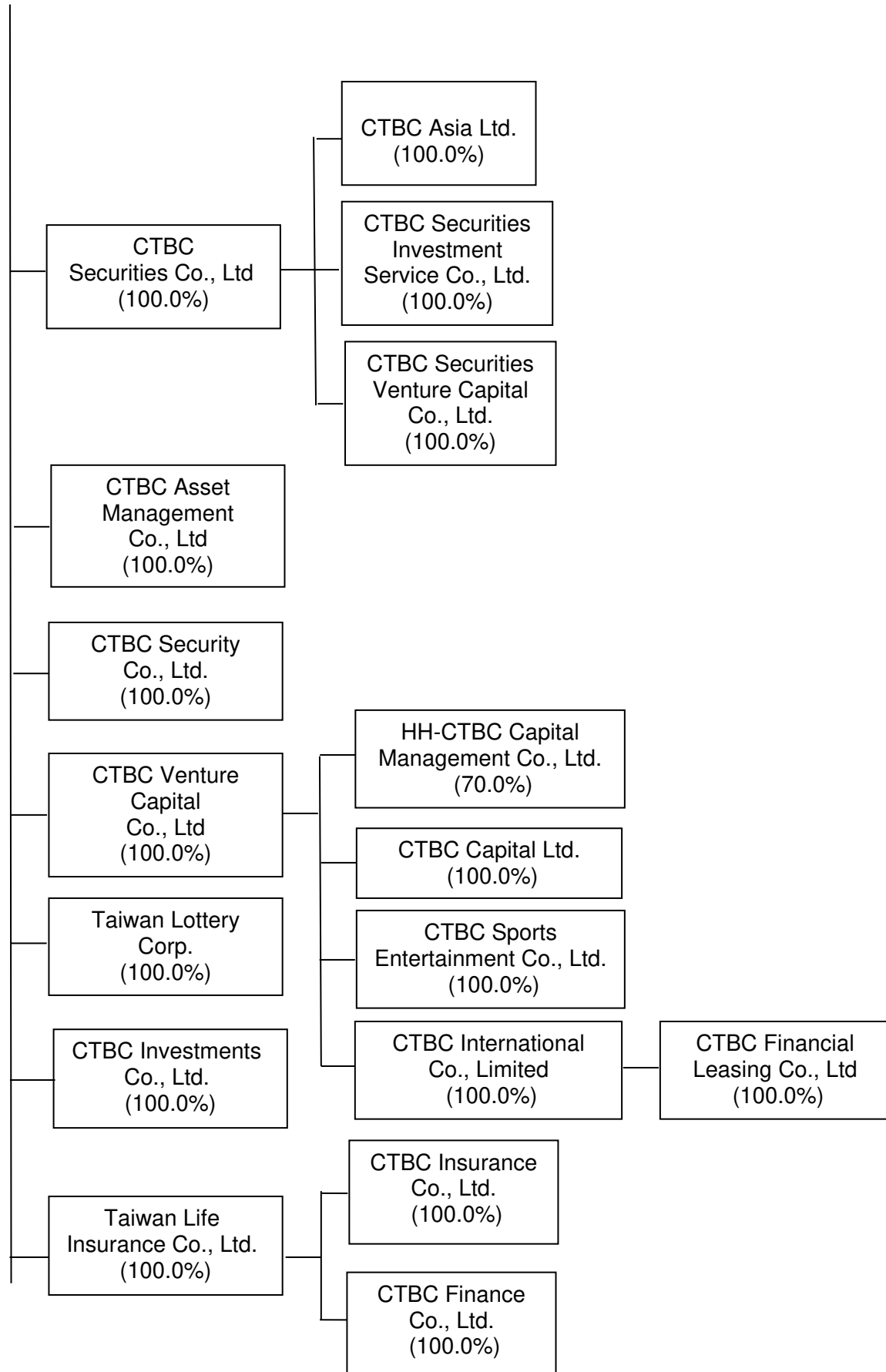
RELATIONSHIP MAP
DECEMBER 31, 2021

Below is a map showing the relationship between and among the Group and its ultimate parent Bank, subsidiaries, and associates as of December 31, 2021



(Forward)

PART IV - SCHEDULE A



Amendment to PFRS 7, Disclosure: Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangements of 'similar agreement,' irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a. Gross amounts of those recognized financial assets and recognized financial liabilities;
- b. Amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statements of financial position;
- c. Net amounts presented in the statements of financial position;
- d. Amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32;
 - Amounts related to financial collateral (including cash collateral); and
- e. Net amount after deducting the amounts in (d) from the amounts in (c) above.

Pursuant to the amendments to PFRS 7 requiring the Bank to disclose information about rights to offset and related arrangements, the Bank's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020 are as follows (in millions):

	2021					
	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Statements of Financial Position	Net Amounts of Financial Assets Presented in the Statements of Financial Position	Related Amounts not Offset in the Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
Financial Assets						
Derivatives-trading assets	P181	P -	P181	P -	P -	P -
Derivatives held for risk management	-	-	-	-	-	-
Reverse sale and repurchase, securities borrowing and similar agreements	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-
Total	P181	P -	P181	P -	P -	P -
Financial Liabilities						
Derivatives-trading liabilities	P126	P -	P126	P -	P -	P -
Derivatives held for risk management	-	-	-	-	-	-
Sale and repurchase, securities lending and similar agreements	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Total	P126	P -	P126	P -	P -	P -

PART IV - SCHEDULE B

2020						
	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Statements of Financial Position	Net Amounts of Financial Assets Presented in the Statements of Financial Position	Related Amounts not Offset in the Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
Financial Assets						
Derivatives-trading assets	P181	P -	P181	P -	P -	P -
Derivatives held for risk management	-	-	-	-	-	-
Reverse sale and repurchase, securities borrowing and similar agreements	-	-	-	-	-	-
Loans and receivables	-	-	-	2,369	2,369	-
Total	P181	P -	P181	P2,369	P2,369	P -
Financial Liabilities						
Derivatives-trading liabilities	P232	P -	P232	P -	P -	P -
Derivatives held for risk management	-	-	-	-	-	-
Sale and repurchase, securities lending and similar agreements	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Total	P232	P -	P232	P -	P -	P -

The gross amounts of recognized financial assets and financial liabilities and their net amounts as presented in the statements of financial position are on the following basis:

- Derivative assets and liabilities - fair value;
- Assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing - amortized cost;
- Loans and advances to customers - amortized cost; and
- Customer deposits - amortized cost.

The amounts that are offset in the statements of financial position are measured on the same basis.

The tables below reconcile the 'net amounts of financial assets and financial liabilities presented in the statements of financial position,' as set out above, to the line items presented in the statements of financial position are as follows (in millions):

2021					
Types of Financial Assets	Note	Net Amounts	Line Item in The Statement of Financial Position	Carrying Amount in Statement of Financial Position	Financial Assets not in Scope of Offsetting Disclosures
Derivative-trading assets	7	P141	Financial Assets at FVPL	P -	P -
Derivatives held for risk management		-	-	-	-
Reverse sale and repurchase, securities borrowing and similar agreements		-	-	-	-
Loans and receivables	8	-	Loans and Receivables	-	-
Financial Liabilities					
Derivative-trading liabilities	7	126	Derivative Liabilities	-	-
Sale and repurchase securities lending and similar agreements		-	-	-	-
Derivatives held for risk management		-	-	-	-
Customer deposits		-	-	-	-

PART IV - SCHEDULE B

2020					
Types of Financial Assets	Note	Net Amounts	Line Item in The Statement of Financial Position	Carrying Amount in Statement of Financial Position	Financial Assets not in Scope of Offsetting Disclosures
Derivative-trading assets	7	P181	Financial Assets at FVPL	P -	P -
Derivatives held for risk management		-	-	-	-
Reverse sale and repurchase, securities borrowing and similar agreements		-	-	-	-
Loans and receivables	8	-	Loans and Receivables	-	-
Financial Liabilities					
Derivative-trading liabilities	7	149	Derivative Liabilities	-	-
Sale and repurchase securities lending and similar agreements		-	-	-	-
Derivatives held for risk management		-	-	-	-
Customer deposits		-	-	-	-

For
AUDITED FINANCIAL STATEMENTS

A	S	0	9	5	0	0	8	8	1	4
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A	A	F	S
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COMPANY INFORMATION

