

2022 ANNUAL REPORT

# SCALING UP TO A GREAT RETAIL BANK



# About UnionBank

Union Bank of the Philippines (UnionBank), a publicly listed universal bank, embraces the future of banking and is relentless in its thrust to be a bank of enduring greatness. As the country's acknowledged digital pioneer, it strives to best serve the evolving needs of Filipinos everywhere.

UnionBank was the first among its peers to start a bank website; spearhead online banking; launch the country's first electronic savings account (EON), introduce the first chatbot, implement the first fully-digital account opening, and fully-digital branch called The Ark, to name a few.

As early as 2002, the Bank has been recognized as among Asia's best companies by Euromoney and Finance Asia. It was also the country's only bank to make it to the list of the world's 25 soundest banks for four consecutive years by The Banker of London – ranking among the Philippines' top banks in terms of profitability and efficiency.

Embarking on its digital transformation journey in 2016, UnionBank has since been a trailblazer. Its pivot to a new business model and transition to being a tech company with banking facilities has brought the Bank to where it is now. UnionBank and UnionBankers have paved the way to best-in-class, customer-centric, and technology-driven banking and business solutions—delivering superior customer experiences. In 2018, the Bank established UBX, its fintech and wholly-owned subsidiary, to provide a constant source of innovative ideas and new digital technologies. In July 2022, it commercially launched UnionDigital, the only digital bank owned by a publicly listed bank in the country. In August 2022, the Bank won the deal of the decade – the acquisition of the Citigroup's consumer banking business in the Philippines.

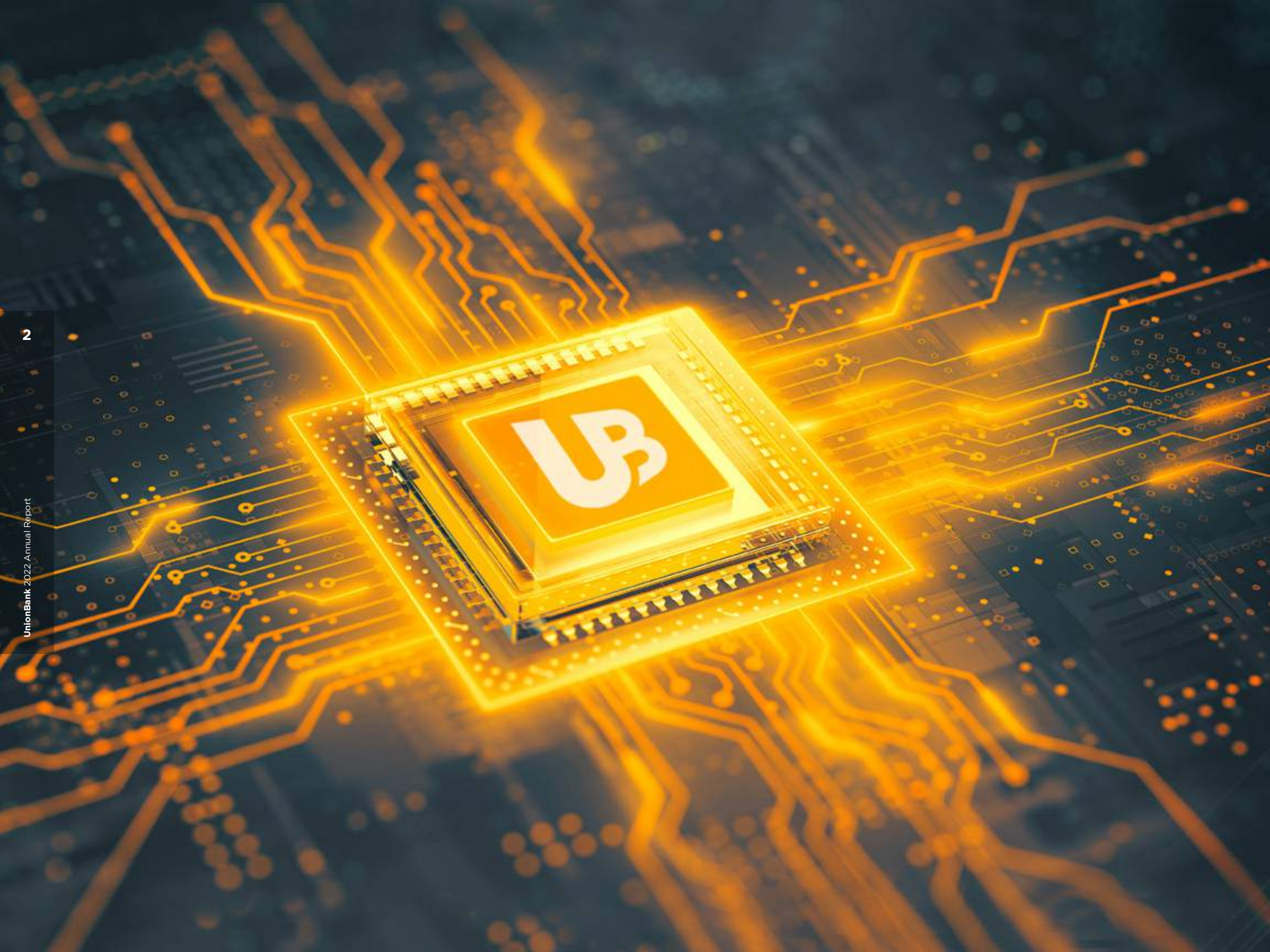
UnionBank continues to receive accolades from local and international award giving bodies. These include:

<b>Six-time “Digital Bank of the Year” by The Asset Triple A</b>	<b>“Asia Pacific’s Digital Trailblazer” by IDC Asia Pacific</b>	<b>“Top 2 Most Helpful Banks in Asia Pacific during COVID-19” by BankQuality.com</b>	<b>“Bank of the Year 2020, in the Philippines” by The Banker</b>
<b>“Asia’s Best Bank Transformation” from Euromoney</b>	<b>Four-time “Best Retail Bank PH” by The Asian Banker</b>	<b>“Most Recommended Retail Bank in the PH” by BankQuality.com</b>	<b>“Domestic Retail Bank of the Year” by Asian Banking and Finance</b>
<b>“Best Universal Bank PH” from Capital Finance International</b>	<b>“Best Bank for SMEs” by Asiamoney</b>	<b>“Employer of the Year” from Stevie Awards for Great Employers</b>	<b>Among Many More</b>

Future Forward, UnionBank is determined more than ever to pursue being at the forefront of redefining the digital banking experience to help its customers and business clients achieve their goals.

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# UnionBank DNA

## VISION

To become one of the top three universal banks in the Philippines by building a bank of enduring greatness

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## PURPOSE

To co-create innovations for a better world

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## VALUES

I earn the trust of my stakeholders through Integrity, Magis and Ubuntu.

### INTEGRITY

- I do the right thing at all times.
- I am trustworthy, transparent & authentic.
- I treat everyone with respect.
- I am fair, honest and accountable for any actions.

### MAGIS

- I am obsessed with the customer.
- I continuously innovate.
- I learn fast to build capabilities.
- I achieve great results with an agile mindset.
- I collaborate.

### UBUNTU

- I seek to understand through courageous conversations.
- I give feedback, real-time and on demand.
- I communicate clearly & openly.

## CORPORATE BRAND IDEA

Powering the Future of Banking

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## DISTINGUISHING BELIEFS

Forward-Thinking | Innovative | Open | Agile

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## EMPLOYER BRAND

Own the Future. Co-create Innovations.

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## CREDO

We are a dynamic and caring team of bold, agile and engaged experts committed to make the difference for our stakeholders by creating meaningful experiences, innovative services and solutions.