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111

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Andrew A. Falcon

andrew.falcon@ctbcbank.com.ph

811-8509

CONTACT PERSON'S ADDRESS					

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2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

ANNEX “F-1”

**INTERIM UNAUDITED FINANCIAL
STATEMENT
AS OF MARCH 31, 2022
&
MANAGEMENT’S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATION**

Security Code BS-021
SEC Number AS95-08814A
File Number _____

CTBC BANK (PHILIPPINES) CORPORATION

Fort Legend Towers, 31st St. corner 3rd Avenue,
Bonifacio Global City, Taguig City

(Company's Full Name)

8988-9287

(Telephone Number)

2022 December 31

(Fiscal Year Ending)
(Month & Day)

SEC FORM 17-Q
Quarterly Report

Form Type

Amendment Designation
(If Applicable)

March 31, 2022

Period Ended Date

(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 AS95-08814A
3. BIR Tax Identification No. 004-665-166
4. Exact name of registrant as specified in its charter
CTBC Bank (Philippines) Corporation
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Address of registrant's principal office Postal Code
Fort Legend Towers, 31st St. corner 3rd Avenue, 1634
Bonifacio Global City, Taguig City
8. Registrant's telephone number, including area code (632) 8988-9287
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of each Class</u>		<u>Number of shares common stock outstanding and amount of debt outstanding</u>
Common	₱10.00 par value	348,307,202 shares ₱3,483,072,020

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

Yes [] No [/]

12. Indicate by check mark whether the registrant:

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

Yes [☐] No [☐]

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

Yes [☐] No [☐]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

(Refer to Attached Financial Statements)

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operation

Total Bank's asset increased by Php4.0 billion as of March 31, 2022 compared with 2021 year-end level of Php52.9 billion. This was mainly attributed to Net Loans and Receivables which increased by Php4.9 billion or 16% due to growth in corporate loans portfolio. Investment Securities at Amortized cost (AC) also increased by Php1.1 billion or 16% as the Bank acquired additional government bonds to build up its investment securities. On the other hand, Financial Assets at Fair Value through Profit or Loss (FVTPL) and Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) declined by Php467 million and Php79 million, respectively. Interbank Loans Receivables-net went up by Php147 million from higher volume of overnight placements in BSP. Due from Bangko Sentral ng Pilipinas decreased significantly by 32% or Php1.5 billion, attributable mostly to the release of loan proceeds during the period.

Total liabilities increased by 10% or Php4.1 billion, owing to increase in low cost deposits amounting to Php3.4 billion. Likewise, Bills Payable went up by Php237 million due to additional interbank borrowings booked for the quarter. Outstanding acceptance and Manager check also increased by Php36 million and Php20 million, respectively.

The Bank has recorded a 353% growth in net income to Php72 million from a loss of Php28 million registered in the same period last year. The performance translated to an improved return on equity (ROE) of 0.68% for the quarter and return on assets (ROA) of 0.13%.

Total interest income declined by Php9 million because of lower yield rates on various interest-earning assets. Similarly, total interest expense decreased by Php14 million owing to the decline in interest rates. Interest expense on bills payable and other borrowings went down by Php8 million due to volume related declines.

Total non-interest income jumped by Php89 million on the back of improvements in foreign exchange gains which increased by Php26 million or 158%. Meanwhile, the Bank recognized a net loss from trading and securities of Php4 million, which was lower, compared from the net loss of Php49 million recognized on the same period last year. Miscellaneous income increased by Php18 million due to recovery on written-off accounts.

The Bank's operating expense was kept under control increasing only by 3% or Php13 million. Compensation and fringe benefits stood at Php273 million, reflecting a 6% year-on-year increase. Taxes and licenses increased by Php6 million due to higher volume-related expenses. Meanwhile, Provision for loan losses decreased by Php11 million or 10% due to improved asset quality. This resulted to the improvement of the net income before tax, which is higher by Php87 million as compared to the same period last year. Provision for income

tax decreased by Php13 million brought about by adjustment in tax rates pursuant to the CREATE Law.

Non-performing loans (NPL) decreased to 2.0% from 2.3%, while NPL Coverage decreased to 158.6% from 162.7%, compared to December last year. The Bank's capital adequacy ratio (CAR) is well above industry average at 23.2% as of March 31, 2022.

Key Financial Indicators

The following ratios are used to assess the performance of the Bank presented on a comparable basis:

	March 31, 2022	March 31, 2021
Return on Average Equity (ROE)	0.68%	-0.26%
Return on Average Assets (ROA)	0.13%	-0.06%
Net Interest Margin on Average Earning Assets	1.21%	1.23%
Cost-to-Income Ratio	71.87%	79.66%

	March 31, 2022	December 31, 2021
Non-Performing Loan Ratio (NPL)	2.0%	2.3%
Non-Performing Loan Cover	158.6%	162.7%
Capital Adequacy Ratio	23.2%	26.9%

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

- Return on Average Equity ---- Net Income divided by average total capital funds for the period indicated
- Return on Average Assets ---- Net Income divided by average total resources for the period indicated
- Cost to income ratio --- Total Operating expenses divided by the sum of net interest income plus other income
- Non-Performing Loan Ratio --- Total non-performing loans (net of specific allowance for credit losses per BSP Circular 772) divided by gross loan portfolio
- Non-Performing Loan Cover --- Total allowance for probable loan losses divided by total non-performing loans (net of specific allowance for credit losses per BSP Circular 772)
- Capital Adequacy Ratio --- Total capital divided by risk-weighted assets
- Average balances were determined as the average of the current and previous calendar balances of the respective statements of financial position accounts.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Liquidity ratio

The ratios for March 2022 and end-of-year 2021 were as follows:

	March 2022	December 2021
Current assets	₱ 28,955,786,011	₱ 26,053,174,320
Current liabilities	43,599,368,135	41,288,258,548
Ratio of current assets to current liabilities	66.4%	63.1%

	March 2022	December 2021
Net liquid assets	₱ 9,030,272,972	₱ 11,197,000,422
Total deposits	41,090,028,467	37,340,057,849
Ratio of net liquid assets to total deposits	22.0%	30.0%

Net liquid assets consist of cash, due from BSP, due from other banks, interbank loans, securities held for trade and available for sale less derivative liabilities and interbank borrowings.

Solvency ratio

The ratios for March 2022 and end-of-year 2021 were as follows:

	March 2022	December 2021
Total liabilities	₱ 46,337,052,315	₱ 42,241,741,374
Total equity	10,531,033,512	10,665,293,676
Ratio of debt to equity	440.0%	396.1%

Assets-to-equity ratio

The ratios for March 2022 and end-of-year 2021 were as follows:

	March 2022	December 2021
Total assets	₱ 56,868,085,827	₱ 52,907,035,050
Total equity	10,531,033,512	10,665,293,676
Ratio of total assets to equity	540.0%	496.1%

Interest Rate Coverage Ratio

The ratios for March 2022 and end-of-year 2021 were as follows:

	March 2022	December 2021
Income before income tax & interest expense	₱ 156,005,868	₱ 363,499,945
Interest expense	52,315,307	236,813,528
Interest coverage ratio	298.2%	153.5%

Additional Management Discussion and Analysis (for those with variances of more than 5% March 31, 2022 vs. December 31, 2021)

Balance Sheet –

Cash and Other Cash items went down by Php100 million or 17% due to the levelling-off of cash-in vault from its year-end usual build up. Other resources-net increased by Php24 million owing to increase in prepaid expenses and other charges and miscellaneous assets-software. Income tax payable was at Php10 million, Php5 million higher than at year-end due to additional regular corporate income tax payable. Other liabilities also increased by Php182 million mostly coming from the annual supervisory fees payable to BSP. On the other hand, Financial Liabilities at Fair Value through Profit or Loss and Accrued Interest, Taxes and other expenses decreased by Php60 million and Php75 million, respectively.

Total equity is at Php10.53 billion, or Php134 million lower than last year. This is mainly due to Net unrealized loss in financial asset at FVOCI which recorded an additional loss of Php205 million arising from the mark-to-market fluctuation. Cumulative FX translation adjustment decreased by 36% or Php1 million due to exchange rate difference arising from the conversion of income and expenses related to foreign currency-denominated positions to base currency.

Income Statement (variance analysis for March 31, 2022 vs. March 31, 2021)

Interest Income from Interbank Receivables slightly went up by Php0.5 million or 18% while Interest Income on Financial Assets at FVTPL slid by Php1 million from Php3.5 million to Php2.5 million.

Service fees and commission income decreased by 9% or Php5 million owing to lower deposit-related fees.

Decrease in some expense lines were also noted. Occupancy and other equipment-related cost went down to P36 million from P47 million on the same period last year because of lower repairs and maintenance undertaken for software during the quarter. Similarly, Security, messengerial and janitorial expenses also decreased by P2 million due to lower sales agent commissions. Meanwhile, miscellaneous expense went up by P5 million mostly coming from the increase in deposit-related insurance.

Material Events and Uncertainties:

Economic impacts of these events include disruption to banking operations; significant disruption to client businesses in 'highly exposed sectors', particularly, trade and transportation, travel and tourism, hospitality/entertainment/sport, manufacturing, construction and retail; and a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates.

As of March 31, 2022, the effects of the COVID 19 pandemic has not resulted to material impact on the Bank's liquidity. In addition, the Bank has not noted any adverse financial and operational effects attributable to the presidential election.

Other than this, there are no known trends, events, uncertainties that had or reasonably expected to have a material favorable or unfavorable impact on income from continuing operations. There are also no known material commitments for capital expenditures as of reporting date. There are no significant elements of income or loss that arose from the Bank's continuing operations. Likewise, there are no seasonal aspects that had material effect on the financial condition or results of operations.


PART II – OTHER INFORMATION

(none)


SIGNATURES

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

Issuer **CTBC BANK (PHILIPPINES) CORPORATION**

Signature
(Title) 
MR. ANDREW A. FALCON
First Vice President
Finance Group Head

Date **MAY 12, 2022**

Signature
(Title) 
ATTY. ROLANDO V. VICERRA
First Vice President
Corporate Secretary and Legal Department Head

Date **MAY 12, 2022**

Notes to Financial Statements Required Under SRC Rule 68.1

1. Diluted Earnings per share as of March 31, 2022 is P0.21.
2. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines. The Bank's financial statements as of March 31, 2022 are prepared in compliance with new Philippine Financial Reporting Standards (PFRS):
 - 1) The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements.
 - 2) Seasonal or cyclical events and/or conditions do not significantly affect the interim operations of the bank.
 - 3) Trading loss as of March 31, 2022 amounted to P(3.6) million which is lower compared to the loss of P(49.4) million on the same period last year.
 - 4) There are no 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.
 - 5) There are no issuances, repurchases, and repayments of debt and equity securities.
 - 6) There are no cash dividends paid separately for ordinary shares and other shares.
 - 7) Segment information for the period ended March 31, 2022 and 2021 are as follows:

	TREASURY GROUP		CORPORATE BANKING		RETAIL BANKING		OTHERS		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Results of operations										
(in thousands)										
Net interest income	86,814	67,238	190,064	204,249	322,875	323,647	(14)	(13)	599,739	595,122
Non-interest income	33,049	(39,027)	14,734	6,756	90,669	87,512	2,880	1,678	141,331	56,920
Total revenue	119,863	28,212	204,797	211,006	413,544	411,159	2,866	1,665	741,070	652,042
Non-interest expense	29,654	32,046	125,640	146,541	264,256	241,425	217,829	215,509	637,380	635,522
Income (loss) before income tax	90,209	(3,835)	79,158	64,464	149,288	169,734	(214,964)	(213,844)	103,691	16,520
Income tax provision (benefit)	12,489	10,181	(2,554)	(3,291)	21,808	38,007	40	15	31,782	44,912
Net income (loss)	77,720	(14,016)	81,712	67,755	127,480	131,728	(215,003)	(213,859)	71,909	(28,392)
YTD Average (in Php millions)										
Total assets	12,398	11,490	28,765	25,953	12,841	11,974	1,397	1,384	55,401	50,802
Total liabilities	156	453	15,678	15,502	27,808	22,734	1,210	1,365	44,852	40,053

- 8) At the regular meeting of the BOD held on June 23, 2015, the BOD approved the amendments on the restriction of the retained earnings for the following purposes:
 - To comply with the minimum capital requirements set by the Bangko Sentral ng Pilipinas (BSP) pursuant to Circular No. 854;
 - To comply with the requirements of the Internal Capital Adequacy Assessment Process (ICAAP) pursuant to BSP Circular No. 639; and

- To provide for buffer to comply with BASEL III requirements.
- 9) The Bank's common shares were listed in the Philippines Stock Exchange (PSE) in June 1999. On October 7, 2011, the Board of Directors (BOD) authorized the Bank to file a petition for voluntary delisting with the PSE and to purchase the outstanding shares through a tender offer in accordance with the rules of the PSE and Securities and Exchange Commission (SEC), subject to prior regulatory approval. On December 15, 2011, the Bank obtained approval for the delisting and share buyback through a special stockholders' meeting as required by the Bank's By-Laws. On December 19, 2011, the Bank received the approval of the Monetary Board for the delisting and share buyback. As of January 27, 2012, common shares held by minority stockholders amounting to Php12.7 million were tendered to and reacquired by the Bank. On February 8, 2012, the PSE approved the Bank's petition for voluntary delisting. Official delisting of the Bank's shares from the trading Board became effective on February 24, 2012, after the payment of pertinent fees.

On July 21, 2014, Republic Act No. 10641 entitled "An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act 7721" was signed into a law by the President of the Philippines. Under the said law, foreign banks may own up to 100% of domestic subsidiary banks.

On October 29, 2014, the BSP issued Circular No. 854, which became effective on November 19, 2014, prescribing the revised minimum capitalization of banks operating in the Philippines. Existing banks not meeting the requirement shall be given a period of five years from effectivity of the circular within which to meet the minimum capital. In addition, these banks must submit an acceptable capital build-up program within one year from date of effectivity of the circular. The Bank, falling under the category of commercial banks with total number of branches ranging from ten to one hundred, must have a minimum capital of P10.0 billion by November 2019.

On April 28, 2016, the Bank submitted its capital build up program (CBUP) to the BSP detailing the Bank's strategic plans in order to meet the required capital level. On June 16, 2016, the Monetary Board approved the Bank's CBUP. As at December 31, 2018, the Bank's unimpaired capital amount to P6.9 billion. Thus, the Bank needed additional P3.0 billion capital in order to comply with BSP Circular 854 by November 2019.

In accordance with the Bank's CBUP, the Bank's stockholders, during their annual meeting held on July 25, 2019, approved the increase of authorized shares from 300 million to 400 million shares in order to have sufficient unissued shares to be purchased by Parent Bank.

On September 27, 2019, in compliance with BSP Circular No. 854, Parent Bank purchased the remaining 52,031,269 unissued shares of the Bank and the 484,920 treasury shares at a price of P29.755 per share. The issuance resulted to the following movements:

in thousands	Increase (Decrease)
Additional paid-in capital	P1,019,770,021
Capital stock	520,312,690
Treasury stock	(15,951,674)
Retained earnings	(1,571,372)

The decrease in Retained earnings pertains to (a) the excess of the carrying amount of the treasury stock over the consideration; and (b) stock issuance costs amounting to P0.05 million.

In addition, Parent Bank subscribed to 48,307,202 new shares at the same price of P29.755 per share and paid the entire subscribed amount in cash.

The Bank filed its application for the amendment of its articles of incorporation with the BSP for the increase in authorized capital on October 11, 2019.

The Bank's application for the increase in authorized capital stock was approved by the Monetary Board of the BSP on February 10, 2020 and was later approved by SEC on March 6, 2020.