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## TWO-YEAR FINANCIAL HIGHLIGHTS

in Php Bn, except ratios and per share data	Consolidated		Parent Bank	
	2022	2021	2022	2021
<b>Profitability</b>				
Total Net Interest Income	38.9	29.8	29.1	21.7
Total Non-Interest Income	13.3	15.3	13.1	14.7
<b>Total Operating Income</b>	<b>52.2</b>	<b>45.1</b>	<b>42.2</b>	<b>36.4</b>
Allowance for Credit Losses	4.1	5.8	2.6	4.7
<b>Total Operating Income after Allowance for Credit Losses</b>	<b>48.1</b>	<b>39.3</b>	<b>39.6</b>	<b>31.7</b>
Total Other Expenses	31.5	24.3	24.1	17.5
<b>Net Income Before Tax</b>	<b>16.6</b>	<b>15.0</b>	<b>15.5</b>	<b>14.2</b>
Income Tax Expense	3.9	2.4	2.9	1.7
<b>Net Income</b>	<b>12.7</b>	<b>12.6</b>	<b>12.5</b>	<b>12.5</b>
<b>Balance Sheet</b>				
Liquid Assets	174.3	207.5	132.4	159.8
Trading & Investment Securities	333.0	237.7	323.5	233.1
Loans & Receivables, Net	479.7	336.4	393.8	275.6
Other Assets	105.7	49.6	117.4	59.1
<b>Total Assets</b>	<b>1,092.7</b>	<b>831.1</b>	<b>967.0</b>	<b>727.5</b>
Deposits	711.3	570.5	623.9	493.1
Other Liabilities	233.3	148.4	195.6	122.8
<b>Total Liabilities</b>	<b>944.6</b>	<b>718.9</b>	<b>819.5</b>	<b>615.9</b>
<b>Total Equity</b>	<b>148.1</b>	<b>112.2</b>	<b>147.5</b>	<b>111.7</b>

in Php Bn, except ratios and per share data	Consolidated		Parent Bank	
	2022	2021	2022	2021
<b>Selected Ratios</b>				
Return on Average Equity	9.7%	11.6%	9.7%	11.6%
Return on Average Assets	1.3%	1.6%	1.5%	1.6%
CET1 Capital Ratio	11.3%	16.3%	9.9%	16.2%
Tier1 Capital Ratio	11.3%	16.3%	9.9%	16.2%
Capital Adequacy Ratio	13.0%	18.4%	11.8%	18.4%
<b>Per Common Share Data*</b>				
Cash Dividends**	2.0	2.8	2.0	2.8
Earnings:				
Basic	6.6	8.2	6.6	8.2
Diluted	6.6	8.2	6.6	8.2
Book Value	69.2	73.1	68.9	68.6
<i>*Adjusted for the effect of stock dividends declared on August 11, 2021</i>				
<i>**Earned for the year but declared and paid the following year</i>				
<b>Others</b>				
Headcount*				
Officers	6,254	4,048	4,800	3,016
Staff	2,147	2,181	669	660
<i>*Banking subsidiaries only</i>				

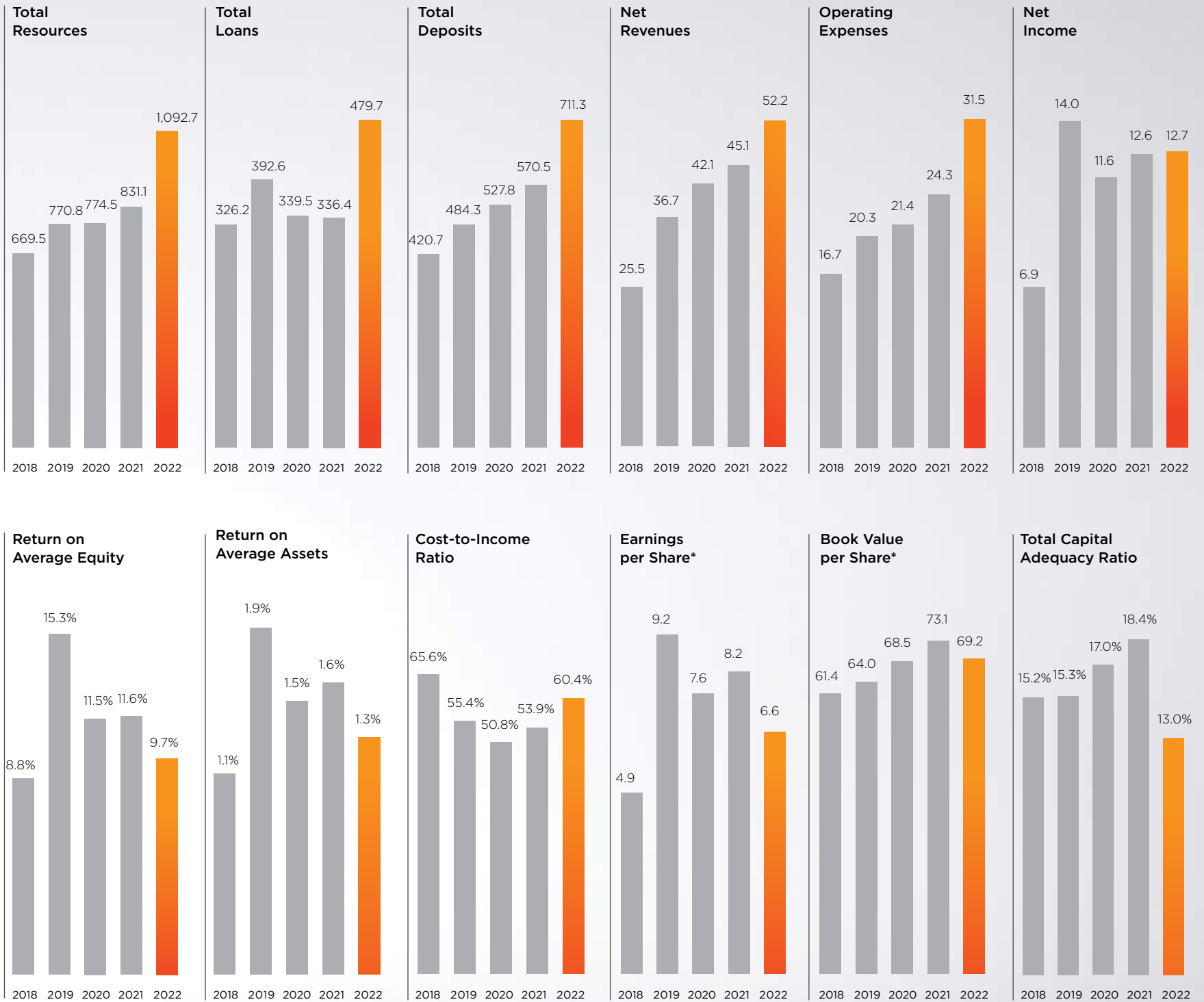
**UnionBank and PSEi Rebased Stock Performance**  
(Base: 2017 Last Trading Date)



UBP PSEi



# FIVE-YEAR FINANCIAL HIGHLIGHTS



\*Adjusted for the 25% stock dividends declared on August 11, 2021

CHAIRMAN'S MESSAGE



**ON OUR JOURNEY TOWARDS**

**BUILDING A BANK OF ENDURING GREATNESS**

**“We successfully integrated the Citi consumer business into UnionBank on August 1, 2022. The new business coming from the Citi portfolio added P99.4 billion in new assets, which allowed us to breach one trillion pesos in total assets for the first time in our history.”**

**O**ur digital transformation strategy in recent years was anchored towards the objective of becoming a Great Retail Bank. The long-term plan was to attain significant scale in retail banking, while maintaining a low cost-to-serve model. We have seen the success of our strategy in the past few years with the organic growth of our retail customer base, as well as the shift of our business model towards more stable and predictable recurring income streams.

As we continue with our journey towards building a Bank of Enduring Greatness, we have identified a few key imperatives that will help us in the realization of this ambition. These are the successful integration of our acquired Citi Philippines consumer banking business; the launch of our fully digital bank, UnionDigital; and the continued digitalization of the main Bank.

We successfully integrated the Citi consumer business into UnionBank on August 1, 2022. The new business coming from the Citi portfolio added P99.4 billion in new assets, which allowed us to breach one trillion pesos in total assets for the first time in our history. It has also added close to 1 million new-to-bank customers and allowed us to further expand our base

in the middle-income and wealth banking segments. In the first five months of operations, they have not only boosted our net income by P1.7 billion, but more importantly shifted our consumer-related business to 54% of total loans. We expect further revenue and cost-saving synergies once we fully migrate the business by the end of 2023.

We commercially launched UnionDigital last July 18, 2022. In just five months of operations, UnionDigital was able to deliver rapid growth with loans of P5.7 billion and deposits of P9.4 billion. They are very well-positioned to reach profitability in 2023, making them one of the fastest digital banks to achieve this.

Digital channels developed by UnionBank are now in full scale. UnionBank Online has been a key differentiator in growing our digitally-opened accounts to close to 2 million in three years' time. Our corporate banking app called The Portal has now signed up over 36,400 corporate customers. And our SME Business Banking app was successfully launched to further support the small and medium-sized businesses who need to be digitized to be more competitive. We will continue to focus on tapping ecosystems via digital platforms to further

grow our customer base and deliver a unique customer experience. The platforms of our fintech subsidiary, UBX, are now also mainstream. Their lending marketplace, Seekcap, has disbursed a total of P2.7 billion in loans in 2022. The BUx payment gateway has generated an average of 2.8 million transactions per month. And i2i, which is our tech-up initiative for the smaller financial institutions recorded over 1.1 million mobile ATM transactions last year. These are all providing recurring revenues to the group today. As the country's leading Open Finance platform, UBX builds digital solutions that promote financial inclusion and open finance, bringing more Filipinos and small businesses into the formal financial system.

All these digital channels and platforms, plus all other transaction banking solutions that we offer, have been instrumental in growing our deposit business and transaction fee-based income. It has also allowed us to expand to new ecosystems and extend banking to a wider consumer and SME base.

Our accomplishments were made possible because of the trust and support of the Bank's various stakeholders. My sincerest gratitude goes to all UnionBankers for their untiring commitment to remain customer-centric and continue their passion for innovation. The resiliency and agility of the Bank are anchored not only on our digital infrastructure but also on our people who live and breathe these values. Our recently inaugurated UnionBank Innovation Campus will serve as a hub for cultivating digital talents in support of the country's thrust towards comprehensive digitalization.

We are also thankful to our loyal customers, who are growing and learning with us as we digitize and discover better ways to service their needs. With millions of customers relying on us for their banking needs, we firmly commit to continually raising the bar with initiatives such as 24/7 availability, six sigma reliability, and secure and straight-through processing.

A big thank you to our shareholders, who unwaveringly supported our strategic initiatives through the two recent stock rights offers which brought in a total of P52 billion of additional equity to the Bank. We are happy that the market recognized the value of our efforts with higher market value and trading activity for our shares, propelling us back into the Philippine Stock Exchange Index.

We thank our regulators for their support in maintaining UnionBank's corporate governance posture of fairness, transparency, and accountability in the way we conduct business. Furthermore, we are fully behind the government in its ambition for digital transformation and financial inclusion. In heeding the call to *Tech Up Pilipinas*, we acknowledge that we can only grow as fast as how the rest of the country grows. We will continue to cultivate the spirit of innovation, resiliency, agility, and sustainability, and lead the country into the future of banking.

While our preparedness has helped us secure our lead in the digital space of banking today, it is our tenacity and commitment to innovation and service that will keep us there.

The Future of Banking is with **U**.



**ERRAMON I. ABOITIZ**  
Chairman



**FROM OUR GREAT LEAP FORWARD**

**WE ARE NOW GOING FOR GOLD!**

**W**e started the year 2022 full of optimism after two straight years of on and off lockdowns brought about by the pandemic. However, our resilience would continue to be tested by various geopolitical issues coming from the Ukraine-Russia conflict, US recession fears, and Taiwan Strait tensions, as well as market volatility jitters brought about by elevated global oil prices and rising demand for goods and services.

To address local inflationary pressures, the Bangko Sentral ng Pilipinas (BSP) imposed a series of rate hikes which added up to a total of 350 basis points at the end of the year and another 75 basis points early in 2023.

**“In 2022, we delivered a net income of P12.7 billion, which largely came from recurring revenues. Despite the many external challenges during the year, we were still able to maintain our net income level without depending on trading gains.”**

Fortunately for UnionBank, our agile ways of working and our digital transformation investments allowed us to weather these challenges by focusing our efforts on more sustainable and stable sources of revenues.

In 2022, we delivered a net income of P12.7 billion, which largely came from recurring revenues. Despite the many external challenges during the year, we were still able to maintain our net income level without depending on trading gains. Recurring income, which is predictable and more stable, will continue to grow as our customer base and balance sheet expand in the coming years.

Our recurring revenues amounted to a record high P52.2 billion, 16% higher year-on-year. Net interest income jumped by 30% to P38.9 billion, mainly driven by higher net interest margins and higher volumes. Despite the rising cost of deposits caused by the rate hikes of central banks globally, our net interest margin expanded by 27 basis points to 4.9%. We successfully managed the overall cost of funds as we grew our earning asset base because of two things – consumer lending focus and sustained CASA growth. The Bank's gross consumer to total loans accounted to 54%, which is 3x industry average, providing us higher yields on the asset side. Likewise, we are now on our third year of generating strong CASA growth, which averaged at 29% yearly based on average daily balance since the start of the pandemic. Fee-based and other income excluding trading income also doubled to P13.4 billion coming from card-related fees, bills payment, and digital transactions of our growing customer base.

For the first time in the Bank's history, our total market capitalization exceeded P200 billion with total assets amounting to over P1 trillion.

Overall, our performance translated to Return on Beginning Equity of 11.2% and Return on Average Equity of 9.7%, if we consider the P40 billion additional capital from the Stock Rights Offer last May 2022. We are confident that we will once again outpace industry ROE as we scale our earning assets in the next couple of years by leveraging on the additional capital that our shareholders put in.

Over and above our financial results, we made a commitment to undertake a five-point agenda to our shareholders last year under our *Great Leap Forward*. I am happy to report to the shareholders that we have successfully delivered on our commitments.

#### **Maximize efficiency to boost profitability**

We are no longer a mid-sized bank. We are growing our customer base by millions each year, which allowed us to double our base in the past three years. We now have over 10 million customers, which is comparable to the largest banks in the country. We are capable to scale up fast with a lean operating infrastructure owing to the success of our digital transformation – particularly our move towards DevSecOps eliminating bottlenecks in launching features, as well as the migration of our systems to the cloud enabling us to operate in a pay-as-you-scale model.

CitySavings also adhered to our agile culture, as they were the first to market five-year term loans for teachers, allowing them to break record loan releases in 2022. Not to mention that they now have a more diversified mass market proposition with three profitable segments in teachers' loans, motorcycle loans, and other salary loans to new ecosystems.



### **Accelerate recurring revenue growth of UBX**

UBX now has a path to profitability with three platforms generating revenues, namely SeekCap, i2i and BUx. SeekCap has a community of over 74,000 MSMEs and total loan disbursements of P2.7 billion in 2022. i2i has partnered with over 3,600 mobile ATM agents and has onboarded 120 channels from rural banks and other counters. Lastly, BUx has generated P586 million in gross revenues in 2022 with average payment transactions of 2.8 million per month.

### **Ensure smooth transition for the acquired Citi Consumer business**

Last August 1, 2022, we successfully completed the acquisition of Citigroup's Philippine consumer banking business, and we are pleasantly surprised that it has exceeded all our expectations to date. We welcomed almost 1 million new customers and over 1,500 employees including all of its senior leadership team running the consumer business. Net attrition rate was beyond the norm, with less than 1% attrition in deposits and zero attrition on the credit card and personal loans base. Likewise, between the time of the awarding of the deal and its closure, the total earning asset base of the business grew by around P10 billion more. The deal, as finalized, brought in P99.4 billion in total assets, comprised of P69.4 billion in gross loans, P29.7 billion in cash and liquid assets, and P4.1 billion in other assets which included the building that houses the consumer business employee base. It also brought in P65.3 billion in total deposits with 89% CASA ratio.

Early indications coming from the acquired portfolio provide us comfort that we can realize the value of the business faster than plan.