Based on Section 123 of the MORB, deposits for stock subscription shall be recognized as part of equity for prudential reporting purposes when all of the following conditions are met:

- a. The deposit for stock subscription meets the definition of an equity instrument under PAS 32 Financial Instruments: Presentation such that the deposit for stock subscription shall not be interest-bearing nor withdrawable by the subscriber;
 - b. The bank's existing authorized capital is already fully subscribed;
 - c. The bank's stockholders and board of directors have approved the proposed increase in authorized capital;
 - d. The bank has filed an application for the amendment of its articles of incorporation for the increase in authorized capital with the appropriate supervising department of the BSP, duly supported by complete documents as prescribed by the BSP: Provided, That the approval of the SEC on the same application shall be obtained within the period prescribed under the SEC Financial Reporting Bulletin (FRB) on Deposits for future Subscription.
- In case the applications for the amendment of articles of incorporation for the increase in authorized capital have been returned due to insufficiency of supporting documents, the deposit for stock subscription shall not qualify for recognition as an equity instrument; and
- e. The bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Sec. 122 (Transactions involving voting shares of stocks, Item "b"), if applicable.

As at December 31, 2019, the said subscription amounting to P1.4 billion is lodged under the “Deposits for future stock subscription” account in “Other liabilities” in the statements of financial position (see Note 16). The said deposit was reclassified by the Bank as capital on February 10, 2020 for prudential reporting purposes and on March 6, 2020 for financial reporting purposes.

The reclassification resulted to additional 48,307,202 shares issued and outstanding and reflected the following movements:

	Increase (Decrease)
Additional paid-in capital	P949,478,054
Capital stock	483,072,020

- 10) There are no material events subsequent to the end of the interim period that has not been reflected in the financial statements.
- 11) There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.
- 12) Summary of the Bank’s commitments and contingent liabilities:

	March 31, 2022	December 31, 2021
Trust department accounts	P1,846,779	P1,470,063
Standby letters of credit	1,339,391	848,026
Sight/usance import letters of credit	1,220,209	1,329,142
Credit commitments	343,722	618,192
Outward bills for collection	86,350	34,647
Others	3,755	3,394

- 13) There are no other material contingencies and any other events or transactions that are material to an understanding of the current interim period.
- 14) Financial risk disclosures and financial instruments

The Bank is in the business of creating value out of taking risks.

Major financial risks arise primarily from the use of financial instruments which include:

- Credit risk
Credit risk is the risk that one party to a financial transaction will fail to honor an obligation and cause the Bank to incur a financial loss. Credit risk arises primarily from the Bank’s corporate and retail loans (customer credit risk) and investment securities (counterparty credit risk).

- Market risk (e.g., foreign exchange risk, interest rate risk, etc.)
Market risk is the risk that the Bank's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rates (including credit spread), foreign exchange, equities and commodities. The Bank's market risk originates from its holdings in its foreign exchange instruments, debt securities, and derivatives.
- Liquidity risk
Liquidity risk is the risk of loss to earnings or capital due to the inability to meet funding requirements within a reasonable period of time at a reasonable price.

The following principles summarize the Bank's overall approach to risk management:

- The BOD provides the overall direction and supervision of the Bank's risk management;
- The key risks faced by the Bank - both financial and non-financial - are managed by appropriate functional levels within the Bank;
- The risk management functions are independent from the businesses and provide check-and-balance for risk taking units;
- Risk management involves managing the balance between risk and reward, to enable the Bank to fulfill its commitment to protect shareholder interest, as well as deliver value to the banking public, and comply with relevant regulations; and
- Risk management process is done via four steps: (1) *Risk Identification* - involves selecting the method for risk identification and describing the characteristics of risks; (2) *Risk Measurement* - refers to the establishing/maintenance of tools or methods to measure risk and identifying the responsible units that will ensure the effectiveness or appropriateness of the risk measurement tools or methods; (3) *Risk monitoring* - pertains to the setting up of assessment frequency, reviewing of risk status, and proposing and implementing of action plans; and (4) *Risk Reporting* - includes clearly defining the reporting mechanism, necessary content and relevant assessment mechanism.

The Bank, owing to its commercial banking license, engages in retail and corporate lending as well as deposit taking, and securities investment. As such, the Bank's activities result in recognition of financial assets, such as corporate loans, personal loans, mortgage loans, government securities, etc., and/or financial liabilities, such as demand and time deposits, and bills payable. The Bank also enters into plain-vanilla financial derivatives such as forwards and swaps as part of its risk management strategies and client-driven activities.

The Bank has various financial exposures in foreign currencies from FX spots and derivatives transactions, as well as FX-denominated loans and Philippine

government securities. As of date, the Bank does not have investments in securities issued by foreign entities.

The bank classifies its financial assets in accordance with its business model: financial assets at FVPL, Investment Securities at Amortized Cost (AC), financial assets at FVOCI, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at amortized cost.

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not quoted in an active market, the fair value is determined by using appropriate valuation techniques incorporating as much as possible market desirable inputs, such as economic indicators and volatility. Valuation techniques include discounted cash flow methodologies, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

The fair value of derivatives that are not quoted in active markets is determined using appropriate valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

There were no significant changes to the Bank's policies relating to financial instruments and risk management during the quarter-ended.

15) New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Bank's financial statements.

Not yet Adopted as of March 31, 2022

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is

available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, Inventories.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 Provisions, Contingent Liabilities and Contingent Assets). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e., it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 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 component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to standards applicable to the Bank:
- Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- Lease Incentives (Amendment to Illustrative Examples accompanying
- PFRS 16 Leases). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations). The amendments:
 - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
 - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or
 - IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
 - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

To be Adopted on January 1, 2023

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
 - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the IASB issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or noncurrent.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

The effective date of the amendments will be deferred to no earlier than January 1, 2024.

- Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures. The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

17) Offsetting Financial Assets and Financial Liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As of March 31, 2022
in millions of Php

Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash Collateral received	Net amount
Derivatives-trading assets	72	0	72	0	0	0
Derivatives held for risk management	0	0	0	0	0	0
Reverse sale and repurchase, securities borrowing and similar agreements	0	0	0	0	0	0
Loans and advances to customers	0	0	0	2,864	2,864	0
Total	72	0	72	2,864	2,864	0

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As of March 31, 2022
in millions of Php

Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash Collateral received	Net amount
Derivatives-trading liabilities	67	0	67	0	0	0
Derivatives held for risk management	0	0	0	0	0	0
Sale and repurchase, securities lending and similar agreements	0	0	0	0	0	0
Customer deposits	0	0	0	0	0	0
Total	67	0	67	0	0	0

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As of December 31, 2021
in millions of Php

Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash Collateral received	Net amount
Derivatives-trading assets	181	0	181	0	0	0
Derivatives held for risk management	0	0	0	0	0	0
Reverse sale and repurchase, securities borrowing and similar agreements	0	0	0	0	0	0
Loans and advances to customers	0	0	0	0	0	0
Total	181	0	181	0	0	0

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As of December 31, 2021
in millions of Php

Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash Collateral received	Net amount
Derivatives-trading liabilities	126	0	126	0	0	0
Derivatives held for risk management	0	0	0	0	0	0
Sale and repurchase, securities lending and similar agreements	0	0	0	0	0	0
Customer deposits	0	0	0	0	0	0
Total	126	0	126	0	0	0

The tables below reconcile the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position', as set out above, to the line items presented in the statement of financial position.

As of March 31, 2022
in millions of Php

Types of financial assets	Net amounts	Line item in the statement of financial position	Carrying amount in statement of financial position	Financial assets not in scope of offsetting disclosures	Note
Derivative-trading assets	72	Financial Assets at Fair Value through Profit or Loss	0	0	-
Derivatives held for risk management	0	-	0	0	-
Reverse sale and repurchase, securities borrowing and similar agreements	0	-	0	0	-
Loans and advances to customers	0	Loans and advances to customers	0	0	-

As of March 31, 2022
in millions of Php

Types of financial liabilities	Net amounts	Line item in the statement of financial position	Carrying amount in statement of financial position	Financial liabilities not in scope of offsetting disclosures	Note
Derivative-trading liabilities	67	Derivative liabilities	0	0	-
Sale and repurchase securities lending and similar agreements	0	-	0	0	-
Derivatives held for risk management	0	-	0	0	-
Customer depositis	0	-	0	0	-

As of December 31, 2021
in millions of Php

Types of financial assets	Net amounts	Line item in the statement of financial position	Carrying amount in statement of financial position	Financial assets not in scope of offsetting disclosures	Note
Derivative-trading assets	181	Financial Assets at Fair Value through Profit or Loss	0	0	-
Derivatives held for risk management	0	-	0	0	-
Reverse sale and repurchase, securities borrowing and similar agreements	0	-	0	0	-
Loans and advances to customers	0	Loans and Receivables - net	0	0	-