### **Commercially launch UnionDigital**

We built a Bank from the ground up in record time of 6 months. UnionDigital, our digital-only bank subsidiary was commercially launched last July 18, 2022. After just five months in operations, UnionDigital is already showing a clear path to become profitable in its first full year of operations. It booked a total of P5.7 billion in personal loans and a deposit base of P9.4 billion. The growth in its lending portfolio is attributed to the cross-sell program anchored on UnionBank's large ecosystem of retail customers. Through UnionDigital, we can now extend digital loans using alternative credit scoring models to the underserved customers of UnionBank.

### **Continue to harness synergies across ecosystems**

Over the last three years, we doubled our retail customer base to more than 10 million, which provided a sizable base for both UnionBank and UnionDigital to maximize cross-sell efforts. We have also launched various initiatives to realize revenue synergies on the customer base of the acquired Citi consumer portfolio. Once the customers are fully migrated into the UnionBank system, credit card holders shall be able to open a UnionBank account with just one click.

Moving forward, the main goal is to extend beyond the customers of the banking group and provide financial services to the Aboitiz Group ecosystem. Our Chief Data and Artificial Intelligence Officer, Dr. David R. Haroon, is leading the way in reinforcing synergies through Aboitiz Data Innovation.

### **Go for Gold 2025**

UnionBank has successfully transformed the organization to be agile and digital to the core. We now have strong business growth engines, significant scale in terms of number of customers, top-ranking and fast-growing consumer products, plus a very positive shareholder and market confidence on our ability to execute. We are in a new phase of our growth objectives as we aspire for market leadership in retail banking.

We are ready to be bold as we Go for Gold in 2025. We are in a stage where we can truly become a *Great Retail Bank* – the largest and most profitable consumer bank in the country over the next three years.

My deepest gratitude goes to our Board of Directors for their continued guidance through all these years, to all UnionBankers for the impeccable work, and to our customers, partners, and shareholders for your enduring support and trust in the Bank. The Future indeed Begins with **U**.

UnionBank – our Bank, our Future.



**Edwin R. Bautista**  
President & CEO



MARVIN TIU LIM,  
KEVIN MCHALE YAO and ERIC LIM  
*Autokid*

# Driving Success

## How Autokid Truck Solutions went from selling second-hand cars to the fastest-growing, nationwide, one-stop-shop for trucks

**B**ack in 2009, three church friends, still barely out of college, were buying and selling used cars through classified ads online. A little over a decade later, that backyard operation has become one of the country's biggest truck distributors, with 16 branches nationwide.

Autokid Truck Solutions sells and services everything from trucks and public utility vehicles to tankers and special-purpose vehicles. From selling to private truck owners, the company, founded by Kevin McHale Yao, Eric Lim, and Marvin Tiu Lim, now also serves the public transport and government sectors.

So how did these young entrepreneurs manage to upend the truck industry? It's a combination of smart strategy, the right timing, and the advantages of youth.

### From cars to trucks

Autokid became a more serious operation in 2011 when the founders leased an oversized lot on G. Araneta Ave. in Quezon City. Ironically, it was the only second-hand car dealership in an area known as a truck alley.

But four years later, they decided to import surplus trucks coming from Japan. Kevin says they saw a bigger opportunity with trucks: "Our entire market is anyone who owns a business. Almost all businesses use trucks to move their products."

Marvin concurs, "We realized that customers who bought second-hand cars were usually one-time purchasers, but those who bought trucks often came back to purchase more, building larger fleets over time."

### One-stop shop

The truck industry at that time was old-school. It was challenging to look for parts and professional services. "The main pain point for truck customers and fleet owners was the lack of parts and after-sales service," explains Eric.

"Autokid addressed this problem by being a one-stop-shop for its customers, providing not only quality trucks but also a team of service experts to provide after-sales support and truck parts in multiple locations nationwide."

The company made another critical shift in 2019 when it entered the brand-new truck market. Marvin points out, "Selling surplus trucks had challenges, including the lack of warranty and customer demand for consistent quality. To address these issues, Autokid transitioned to selling brand-new trucks imported from China, providing affordable options while ensuring consistent quality."

The market was ripe for it. The economy was growing, businesses had more buying power, and customers demanded newer, safer, air-conditioned trucks.

Today, Autokid is the largest authorized distributor of Dongfeng, one of the top vehicle manufacturers in China. It sells light-duty trucks, dump trucks, cargo trucks, mixers, and tractor heads. Autokid has also added Faw Trucks, Shacman, and Howo trucks to its portfolio. They are so confident about their trucks and after-sales service that Autokid has exceeded the industry standard of offering a one-year warranty by extending theirs to three years.

### Perfect timing

The company's timing could not have been better. The government has pressed the transportation industry to modernize. In 2018, it started requiring trucks and other vehicles to comply with Euro 4, the globally accepted European emission standard.

Truck owners have to phase out older units that release more emissions. And PUVs, such as jeepneys and buses, had to modernize or risk losing their operating license. This proved to be a boon for Autokid as operators had to upgrade their fleets.

Aside from the public transport sector, Marvin also says finding an opportunity to sell to the government proved to be a significant pivot in the company's history. "During the pandemic," he shares, "Autokid was able to import close to 1,000 mini-buses, all with committed orders."

The company sold fire trucks, ambulances, fuel tankers, siphoning trucks, water tankers, refrigerated trucks, and garbage compactors. "Whatever the government needs, we provide," Kevin notes.

### Young blood

The 30-something businessmen may not have deep pockets like their billionaire competitors. But they have turned their youthfulness into an advantage.

Marvin explains, "We're willing to take more risks and pivot quickly as we've always done. Others are more conservative and slower to act. In this industry, being agile and nimble is very important."

Being forward-thinking has served them well. For instance, Autokid has been ISO 9001:2015 certified since 2020. And as tech-savvy Millennials, the three founders have embraced technology to modernize operations. Eric shares, "We use NetSuite Oracle to manage our data and make quick decisions since all data from all the branches are centralized through our system." Autokid can track, manage, and optimize end-to-end processes from importation to after-sales support. "Even the inventory is online, so we can pinpoint exactly where the part is and what bin in every branch," he adds.

Autokid is definitely not your typical truck dealer. The company has an e-commerce website and mobile app for customers to browse truck models, check specs, and buy parts. It is active on social media and has implemented an automated chatbot to serve customers 24/7.

The founders also acknowledge the role their investors and partners have played in their growth. For instance, Eric shares that UnionBank was one of the first banks that assisted them during their early years. He says, "UnionBank's support has helped us grow even during the pandemic as we deliver better service to our customers as they develop their businesses."

Kevin adds, "UnionBank is a valuable ally for Autokid, providing truck financing support for our customers. Through our partnership, Autokid is able to offer flexible financing options to businesses looking to purchase trucks or increase their fleets. Also, UnionBank provides us with working capital as we expand our inventory."

This relentless attention to their customers ultimately explains Autokid's success. Kevin says, "The company's focus in providing comprehensive truck solutions to businesses and commitment to customer satisfaction has helped us stand out in a crowded market."

Marvin adds, "It's more of understanding what customers need and thinking of a long-term partnership, not just making a quick buck but trying to help them promote their business. And if they like our service and our trucks, as their business grows, the more business they send our way."



**BENCH/**

**BRYAN LIM**  
*BENCH/*

# BENCH/ and Beyond

**Suyen Corporation keeps close to consumers' pulse with a diversified lifestyle retail portfolio**

**B**ENCH/ is one of the most iconic brands in the Philippines. It burst into popular culture in the early nineties with its fashionable clothing line and groundbreaking advertising. The brand has since expanded beyond clothing and into other areas such as beauty, home, and food. This includes BENCH/ Body, BENCH/ Active, BENCH/ Beauty, BENCH/ Skin Expert, BENCH/ Fix Salon, BENCH/ Barbers, and BENCH/ Café.