As of December 31, 2021
in millions of Php

Types of financial liabilities	Net amounts	Line item in the statement of financial position	Carrying amount in statement of financial position	Financial liabilities not in scope of offsetting disclosures	Note
Derivative-trading liabilities	126	Derivative liabilities	0	0	-
Sale and repurchase securities lending and similar agreements	0	-	0	0	-
Derivatives held for risk management	0	-	0	0	-
Customer deposits	0	-	0	0	-

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENT OF CONDITION
March 31, 2022
(With Comparative Figures for December 31, 2021)

	March 31, 2022	December 31, 2021
	Unaudited	Audited
RESOURCES		
Cash and Other Cash Items	498,613,803	598,248,744
Due from Bangko Sentral ng Pilipinas	3,231,649,016	4,720,099,954
Due from Other Banks	1,189,518,658	1,192,416,156
Interbank Loans Receivable - net	842,722,401	695,996,233
Financial Assets at Fair Value through Profit or Loss (FVTPL)	232,715,958	699,595,874
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	5,358,317,310	5,436,994,107
Investment Securities at Amortized Cost (AC)	7,694,138,186	6,630,902,785
Loans and Receivables - net	35,903,922,411	31,012,510,260
Property and Equipment - net	756,019,758	772,179,216
Investment Properties	160,738,024	162,761,126
Deferred Income Tax	515,276,238	524,403,596
Other Resources - net	484,454,064	460,926,999
	56,868,085,827	52,907,035,050
LIABILITIES AND CAPITAL FUNDS		
Liabilities		
Deposit Liabilities		
Demand	12,571,171,075	11,100,542,454
Savings	9,792,908,111	7,857,856,478
Time	18,725,949,281	18,381,658,917
	41,090,028,467	37,340,057,849
Financial Liabilities at Fair Value through Profit or Loss (FVTPL)	66,629,902	126,239,470
Bills Payable	2,276,560,000	2,039,960,000
Outstanding Acceptances	42,994,634	6,983,390
Manager's Checks	56,361,900	36,138,953
Accrued Interest, Taxes and Other Expenses	541,189,480	616,046,509
Income Tax Payable	10,217,622	5,376,130
Other Liabilities	2,253,070,310	2,070,939,073
	46,337,052,315	42,241,741,374
Capital Funds		
Common Stock	3,483,072,020	3,483,072,020
Treasury Stock	-	-
Additional Paid-in Capital	2,022,761,750	2,022,761,750
Restricted Retained Earnings	5,540,286,179	5,468,377,628
Statutory Reserve	4,981,159	4,981,159
Cumulative FX Translation Adjustment	1,737,099	2,712,012
Net Unrealized Gain (Loss) on Financial Asset at FVOCI	(428,936,541)	(223,742,739)
Net Unrealized Gain (Loss) Retirement Obligation	(92,868,154)	(92,868,154)
	10,531,033,512	10,665,293,676
	56,868,085,827	52,907,035,050

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF INCOME
(With Comparative Figures for the three months ended March 31, 2021)
(in Php)

	January to March	
	2022	2021
INTEREST INCOME		
Loans and receivables	539,536,733	570,500,858
Investment securities	102,056,568	78,730,198
Interbank loans receivable	3,535,814	2,999,737
Deposits with BSP and other banks	4,404,594	5,674,679
INTEREST INCOME ON FINANCIAL ASSETS AT FVTPL	2,520,857	3,482,218
	652,054,566	661,387,690
INTEREST EXPENSE		
Deposit liabilities	38,129,666	44,621,545
Bills payable and other borrowings and others	6,810,802	15,160,693
Lease Liabilities	7,374,839	7,143,239
	52,315,307	66,925,477
NET INTEREST INCOME	599,739,259	594,462,213
Service fees and commission income	55,344,080	60,563,376
Trading and securities gain - net	(3,595,077)	(49,390,402)
Foreign exchange gain - net	42,598,691	16,519,802
Miscellaneous - net	46,983,132	29,224,774
TOTAL OPERATING INCOME	741,070,085	651,379,763
Compensation and fringe benefits	272,744,704	257,501,612
Provision for (recovery from) impairment and credit losses	104,752,819	116,131,127
Taxes and licenses	70,689,782	64,852,532
Security, messengerial and janitorial expenses	31,133,475	33,407,623
Occupancy and other equipment-related costs	35,585,754	46,757,863
Depreciation and amortization	41,036,820	40,543,598
Amortization of software license	15,516,357	15,050,829
Miscellaneous	65,919,813	61,276,504
TOTAL OPERATING EXPENSES	637,379,524	635,521,688
INCOME BEFORE INCOME TAX	103,690,561	15,858,075
PROVISION FOR INCOME TAX	31,782,011	44,911,933
	71,908,550	(29,053,858)
Basic/Diluted Earnings Per Share	0.21	(0.08)

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
(With Comparative Figures for the three months ended March 31, 2021)
(in Php)

	January to March	
	2022	2021
NET INCOME FOR THE YEAR	71,908,550	(29,053,858)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		
<i>Items that may not be reclassified to profit or loss</i>		
Net unrealized (loss) gain on equity financial assets at FVOCI	(137,500)	250,000
Net remeasurement (loss) gain on retirement liability - net of tax	0	(19,836)
	(137,500)	230,164
<i>Items that may be reclassified to profit or loss</i>		
Net unrealized gain (loss) on debt financial assets at FVOCI	(205,056,302)	(295,989,778)
Cumulative translation adjustments	(974,913)	689,086
	(206,031,215)	(295,300,692)
	(206,168,714)	(295,070,527)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(134,260,164)	(324,124,385)

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Treasury Stock	Additional Paid-in Capital	Restricted Retained Earnings	Statutory Reserves	Cumulative translation adjustment	Net Unrealized Gain or Loss on Financial Assets at FVOCI	Net Remeasurement Loss on Retirement Liability	Total
Balance at January 1, 2022	3,483,072,020	-	2,022,761,750	5,468,377,628	4,981,159	2,712,012	(223,742,739)	(92,868,154)	10,665,293,676
Net income for the year				71,908,550					71,908,550
Other comprehensive income for the year									
Items that may not be classified to profit or loss:									
Net unrealized loss on equity financial assets at FVOCI							(137,500)		(137,500)
Net remeasurement loss on retirement liability								0	0
Items that may be reclassified to profit or loss:									
Net unrealized gain on debt financial assets at FVOCI							(205,056,302)		(205,056,302)
Cumulative translation adjustments						(974,913)			(974,913)
Total Other Comprehensive Income	-	-	-	-	-	(974,913)	(205,193,802)	0	(206,168,714)
Total Comprehensive Income for the year	-	-	-	71,908,550	-	(974,913)	(205,193,802)	0	(134,260,164)
Balance at March 31, 2022	3,483,072,020	-	2,022,761,750	5,540,286,178	4,981,159	1,737,099	(428,936,541)	(92,868,154)	10,531,033,512
Balance at January 1, 2021	3,483,072,020	(0)	2,022,761,750	5,456,918,814	4,981,159	(864,111)	65,917,610	(119,922,604)	10,912,864,638
Net income for the year				(29,053,858)					(29,053,858)
Other comprehensive income for the year									
Items that may not be classified to profit or loss:									
Net unrealized loss on equity financial assets at FVOCI							250,000		250,000
Net remeasurement loss on retirement liability								(19,836)	(19,836)
Items that may be reclassified to profit or loss:									
Net unrealized gain on debt financial assets at FVOCI							(295,989,778)		(295,989,778)
Cumulative translation adjustments						689,086			689,086
Total Other Comprehensive Income	-	-	-	-	-	689,086	(295,739,778)	(19,836)	(295,070,527)
Total Comprehensive Income for the year	-	-	-	(29,053,858)	-	689,086	(295,739,778)	(19,836)	(324,124,385)
Transactions with Parent Bank									
Issuance of capital stock	-		-						-
Total transactions with Parent Bank	-	-	-	-	-	-	-	-	-
Balance at March 31, 2021	3,483,072,020	(0)	2,022,761,750	5,427,864,956	4,981,159	(175,024)	(229,822,168)	(119,942,440)	10,588,740,253
Balance at January 1, 2021	3,483,072,020	(0)	2,022,761,750	5,456,918,814	4,981,159	(864,111)	65,917,610	(119,922,604)	10,912,864,638
Net income for the year				11,458,814					11,458,814
Other comprehensive income for the year									
Items that may not be classified to profit or loss:									
Net unrealized loss on equity financial assets at FVOCI							447,500		447,500
Net remeasurement loss on retirement liability								27,054,450	27,054,450
Items that may be reclassified to profit or loss:									
Net unrealized gain on debt financial assets at FVOCI							(290,107,849)		(290,107,849)
Cumulative translation adjustments						3,576,123			3,576,123
Total Other Comprehensive Income	-	-	-	-	-	3,576,123	(289,660,349)	27,054,450	(259,029,776)
Total Comprehensive Income for the year	-	-	-	11,458,814	-	3,576,123	(289,660,349)	27,054,450	(247,570,962)
Balance at December 31, 2021	3,483,072,020	-	2,022,761,750	5,468,377,628	4,981,159	2,712,012	(223,742,739)	(92,868,154)	10,665,293,676