With 600 stores and outlets throughout the Philippines, with branches in the United States, the Middle East, and China, BENCH/ has become a household name. But what most people don't know is that Suyen also runs the Philippine operations of some of the biggest brands in the world, from Charles & Keith, Cotton On, and La Senza to Bobbi Brown, Clinique, and Estee Lauder.

"Suyen has built a diverse portfolio to include a good mix of local and international brands. Today, we have a total of 39 foreign brands with a total of 1148 stores for both local and foreign brands," says Bryan Lim, Vice President for Business Development of Suyen Corporation, the company behind BENCH/.

## Birth of Bench

Suyen Corporation was started in 1987 by visionary Ben Chan and couple Ver and Nenita Lim. They initially sold men's t-shirts but soon added ladies' apparel, underwear, accessories, and personal care products. "It has since evolved into a total lifestyle brand," Bryan notes.

Trendy fashion at affordable prices is just one explanation for the company's success. What took BENCH/ to the next level was that it was a trendsetter. "When BENCH/ opened in 1987, we introduced celebrity-driven marketing campaigns, which were very new back then," Bryan explains. "We also introduced an unconventional way to display merchandise and dynamic and experiential store designs. At that time, BENCH/ changed the game, created excitement for Filipinos, and gave them a new way of shopping trendy, fashionable apparel."

Bryan stresses that BENCH/ was not an overnight success, but "it catapulted to the top by a series of small leaps, during which Suyen pioneered many breakthroughs, including high-concept activation events and celebrity endorsements."

## Expansion and evolution

To sustain its growth and keep pace with the times, Suyen gradually expanded into other fashion and lifestyle brands. Bryan shares, "In 2006, when the market was starting to open up to foreign brands, Suyen brought in The Face Shop, a growing cosmetics brand in South Korea."

Suyen has become a powerhouse in the beauty and cosmetics category, representing Bobbi Brown, Clinique, Estee Lauder, Jo Malone, Kiehl's, La Mer, Mac, Origins, and PCX. Its clothing business now includes Sixty8ight, Aldo, American Eagle, Charles & Keith, Cotton On, La Senza, La Vie En Rose, Paul Smith, Pedro, Rubi, and Urban Revivo. Suyen has likewise expanded into lifestyle brands like Typo, Mothercare, JINS, Fritz Hansen, and Dimensione.

"In 2013, we opened our first food franchised concept from France, Paul Boulangerie," Bryan shares. "We have since spread out to different food concepts from various countries, with Maisen, Marugame, Boat Noodle, Koi, and the like."

Bryan plays an instrumental role in Suyen's evolution. He and his sisters, scions of Ver and Nenita, are active in the business. As head of business development, Bryan helps identify potential partners, starts discussions, negotiates contracts, and executes brand launches.

Like most Chinese-Filipino families, Bryan started working for the family business from the ground up, spending his early years in product development for the brand's undergarments section. Today, he is considered as heir apparent in charge not only of Suyen's growth but also of its future.

With a growing reach and diversified portfolio, Suyen has crafted a new mission: "Bringing the Philippines to the world, and the world to the Philippines."

## Changing times

Fashion can be fickle, but Suyen has remained relevant and attuned to the times. As Bryan explains, "So much has changed since. The market has grown, more options are available, and there are new ways to shop, thanks to technology. Filipinos have become more aware of brands and are savvy with their needs and wants."

He adds that being in the retail industry for over 35 years, Suyen is accustomed to the pulse of the market: "We can determine what the Filipino market needs, understand the preferences of each segment, and try to meet that need with a new concept and brand, may it be foreign or homegrown."

For example, with the Philippines having largely a mass market base, Bryan says they know the market's threshold in terms of pricing and try to match this with new offerings such as its restaurant brands Marugame Udon and Boat Noodle, known for good quality food at affordable prices. Seeing the demand for trendy wear, Suyen brought in China's number one fast fashion brand Urban Revivo and opened stores in key malls.

Bryan points out that, like in any portfolio, not all bets pay off: "There is a learning curve. There are hits and misses, but we persevere. We never stop learning."

## Turning crises into opportunities

Suyen has gone through almost four decades of shifting economic environments and changing consumer behavior. And despite its size, the company has managed to be nimble and adapt to not only changes but also crises.

For instance, Suyen survived the pandemic as it closed its stores and transitioned online with its partnership with e-commerce marketplaces and its own e-commerce website. Bryan shares, "We were forced to fast-track the completion of our online systems, both front and back end."

The company even turned the crisis into an opportunity. Bryan explains that BENCH/ ramped up the production of sanitizing essentials under the Alcolgel line and delivered them to their warehouses. As people stayed home, the company consolidated essential clothing such as t-shirts, shorts, and underwear from its closed stores and reallocated them to its online partners. "These helped sustain sales during the lockdown," Bryan notes.

"Suyen Corporation has evolved and withstood economic downturns and the pandemic, yet we have remained resilient throughout," he adds. "These setbacks temporarily slowed our expansion, but we have rebounded and are back on track."

## Key partnerships

The company also recognizes the role of its strategic partners in its success. Bryan explains that Suyen has established good business relationships with key partners such as mall developers, suppliers, and customers.

For instance, he says, it is given priority for mall spaces in key locations. With the volume of business that the company brings to suppliers, Suyen is also given priority service to ensure that the business runs smoothly.

UnionBank has likewise contributed to its evolution. Bryan says UnionBank has opened another window of electronic payment to its offline stores by accepting QR codes. "Every Filipino with an online bank account can easily pay at any BENCH/ store without going into the hassle of queuing for cash withdrawals," he notes. "BENCH/ has put its effort in continuously improving and defying norms. Partnering with the most innovative bank is an advantage," Bryan adds.

Suyen Corporation is a prime example of a company that has successfully navigated the changing retail landscape in the Philippines. "We continue to stay relevant and create excitement in the brands we bring in, the products we develop, and the events we mount," Bryan says. "We know our customers' changing needs and continue to strive to meet their demands."

CLIENT FEATURE



**DICK & MARS BALAJADIA**  
*DM Group of Companies*

# Serial Success

**Through DM Group of Companies, Dick and Mars Balajadia are creating a growing and diversified portfolio of business ventures**

**S**ome people collect shoes or bags. Others collect art or cars. Dick and Mars Balajadia collect businesses. The couple behind DM Group of Companies owns several businesses in the beauty and wellness, restaurant, hospitality, and real estate sectors.

"Before we married in 2010, Dick and I decided to franchise a spa," Mars shares. "That was what started my passion for the beauty and wellness industry. It paved the way for me to open my day spa and eventually expand to an aesthetic clinic, now Mecca Aesthetic Clinic and Spa."

Soon, they ventured into an events place and catering business, a hotel in Baguio, and a fitness gym. "By 2017, we opened our first branch of Stoned Steaks, which ignited our love for food. We then opened Ponce Tapas and Wine, Karma Lounge, and the second branch of Stoned Steaks by 2019," Mars says.

## Entrepreneurial family

Their entrepreneurial streak can be traced to their childhood. Dick comes from a family of entrepreneurs in several businesses, including a pharmaceutical and hotel management company. Mars' family, meanwhile, was in the construction business.

"We were surrounded by owners and leaders who operated various businesses ranging from food and beverage to manufacturing and retail. We would constantly share wins, losses, and everything in between during Sunday family lunches," Dick recalls. "Witnessing their passion and dedication to their craft inspired us to pursue our entrepreneurial dreams as a couple."

Dick was only 21 when he opened Halfmoon Bibing crepe, his take on the Indonesian snack called *martabak*, and then I Have 2 Eggs, an all-day breakfast concept. "I knew

that if I wanted to take my businesses to the next level, I needed to gain more knowledge and expand my culinary skills," he explains. He soon decided to pursue formal culinary education at the California Culinary Academy in San Francisco.

After getting into a spa franchise as a couple, Dick and Mars went all in. Success led to more success, and they launched several businesses in just over a decade. "There are many factors we consider when we want to start a new venture," Mars explains, "We always check the competition, market, price points, and our unique selling proposition or the value we bring into the table and to our customers."