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF CASH FLOWS

	For the three months ended March 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes	103,690,561	15,858,075
<i>Adjustments for:</i>		
Impairment losses	104,752,819	116,131,127
Foreign exchange revaluation (gain) loss on financial assets at FVOCI and investment securities at amortized cost	(55,056,300)	(44,555,160)
Depreciation and amortization	41,036,820	40,543,598
Foreign exchange revaluation (gain) loss on bills payable	29,245,000	24,147,055
Amortization of computer software costs	15,516,357	15,050,828
Retirement benefit expense	-	-
Accretion of interest on lease liabilities	7,374,839	7,143,239
Amortization of net discount on financial assets at FVOCI and investment securities at amortized cost	(50,788,341)	22,105,567
Mark-to-market (gain)/loss on financial assets at FVTPL	(9,996,284)	7,602,352
Gain on disposal of foreclosed assets	(4,035,197)	(3,454,603)
Realized gain on sale on financial assets at FVOCI and investment securities at amortized cost	3,028,600	(6,459,880)
Dividend income	(280,000)	252,000
(Gain) loss on disposal of property and equipment	-	22
Loss on disposal of computer software	-	-
Changes in operating assets and liabilities:		
<i>Decrease (increase) in amounts of:</i>		
Financial assets at FVTPL	476,876,200	9,655,014
Loans and receivables	(4,995,455,248)	1,740,710,381
Other assets	(14,894,531)	(10,893,307)
<i>Increase (decrease) in amounts of:</i>		
Deposit liabilities	3,749,970,618	(397,194,165)
Financial liabilities at FVTPL	(59,609,568)	(166,418,129)
Outstanding acceptances	36,011,244	(16,618,681)
Manager's checks	20,222,947	102,410,154
Accrued taxes and other expenses	(74,857,029)	(18,883,271)
Other liabilities	188,811,966	(172,954,892)
Net cash generated from (used in) operations	(488,434,527)	1,264,177,324
Contribution to the plan assets	-	-
Income taxes paid	(17,813,161)	(15,118,302)
Net cash provided by (used in) operating activities	(506,247,688)	1,249,059,022

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI	(1,229,580,000)	(5,347,680,000)
Investment securities at amortized cost	(965,076,000)	-
Property and equipment	(8,321,393)	(6,899,100)
Foreclosed assets	(12,668,403)	(12,551,042)
Computer software costs	(24,148,891)	(38,280)
<i>Proceeds from disposals of:</i>		
Financial assets at FVOCI	797,702,357	1,808,685,157
Foreclosed assets	17,422,052	20,397,794
Property and equipment	505,417	162,003
Investment securities at amortized cost	-	-
<i>Proceeds from maturities of:</i>		
Financial assets at FVOCI	310,445,677	3,400,815,134
Investment securities at amortized cost	8,827	242,654,104
Dividends received	280,000	(252,000)
Net cash used in investing activities	(1,113,430,357)	105,293,770
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of bills payable	2,185,671,254	11,876,149,329
Availments of bills payable	(1,978,316,254)	(11,877,355,000)
Payment of lease liabilities	(30,959,251)	(28,547,537)
Deposits for future stock subscriptions	-	-
Issuance of capital stock	-	-
Proceeds from issuance of treasury stock	-	-
Net cash provided by (used in) financing activities	176,395,749	(29,753,208)
EFFECT OF EXCHANGE RATE DIFFERENCES ON		
CASH AND CASH EQUIVALENTS	(974,913)	689,087
NET INCREASE (DECREASE) IN		
CASH AND CASH EQUIVALENTS	(1,444,257,209)	1,325,288,671
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR		
Cash and other cash items	598,248,744	589,312,970
Due from BSP	4,720,099,954	3,781,208,825
Due from other banks	1,192,416,156	958,810,394
Interbank loans receivable - net	695,996,233	1,198,102,580
	7,206,761,087	6,527,434,769
CASH AND CASH EQUIVALENTS		
AT END OF YEAR		
Cash and other cash items	498,613,803	594,153,795
Due from BSP	3,231,649,016	4,321,196,040
Due from other banks	1,189,518,658	1,113,768,077
Interbank loans receivable - net	842,722,401	1,823,605,528
	5,762,503,878	7,852,723,440
CASH FLOWS FROM INTEREST		
Interest received	547,477,141	579,175,274
Interest paid	(41,452,112)	(53,341,900)
	506,025,029	525,833,374