## Spanish cuisine and steaks

Aside from their aesthetic clinic and spa, the couple is best known for their restaurants. Stoned Steaks is a high-end, casual dining restaurant that offers a unique way of eating steaks cooked on a hot stone. "We offer different cuts of high-quality beef, a range of dry-aged wagyu and Angus steaks, A5 premium Japanese beef, and other dishes that showcase the restaurant's commitment to quality and innovation," Dick proudly shares. They are opening a third branch soon.

Meanwhile, Ponce Tapas and Wine brings Spain to local palates with its delicious tapas, paellas, sangria, and best-selling *cochinillo*. The space transforms into a wine and sangria bar with live DJs and acoustic bands on weekends and an intimate event space for special occasions. A second branch is in the works.

"We love traveling together, and we get a lot of inspiration for our businesses on these trips," Mars shares. "We enjoy exploring new destinations and learning about their culture, especially through gastronomic experiences. Our dream has always been to bring different and unique food concepts to the Philippines."

The couple also shares that they invest in their continuing education, taking executive courses at Kellogg Northwestern University in Chicago. Dick also took up the Owner and President Management course at Harvard University, while Mars finished her aesthetic course with the American Academy of Procedural Medicine.

## Getting into real estate

As if their hands were not yet full, the DM Group launched a commercial real estate company called Onward Real Estate Incorporated. "We understand that modern

businesses have unique needs and requirements, and we strive to provide commercial spaces that meet these needs," Mars explains. "Our commercial developments offer flexible layouts, modern designs, and state-of-the-art amenities that cater to the needs of businesses of all sizes."

Dick points out that their commitment to quality extends to every aspect of their commercial developments, from design to construction. "We ensure that every detail meets the highest standards, providing a premium experience for our clients," he says, adding, "Our customer service is also top-notch, and we prioritize building relationships with our clients to ensure their needs and concerns are addressed promptly and effectively."

## Success secrets

Running multiple businesses in different industries on top of raising a family seems like an impossible task. But Dick says, "Mars and I believe in working hard and working smart. We also make sure that we have a good support system in place. We have a team of employees who are dedicated and passionate about our business and clearly understand the end goal."

He also credits their mentors and advisors who provide guidance and counsel when needed. "Having a strong support system helps us navigate the challenges of running a business and allows us to focus on what we do best," he explains.

Dick adds that collaborators like UnionBank help their businesses grow. "UnionBank has been a valuable partner in helping us manage our finances more efficiently. We use UnionBank for our corporate accounts, allowing us to manage our cash flow and monitor our expenses easily. They also offer various digital banking solutions that make banking more convenient and accessible."

As a married couple who also happens to be business colleagues, Mars says that working together requires mutual respect, trust, good communication, defined roles, and a shared vision. "We both know the importance of our family and prioritize them above all else. We also understand that running a business is not easy, but by working together and supporting each other, we can overcome any challenges that come our way," she explains.

By the looks of it, with their track record, there will be many more businesses and even greater success for this power couple.

CLIENT FEATURE



**IAN PARADIES**  
*Napa Gapa Beverages Corp.*



# Crafting an Enchanting Beer Experience

**Engkanto Brewery creates world-class craft beers Filipinos can be proud of**

Filipinos love beer. We drink 2.1 billion liters of beer every year, an average of 114 beers per person. Beer is the most widely consumed alcoholic beverage in the Philippines, accounting for 72% of total alcoholic consumption. Practically most of it is local, mass-produced commercial beer. But there is more to beer than what we have been accustomed to.

“Beer isn’t just lagers. It’s ales, it’s porters, it’s stouts. You add tons of flavor from the hops, tons of flavor from the malt, depending on what beer you drink and what style you’re drinking. There’s a difference in color, haze, and alcohol content,” says Ian Paradies, founder and president of Napa Gapa Beverages Corp.

Ian belongs to a new generation of craft beer makers out to elevate the taste of Filipino beer drinkers. The craft beer market in the Philippines is still in its infancy. But it is growing fast, with some 50 microbreweries across the country. Engkanto, Napa Gapa’s craft beer, is one of the leading brands.

“Younger Filipinos are much more inclined to try new things. And they’re looking for elevated experiences, you could tell that the market is moving in that direction,” Ian explains.

## Mystical experience

Ian lives and breathes beer. Growing up in Cebu, his experience with beer was no different from most Filipinos. “I thought commercial beers were what beer was,” he shares. Only when he moved to the U.S. for college did he and his cousins get exposed to different beers. “When we started to try those new beers, we realized, holy smokes, this beer is so much more than what we thought it was,” he says.

His love for craft beer only grew from there, visiting craft breweries during his travels to the U.S. and Europe. Ian started as a management trainee for global port operator ICTSI in 2007, working his way up to terminal manager at the company’s Jakarta facility. While he enjoyed working with his cousins and uncles in the family business, Ian had been itching to venture out

on his own. “When I got reassigned back to Manila in 2015, I wanted to try putting up my own business,” he says.

## Birth of Engkanto

The idea of a craft beer business has been brewing in Ian’s mind for years. He felt the time was ripe as he had gained enough management experience. And there was a growing consumer base of young and upwardly mobile Filipinos open to trying new beers. “It was a combination of seeing an opportunity and the fact that I love craft beer and wanted to offer that to Filipinos,” Ian explains.

He decided to call his brand Engkanto, which comes from Philippine folklore about supernatural beings who live in the forests and mountains. Ian says Filipinos, especially those in Central Visayas, where he’s from, are superstitious and fascinated with the mystical.

Ian also wanted to infuse Philippine flavors into Engkanto to make it distinctly Filipino. He laments that while people around the world hold us in high regard, we often don’t hold ourselves the same way. “We always see things as being premium if they’re imported, compared to locally produced goods, and it always drove me nuts because that’s not the case. We could do things just as well as anybody else can,” he says.

“I wanted to show the market that we could create great beers just as good as any other country could,” he adds. “So that drove the passion and idea behind setting up the business.”

Engkanto was launched in 2017 with a small Makati facility, producing about 10 barrels per brew and selling kegs in draft format to hotels, restaurants, and bars.

## Making a mark

Engkanto was a hit, appealing to Filipinos with its unique beer flavors and eye-catching packaging. It has since sold beer in bottle format to groceries and convenience stores.

Its flagship beer, Engkanto Lager, is a light and refreshing beer that has won multiple awards. Other popular flavors include the High Hive Honey Ale, Mango Nation Hazy IPA, Green Lava Double IPA, and Paint Me Purple Ube Lager.

“We’re heavily focused on incorporating local ingredients into our beer,” Ian explains. “Three of those beers incorporate local products that we’re locally and globally known for.” The brewery uses fresh mango puree from Guimaras, honey from small independent beer farms in Bukidnon and Baguio, and fresh *ube* (purple yam) puree.

Engkanto’s beers were not just well-received locally; they have also won internationally at the World Beer Awards. “Filipinos are proud to see that you have local companies putting up premium brands and creating premium products, which is something that’s a fairly new phenomenon, particularly in this space of alcoholic beverages,” Ian points out.

The brewery grew rapidly, doubling its volumes every year for the first four years. Soon, the company outgrew its Makati system and opened a much larger facility in Carmona, Cavite,

in early 2019. “We went from 10 and 20 hectoliter brew house and fermentation capacity respectively, to 50 and 100 hectoliter capacity,” Ian notes.

He says that most people imagine craft beer as being brewed in someone’s backyard or garage, so visitors get shocked at the size and sophistication of their fully automated, state-of-the-art facility. Engkanto definitely stands out from other microbreweries just on this fact alone. Ian explains that he had always wanted to invest in the best system to ensure quality and consistency to not “chase customers away and back to commercial beers.”

## Turning crisis into opportunity

The company’s growth trajectory was placed on pause when the pandemic hit. The business had to shift to direct sales as its main corporate clients, like hotels, bars, and restaurants, closed. The good thing is that it had already developed its e-commerce website before the pandemic. “From a timing standpoint, we were lucky,” Ian notes.

Technology helped the company survive the worst of the pandemic. Ian also appreciates the role of digital banking in helping his team run the business with its partnership with UnionBank. He says, “From a company standpoint, UnionBank has been by far the easiest to work with when it comes to managing our accounts. I don’t think any bank in the Philippines has the capabilities that UnionBank currently has to manage the business financially.”

“Right now, we do everything online,” Ian explains.

“We never have to step foot in a branch anymore. Every transaction—government payments, transfers to suppliers, receipt of payments from customers, and even payroll – is done via UnionBank’s online banking platform. It’s made our lives a lot easier.”

Ian says the pandemic allowed the company to rebrand, change its logo and packaging, discontinue some core beers, and relaunch new ones. He shares, “It’s probably the best thing we have done. We’re a super bright country and bright people, so we wanted something more representative of the Philippines.”

## Bright future

Things have been looking up again for Engkanto. Its 2022 sales figures have already surpassed its pre-pandemic revenues. Its on-trade accounts have come back as the economy has opened up.

The entire craft beer industry is back on its feet. The market is growing, and people are slowly shifting to craft beer as their main choice of beer. “You have some bars and craft breweries with their tasting rooms. And you see die-hard groups of customers every day there drinking only craft beer. It’s nice to see that transition where people move permanently to your product versus just socially or only on special occasions.”

It’s a magical moment for craft beer in the Philippines. And Engkanto is on its way to making it last.

CLIENT FEATURE



ER ROLLAN  
Growsari

# Big Dreams for Small Stores

**GrowSari is transforming sari-sari stores into digitally-enabled, full-service community hubs**

There are over a million sari-sari stores across the Philippines. And ER Rollan's audacious goal is to bring them into the digital age. The co-founder and CEO of digital B2B platform GrowSari is doing what no one has successfully done before. GrowSari enables sari-sari storeowners to order anytime over 800 products directly from top FMCG manufacturers, mostly at distributor prices, from its app, delivered for free.

Most of these mini stores are in small residential neighborhoods, out of reach of distributors. Shop owners typically close their stores and take a tricycle to the nearest wholesaler or supermarket to buy inventory at higher prices. "At that level, products have already passed several hands before it gets there, so it's time-wasting and costs them money," ER explains.

## Underserved stores

Not making things easy for these micro-entrepreneurs is a huge disservice to sari-sari store owners, considering nine in ten Filipinos depend on them for necessities. They also accounted for 41% of FMCG purchases in 2022, more than the share of hypermarkets and supermarkets. The sachet economy is not going anywhere.

"It's the biggest retail channel, and yet it's the one that is least served and understood, making it very hard to manage. So that inspired us to do something in the space," ER says.

On one hand, sari-store owners can't buy directly from companies because they're so small. Meanwhile, FMCG manufacturers don't have an efficient way to reach and support them.

## Start of something big

It's no coincidence that ER used to work at FMCG giants Unilever and P&G. His job on consumer and market insights gave him and his co-founders the inspiration to take on the massive challenge of fixing these supply chain inefficiencies in the fragmented retail space.

When GrowSari started in 2016, FMCG companies agreed that there was an opportunity, but they were skeptical because executing and bringing it to scale was challenging. "We didn't have any credibility as a startup. Getting companies onboard took a number of years," he says. Even sari-sari store owners had doubts initially, hesitant to use the GrowSari app and change their buying routines.

Undeterred, ER started a pilot in Antipolo City, eventually onboarding a thousand stores in three cities. GrowSari had to buy products themselves, subsidizing prices to entice store owners. "We were repacking orders from the backrooms of supermarkets stores because we couldn't afford to pay rent," he shares.

## Turning point

In 2018, the Gokongwei group invested in GrowSari, which gave the company access to its supply chain infrastructure and suppliers. Eventually, it won over more investors, including KKR, Wavemaker Partners, IFC, Saison Capital, Tencent, ICCP, Eden, and Pavilion Capital.

The startup grew rapidly but expanded exponentially when the pandemic hit in 2020. "We transitioned all our stores from being dependent on our field agents to fully adopting our app. And that allowed us to scale faster."

Today, GrowSari runs over 20 micro-fulfillment centers all around the country, where it repacks orders from shop owners dubbed Super *Tinderas*. It has also expanded its network of sari-sari stores to over 200,000 stores across the Philippines, giving them direct access to P&G, Unilever, URC, Nestle, Mondelez, Monde Nissin, Alaska, Coca-Cola, and others.

## Super app

GrowSari has become a B2B super app for sari-sari stores. It added services, enabling sari-sari store owners to offer bills payment, prepaid load, cash-in, and gaming and subscription pins to their customers. More than 200 service providers, including GCash, Globe, Home Credit, Manila Water, Meralco, PLDT, Sky Cable, Smart, and others, are available in the app.

These services are another revenue source for store owners. ER says, "We're able to bring more businesses to them. And they're becoming more relevant to their community." He adds that their vision is that Filipinos don't have to go to their town center if they can do virtually everything within walking distance of their neighborhood store.

The company also partnered with Lazada and Shopee to allow sari-sari stores to serve as online shopping ordering hubs in their communities. GrowSari even has its digital currency and closed-loop e-wallet called GrowCoins. So, aside from getting access to better prices, owners can earn and use to get cash back on their orders, saving them more money.

ER is also thankful how UnionBank has integrated with GrowSari to allow sari-sari store owners to accept non-cash payments with QR codes, credited in real-time to their GrowCoins wallet. UnionBank has provided an application programming interface (API) that connects UnionBank accounts with GrowSari's system. He says, "UnionBank has invested in technology that allows our sari-sari store owners to do wallet transactions that pass through UnionBank, enabling them to be part of the QR Ph revolution of the *Bangko Sentral ng Pilipinas*."

"Being able to integrate with UnionBank, so our customers can move money into that closed-loop wallet from a UnionBank account, is the right innovation in this space because if we are not going to create a solution to drive financial inclusion at that level, then we will see very sparse results. We appreciate that UnionBank is serious and has been committed to going with us on this journey," ER adds.

## Financing growth

Another pain point for micro-entrepreneurs is access to financing. Without proper documents, applying for loans to grow their business is difficult. GrowSari has addressed this problem by providing financing to shop owners with *E-Lista*, its Buy Now Pay Later program.

ER explains that they use alternative credit scoring based on transaction data, minimizing their lending risks. This has made an enormous impact on store owners. He shares, "We've seen that their order basket sizes have grown significantly, and they can stock their stores more. The throughput is also higher because of that."

## Major impact

Thanks to the right team, technology, and timing, GrowSari has cracked the code. FMCG companies can use the platform's analytics to extract insights and identify growth opportunities "in theory, all the way to the barangay level."

The most significant impact, of course, is on the sari-sari store owners. ER notes that it's not just about earning extra income. It's also about these parents wanting to spend more time with their families, which a sari-sari store allows them to do.

"The problem is that there always seems to be a cap. They can earn only at a certain point," ER says. "Hopefully, what GrowSari is doing is to increase their potential."

GrowSari has already achieved a lot, but ER notes, "We still have a long way to go. We're certainly trying our best to add value to all our partners and customers." The goal is to scale further and reach hundreds of thousands more sari-sari stores. With its proven business model and rapid expansion, there are no doubts it can.



**RENE "RJ" ALETA LEDESMA, JR.**  
*Mercato Centrale*

# Taste Makers, Brand Builders

**Mercato Centrale is not just the country's most popular open-air food market but also the launch pad for many successful food entrepreneurs**

**M**ercato Centrale, launched in 2011 with much fanfare, continues creating buzz and drawing crowds. Inspired by the food halls of Europe and hawker markets of Southeast Asia, the open-air food market concept was a pivotal moment for the burgeoning foodie culture in the Philippines.

"People enjoy the novelty. When they come over, they can find something that they can only find there and only for the weekend," explains Mercato co-founder RJ Ledesma. He adds that the food market offers variety and value for money. Most of all, "it's the whole experience that we create, that is key."

More than just a food destination, Mercato Centrale is also a business incubator for food entrepreneurs. They're not just vendors paying rent; they're start-ups that benefit from Mercato's training, mentorship, and connections. It's a perfect avenue for them to test new food concepts. Mercato's prime location, foot traffic, and brand name offer exposure to homegrown labels.