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CTBC BANK (PHILIPPINES) CORPORATION Aging of Loans and Receivables As of March 31, 2022									
Type of Accounts Receivable	Total	1 Month	2 - 3 Mos.	4 - 6 Mos.	7 to 11 Mos.	1 - 2 Years	3 - 5 Years	5 Years - Above	Past Due Accounts, Non-performing Loans & Items in Litigation
a) Trade Receivables									
1) DBTR	899,807,800	145,093,543	194,694,982	117,559,240	-	-	412,999,148	-	29,460,887
2) IBTR- PESO	2,674,129,755	787,393,532	211,333,469	1,078,866,474	77,539,030	416,132,529	22,484,455	-	80,380,266
3) IBTR- USD	3,601,104	3,601,104	-	-	-	-	-	-	-
4) CLA	42,994,634	42,994,634	-	-	-	-	-	-	-
Subtotal	3,620,533,293	979,082,812	406,028,452	1,196,425,714	77,539,030	416,132,529	435,483,603	-	109,841,153
Less: Allow. For Doubtful Acct.	142,117,783	-	-	-	-	-	-	-	-
Net Trade Receivable	3,478,415,510	979,082,812	406,028,452	1,196,425,714	77,539,030	416,132,529	435,483,603	-	109,841,153
b) Non - Trade Receivables									
1) BILLS DISCOUNTED - CHK DISC - CLEAN	57,263,758	7,280,535	17,569,480	32,413,743	-	-	-	-	-
2) BILLS DISCOUNTED - REG - HO DEP	411,896,629	15,750,000	70,133,333	133,682,288	35,615,841	51,542,051	77,211,805	27,961,309	-
3) BILLS DISCOUNTED - REG - RM/CM/OT	14,796,654	-	-	-	-	-	14,796,654	-	-
4) DBP - CLEAN - NDOSRI	119,421,499	119,421,499	-	-	-	-	-	-	-
5) ITL - L & D - DOM-NDOSRI	55,075,893	-	-	-	-	-	-	-	55,075,893
6) ITL- SALARY LOANS - NDOSRI	17,703,873	-	-	-	-	-	-	-	17,703,873
7) L & D - FX - RES - CLEAN	3,624,461,191	2,329,259,131	832,310,782	300,174,152	162,717,126	-	-	-	-
8) L & D - FX - RES - CLEAN-OFFSHORE	3,854,153,663	165,568,000	632,377,778	258,700,000	248,352,000	-	2,549,155,886	-	-
9) L & D - FX - RES - HOLD-OUT DEP	278,540,135	258,700	413,920	955,035	18,212,480	-	258,700,000	-	-
10) L & D - FX - RES - REM/CHM/OTH	288,983,117	-	7,761,000	51,740,000	10,348,000	-	219,134,117	-	-
11) L & D - OFFICERS - CAR LOAN	11,921,102	770,000	803,235	1,464,623	2,564,435	4,035,607	2,277,345	5,857	-
12) L & D - OFFICERS - EMERGENCY LN	131,836	-	-	-	80,526	51,310	-	-	-
13) L & D - OFFICERS - HOUSING LOAN	2,726,301	-	-	-	-	1,241,112	-	1,485,189	-
14) L & D - OFFICERS - MULTI-PURP LN	2,266,285	70,000	351,961	354,213	725,320	595,086	169,705	-	-
15) L & D - STAFF - EMERGENCY LN	33,012	-	-	-	-	18,912	14,099	-	-
16) L & D - STAFF - MULTI-PURP LN	2,273,088	173,200	189,433	276,151	574,523	903,916	155,864	-	-
17) L & D-FX-NRES-CLEAN-OFF TAX-EX	1,549,613,000	-	-	-	407,500,408	210,792,592	931,320,000	-	-
18) NPL - PD - MORTGAGE MGR	474,562	-	-	-	-	-	-	-	474,562
19) NPL - PD - SALARY LOAN	259,523,751	-	-	-	-	-	-	-	259,523,751
20) NPL - PD - TL-MORT-TRADITIONAL	29,528,461	-	-	-	-	-	-	-	29,528,461
21) NPL - PD-L&D - DOM - TL-ST	217,744,513	-	-	-	-	-	-	-	217,744,513
22) NPL - PD-L&D-DOM-BD-CHK DISC	99,994,745	-	-	-	-	-	-	-	99,994,745
23) NPL-CUR- TL-MORT-TRD-PROMO	1,409,533	-	-	-	-	-	-	-	1,409,533
24) NPL-CURRENT-REST-L&D-PL-PUBLIC	26,221,497	-	-	-	-	-	-	-	26,221,497
25) NPL-CUR-RESTR LOANS-DOM-NDOSRI	59,495,362	-	-	-	-	-	-	-	59,495,362
26) NPL-CUR-TIME LOAN-SALARY LOAN	4,640,547	-	-	-	-	-	-	-	4,640,547
27) NPL-PD-L & D-DOM-TL-RE-HFC	387,565	-	-	-	-	-	-	-	387,565
28) NPL-PD-REST-L&D-PL-PUBLIC	3,403,128	-	-	-	-	-	-	-	3,403,128
29) NPL-PD-RESTRUC LOAN-DOM-NDOSRI	33,202,503	-	-	-	-	-	-	-	33,202,503
30) PAST DUE - MORTGAGE MGR	2,813,110	-	-	-	-	-	-	-	2,813,110
31) PD - SALARY LOAN	94,683,533	-	-	-	-	-	-	-	94,683,533
32) PD-TL-MORT-MAXCSHBACK-20%	602,845	-	-	-	-	-	-	-	602,845
33) PD-TL-MORT-TRADITIONAL	57,130,958	-	-	-	-	-	-	-	57,130,958
34) RESTRUC LOAN-FX-NRES-NDOSRI CURRENT	136,555,964	-	-	-	-	136,555,964	-	-	-
35) RESTRUC LOANS - DOM - NDOSRI	706,406,826	-	-	496,835,005	-	115,412,133	94,159,687	-	-
36) TIME LOAN - DREAM HOME LOAN	-	-	-	-	-	-	-	700,839	-
37) TIME LOAN - LT - REM/CHM/OTHS	148,181,451	-	9,941,426	-	-	-	137,684,470	555,556	-
38) TIME LOAN - MORTGAG MGR	50,157,676	-	-	-	-	-	-	50,157,676	-
39) TIME LOAN - MT - CLEAN	2,080,015,109	124,500,000	274,138,889	210,108,333	329,595,833	578,096,806	563,575,248	-	-
40) TIME LOAN - MT - REM/CHM/OTHS	87,599,421	10,637,500	-	-	-	39,845,421	37,116,500	-	-
41) TIME LOAN - ST - CLEAN	9,750,693,379	4,839,396,284	3,242,206,422	1,053,480,834	544,845,951	70,763,889	-	-	-
42) TIME LOAN - ST - HOLD-OUT DEP	2,112,126,000	2,100,000,000	-	-	12,126,000	-	-	-	-
43) TIME LOAN - ST - REM/CHM/OTHS	229,187,216	104,860,000	46,793,333	75,771,312	-	-	1,762,571	-	-
44) TIME LOAN- SALARY LOAN	3,604,049,705	349,690,912	461,517,715	619,923,924	799,719,952	716,238,581	656,958,622	-	-
45) TL-MORTGAGE-DEVELOPER	2,025,114	-	-	-	-	-	-	2,025,114	-
46) TL-MORT-MAXCSHBACK-20%	46,501,870	-	-	-	-	-	5,476,797	41,025,072	-
47) TL-MORT-TRADITIONAL	2,600,662,329	111,641,411	154,578,592	230,855,081	436,306,256	424,809,994	988,792,926	253,678,069	-
48) TL-MORT-TRD-PROMO	13,617,032	-	-	-	473,503	4,617,486	6,268,567	2,257,476	-
Subtotal	32,750,997,581	10,279,277,172	5,751,087,300	3,466,734,695	3,009,758,153	2,355,520,863	6,544,730,863	379,852,156	964,036,380
Add: Unamortized Transaction cost	42,603,139	-	-	-	-	-	-	-	-
Less: Allow. For Doubtful Acct.	1,201,022,763.41	-	-	-	-	-	-	-	-
Net Non - Trade Receivable	31,592,577,957	10,279,277,172	5,751,087,300	3,466,734,695	3,009,758,153	2,355,520,863	6,544,730,863	379,852,156	964,036,380
Accounts Receivables	443,681,874								
Accrued Interest Receivables	459,222,996								
Unquoted Debt Securities	-								
	<u>902,904,869</u>								
Less: Allowance for impairment	<u>68,373,653</u>								
	<u>834,531,216</u>								
Net Receivables (a + b)	35,905,524,683								
Less: Unearned Interest and Discounts	<u>1,602,272</u>								
	35,903,922,411								

Notes: If the Company's collection period does not match with 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.

ANNEX “G”

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF CTBC (PHILIPPINES) BANK CORP.

19th Floor Fort Legend Tower, 31st Street cor. 3rd Ave.,
Bonifacio Global City, Taguig City 1634, Philippines,
24 June 2021, Thursday, at 9:30 AM
via CISCO WEBEX Livestreaming

Stockholders in attendance via Remote Communication

<u>Name of Stockholder</u>	<u>No. of Shares</u>
CTBC Bank Co., Ltd. (by proxy in favor of Arthur Wang)	347,319,203
Jack Lee	1
William B. Go	53
Oliver Jimeno	1
Li-Hsuan Juan	1
Kevin Huang	1
Edwin B. Villanueva (by proxy in favor of Alpha Tagle)	1
Alexander A. Patricio	1
Stephen D. Sy	1
Luis Benitez Jr.	1
 TOTAL	 ----- 347,319,264

1.0 CALL TO ORDER

- 1.1 Mr. William Go, Vice Chairman, called the meeting to order at 9:30 a.m. Atty. Maritess P. Elbinias, Corporate Secretary, recorded the minutes thereof.

2.0 CERTIFICATION OF NOTICE AND QUORUM

- 2.1 Atty. Maritess P. Elbinias certified that notices had been sent to the stockholders in accordance with the By-Laws of the Bank. Atty. Elbinias declared that out of 348,307,202 issued and outstanding shares, 347,319,264 shares or approximately more than 99.72% of the outstanding capital stock were present in person or represented by proxy. A quorum was present for the transaction of business.

3.0 APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF JULY 2, 2020

- 3.1 The stockholders read the Minutes. Upon motion made and duly seconded, and there being no objection, the Minutes of the Annual Shareholders' Meeting of July 2, 2020 was declared approved by the Chairman.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,264	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

4.0 CHAIRMAN'S ADDRESS

- 4.1 Mr. William Go delivered the Chairman's address to the stockholders.

The highlights were as follows:

Good morning.

On behalf of the Board of Directors, I wish to thank all our shareholders for your continued support and belief in CTBC Bank Philippines.

2020 will always be remembered as the year of the COVID-19 pandemic. A year when a virus disrupted what was then a vibrant global economy and drove many countries to the throes of a recession. A year that saw the implementation of wide-spread quarantine lockdowns in the effort to stem the rising tide of infections, and a year when companies had to make the difficult choice of deliberately slowing down operations or letting go of their employees.

Notwithstanding the prevailing economic adversity, our Parent Institution CTBC Bank, saw only a slight decline in aggregate profits as interest rates dropped and the global pandemic affected asset quality overseas. That said, the Bank still recorded the best operating performance in the industry for the period, due mainly from the appropriate strategies that it initiated in its capital market operations, and the growth in its wealth management and consumer finance operations.

As a result, the Bank's financial performance for the period saw annual consolidated net revenues amounting to USD\$3.469 billion, with consolidated pre-tax income amounting to USD\$1.133 billion. Consolidated after-tax income in turn, amounted to USD\$0.957 billion which translates into a consolidated after-tax ROE of 8.77%.

While these figures were slightly lower than those of the previous years due to impact of the Covid-19 pandemic, our Parent Bank remained to be the leading financial institution in Taiwan.

Furthermore, despite the considerable challenges brought about by the pandemic, our Parent Bank did not waiver in its commitment to fulfill its social responsibilities. The Bank partnered with the Taiwan government to grant various relief loans to those affected by Covid-19, instituted the 'Light up a Life' global charity event that was simultaneously executed across CTBC overseas units and subsidiaries to benefit the disadvantaged children, and initiated many other worthwhile projects aimed to soften the impact of the pandemic for individuals and businesses. These efforts did not go unnoticed as The Asian Banker recognized CTBC Bank as foremost in its "Most Helpful Banks in Asia Pacific During Covid-19" list in 2020.

Like our Parent Bank, CTBC Bank Philippines also embarked on several philanthropic initiatives to uplift the different communities affected by the Taal Volcano eruption, provided assistance to pediatric patients and health care providers of two government hospitals – some of the most vulnerable segments during the pandemic. As a mission critical industry, the Bank also stood by its clients by ensuring continuous availability of its financial services and provide valuable assistance to its clients even during Enhanced Community Quarantine – all actions guided by our "We are family" brand promise.

CTBC Bank Philippines remained focused on differentiating its product offerings, exploring new business opportunities for growth and diversification, strengthening its compliance effectiveness and risk governance, and prudently maintaining its profits to protect shareholder value.

There is reason to believe that 2021 will continue to be another tough year, but there is still much to be grateful for. We remain thankful to our Parent Bank for their support in our leadership team, our Board of Directors for their guidance, our employees for their dedication, and most especially to you our clients and shareholders for the trust you continue to place in us in these challenging times.

Once again, thank you, and we wish you all good health and prosperity.

5.0 PRESIDENT'S REPORT AND APPROVAL OF THE 2020 ANNUAL REPORT

5.1 Mr. Oliver Jimeno, President and CEO, delivered his report

The highlights of his report are as follows:

To the members of the Board of Directors, esteemed guests, and most of all, to our dear shareholders, good morning.

It's been more than a year now since the President declared a state of public health emergency. Since then, the health crisis had evolved into an economic crisis. In 2020, the Philippine economy plummeted to unprecedented levels, with GDP contracting by 9.6% and unemployment rate reaching 10.3%. Companies struggled to keep their businesses

afloat amid strict quarantine restrictions, some have eventually closed down and many people ended up losing their jobs. This resulted to a surge in non-performing loans which affected the entire banking industry. As of December 31, 2020, the industry wide NPL ratio rose to 3.61% from previous year's 2.04%, resulting to higher provisions for probable losses, and consequently, to lower bottom line.

We, in CTBC Bank Philippines, faced the same challenges and difficulties brought about by the pandemic. We saw a rapid growth in NPLs in the second half of the year while the heightened risks hampered our loan momentum. In spite of the economic set back, we remained focused and undeterred throughout the year. As economic frontliners, we remained true to our purpose, serving our clients with the highest standards, day in and day out, while keeping the health and safety of our people our top most priority. With the unwavering efforts and dedication of our employees, we were able to keep a steady revenue flow while maintaining prudence in managing our expenses. In 2020, the Bank posted a double digit growth in revenue on the back of higher net interest income and trading gains. Meanwhile, we managed to control our operating expenses, which grew by only 4% year-on-year. This translated to a substantial increase in working profit, which stood at 1 billion pesos, the highest we've seen over the years, representing a 23% year-on-year growth. The healthy working profit gave us enough room and cushion to absorb the inevitable increase in provisions for probable losses. All in all, the Bank was able to end the year with a positive pretax income of 206 million pesos, but more importantly, the Bank has demonstrated its strength and resilience to weather a perfect storm.

While this pandemic is far from over, it has led us to many realizations. We need to continue to evolve, we need to remain agile while slowly gaining a foothold on emerging markets. With this, I am pleased to share with you that we have been making great strides in our digital journey. In just a span of two years, we have achieved major milestones and rolled out key projects that will enable us to deliver products and solutions amidst an ever-changing landscape. We will not stop here, as bigger and bolder projects are already underway. With a clear vision and a strong backing from our Parent Bank, we will stay true to our path towards achieving a digitalized banking operations. We owe it to our loyal customers and to you, our dear shareholders.

As we look forward to the gradual opening of the economy, we expect that the aftermath of the crisis will still linger not only this year but in the years to come. Thus, we wish to assure you that we will strive to protect the Bank's resources and enhance its share value. We will remain vigilant and cognizant not only of the risks but also of the opportunities that the new normal will present. I am confident that we have the right talents and the right tools for us to become a frontrunner in the post-pandemic era. Once again, I wish to convey to you, our dear shareholders, our deepest gratitude for your continued loyalty and trust in CTBC Bank Philippines. Thank you very much and please be safe.

- 5.2 The President then submitted for approval by the stockholders the Bank's 2020 annual report.

Upon motion duly made and seconded, and there being no objection, the Chairman declared the 2020 Annual Report to the shareholders approved.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,264	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

6.0 SUBMISSION OF THE AUDITED FINANCIAL STATEMENTS OF THE BANK AND OF THE TRUST AND INVESTMENT SERVICES DEPARTMENT AS OF DECEMBER 31, 2020

- 6.1 The Audited Financial Statements of the Bank and of the Trust and Investment Services Department as of 31 December 2020 was then submitted for the approval of the stockholders.

Upon motion made and duly seconded and there being no objection, the Chairman declared the Audited Financial Statements of the Bank and of the Trust and Investment Services Department as of 31 December 2020 approved.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,264	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

7.0 APPROVAL RATIFICATION OF THE ACTS, DECISIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, COMMITTEES, MANAGEMENT AND OFFICERS SINCE LAST ANNUAL MEETING

- 7.1 Upon motion of duly made and seconded, and there being no objection, the Chairman declared all the acts, decisions and proceedings of the Board of Directors, Committees, Management and Officers for the year 2020-2021 and since the last annual meeting, ratified.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,264	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

8.0 ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS

- 8.1 Mr. Arthur Wang nominated the following as members of the Board of Directors:

Wen-Hung Lee a.k.a. Jack Lee
William B. Go
Oliver D. Jimeno
Li-Hsuan Juan
Jui-Cheng Huang a.k.a. Kevin Huang
Alexander A. Patricio as Independent Director
Stephen D. Sy as Independent Director
Luis Y. Benitez, Jr. as Independent Director

Upon motion made and duly seconded, and there being no objection, the eight (8) nominees were elected as members of the Board of Directors.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,264	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

9.0 APPOINTMENT OF EXTERNAL AUDITOR

- 9.1 Upon motion made and duly seconded, and there being no objection, the Chairman declared the accounting firm of R.G. Manabat and Co. ("RGM") duly appointed external auditor of the Bank and of the Trust and Investment Services Department.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,264	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

10.0 OTHER MATTERS: QUESTIONS FROM SHAREHOLDERS

- 10.1 The Chairman asked if there were questions or matters that the shareholders would like to raise or be considered. No questions nor other matters were raised by the shareholders.

11.0 ADJOURNMENT

- 11.1 Upon motion duly made and seconded, the meeting was adjourned at 10:00 o'clock a.m.

Certified Correct:

ATTY. MARITESS P. ELBINIAS
Corporate Secretary

ZIMAR B. MENDIOLA
Assistant Corporate Secretary