Many of these food merchants have launched popular restaurants, including Thai Mango, Manang's Chicken, Mamalou's, Shawarma Bros, Brasas, Bawai's, Merry Moo, Mio Gelati, Sunrise Buckets, Tokyo Tempura, and Gino's Pizzeria. "They got their entrepreneurial feet wet in Mercato," RJ shares proudly.

## **A passion for entrepreneurship**

RJ himself is a popular name, widely known in both business and media circles. He's a pop culture icon, book author, motivational speaker, professional host, TV personality, editor-in-chief of *The Business Manual*, and honorary consul of Monaco to the Philippines.

"I was trained at the very start to be a multi-tasker, which is a great combination of my mom, who was involved in a lot of socio-civic activities, and my dad, who was an entrepreneur. I'm just used to having so many different things on my plate at the same time," RJ says, explaining how he's able to juggle all his different roles.

If there's one central thread that connects almost everything he does, it's entrepreneurship. As a serial entrepreneur, RJ also runs a market entry consultancy firm called EnterPH, targeted at foreign companies and franchise marketplace EasyFranchise aimed at overseas Filipino workers. He is an Agora Awardee for Excellence in Entrepreneurship, a GoNegosyo mentor, and a winner of the Asia CEO Awards for SME Company of the Year.

RJ credits a strong support system that allows him to do what he does best. He says, "I don't run all those businesses. For Mercato, we've built a solid management team already." His wife, Vanessa, plays a critical operational role at Mercato. "I'm very lucky to be working with my wife, who is very good with the details, the day-to-day stuff."

"I take more of a strategic role and a business development role," RJ explains. "My expertise is in seeing the big picture, where to take the business, and what the trends are. And I'm a good connector. I connect the business with various possible players in the ecosystem."

## **Entrepreneurial mindset**

RJ's resourcefulness and strategic thinking were tested particularly during the pandemic when lockdowns and restrictions brought restaurants and food markets like Mercato Centrale to a halt.

"I had to take my own mentorship to heart, that an entrepreneur has an entrepreneurial mindset. He sees the world through a lens of opportunity," RJ points out. He explains that without that, the pandemic would have been scary: "My job as an entrepreneur is not to say whether a situation is good or bad. My job is to find opportunities in good or bad situations."

The company quickly iterated and innovated to develop different models. RJ shares that they tried online delivery models, aggregating Mercato's vendors into one platform. They attempted doing limited versions of Mercato in free areas and opening morning markets for essential goods – all, he admits, with limited success. "But the thing is, we had to keep on moving and pivoting forward and make small failures along the way because if we didn't learn how to make those small failures, then we wouldn't know how to be able to find the correct formula to operate in the new normal," he explains.

This culture of experimentation and innovation is something Mercato Centrale shares with UnionBank. RJ says, "Why I like UnionBank is, aside from having a lot of great tools for entrepreneurs, it's also because they have their sandbox over there, which is UBX."

He also appreciates how UnionBank's digital banking platform helped his businesses and Mercato's food entrepreneurs. Aside from being able to do online fund transfers, mobile check deposits, and bills payments, vendors will also soon be able to accept QR payments from customers.

RJ notes, "Digitization helped a lot, especially when it came to things like payroll. And then, I work with a network of diverse vendors where they have to make payments as well, right? Payments were made easier through UnionBank. It helped solve many pain points for entrepreneurs during the pandemic."

## **More innovations ahead**

With the economy returning to normal, Mercato Centrale is stronger than ever. "Right now, we have five to six locations and keep launching new ones. It's time for revenge spending," RJ says.

However, he notes that competition has become fiercer with newer open-air food markets commoditizing things: "Everybody wants to be the next Mercato. So, the question now is, how do we differentiate ourselves?"

RJ points out, "The core of things is incubation and innovation. For us, the heart of it was our realization that Mercato had been the birthplace of many great food brands. Our job right now is to replicate more of those, by finding the best possible vendors."

Mercato is moving away from a market-switching strategy, which draws vendors from competitors to a market-driving approach, creating and training newcomers. RJ is doubling down on mentorship with Mercato Academy, where future food entrepreneurs can be coached in financial housekeeping, operations, sales, innovation, and marketing. "If we equip them with these skills set before they join us, they will have a better chance of making their business survive and grow," he says.

Mercato is partnering with UnionBank's GlobalLinker, a social platform for entrepreneurs, in supporting MSMEs. "We're very thankful for pioneers like UnionBank, which is blazing the way because it listens to SME clients like me so that I can serve my customers better," RJ says. "We need more banks like UnionBank to support SMEs' growth. We look forward to continue working with UnionBank to help build our small food vendors to become sustainable, scalable, and innovative, enabling us to grow the country, one SME at a time."



**ERRAMON  
I. ABOITIZ**

CHAIRMAN



**EDWIN  
R. BAUTISTA**

PRESIDENT & CEO



**DR. JUSTO**

**A. ORTIZ**

VICE CHAIRMAN



**SABIN**

**M. ABOITIZ**

DIRECTOR



**MANUEL  
R. LOZANO**

DIRECTOR



**ANA MARIA  
A. DELGADO**

DIRECTOR





**NINA PERPETUA**

**D. AGUAS**

DIRECTOR



**SAMEL**

**A. ABOITIZ**

DIRECTOR



**ROLANDO  
L. MACASAET**

DIRECTOR



**ROBERT JOSEPH  
M. DE CLARO**

DIRECTOR



**ROBERTO**

**G. MANABAT**

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**MANUEL**

**D. ESCUETA**

INDEPENDENT DIRECTOR



**JOSIAH**

**L. GO**

INDEPENDENT DIRECTOR



**ATTY. FRANCISCO**

**ED LIM**

INDEPENDENT DIRECTOR





# GAME

# CHANGER

**U**nionBank's takeover of the consumer banking business of Citi in the Philippines was a game-changing acquisition. It has taken UnionBank to a whole new level, bringing it closer to its mission to be a major player in retail banking.

UnionBank completed its \$1.3 billion takeover of Citi's retail banking business in August 2022. It edged out rivals as Citi selected UnionBank following an extensive and competitive auction process. This was Citi's second divestiture among the 14 consumer markets in Asia, Europe, Middle East, and Mexico as part of its strategy refresh.

# “The Citi takeover brought in P98 billion in total assets, including P69 billion in net consumer loans and P30 billion in cash, plus P67 billion in deposits.”

## Higher Rank

The Citi takeover brought in P98 billion in total assets, including P69 billion in net consumer loans and P30 billion in cash, plus P67 billion in deposits. And it elevated UnionBank’s credit card ranking to second in billings.

But it is not just the staggering numbers that matter. UnionBank did more than buy volume and variety for its consumer segment. It acquired a valuable business. Citibank Philippines had a great, profitable, and well-run retail portfolio. It was known for offering various financial products and services, including credit cards, personal loans, deposits, investments, and insurance. And it had the third largest credit card franchise in terms of billings and is a pre-eminent wealth management provider in the Philippines.

This acquisition has catapulted UnionBank’s credit card and wealth management businesses. By integrating these products and services into its offerings, UnionBank can better meet the needs of an increasingly diverse customer base.

UnionBank is now a stronger contender across three consumer businesses: credit cards, personal loans, and mortgages. Its consumer loans account for over half of its total loan book, triple the industry average.

## Bigger Base

One of the most significant benefits of acquiring Citi’s retail banking business was the substantial increase in UnionBank’s retail customer base. The takeover added close to a million new customers to the UnionBank network.

Citi’s customers showed their trust and support for UnionBank with zero attrition among cardholders and almost all consenting to keep their deposit accounts. Now, more people can experience the new way of banking with UnionBank’s award-winning and innovative products and services.

## Stronger Leadership

On top of new assets, products, and customers, the acquisition brings in over 1,500 Citi employees from their consumer bank and support staff. Most notable is the 100% retention of Citi’s senior leadership team running the consumer business. This further deepens UnionBank’s leadership bench as it expands its retail banking offerings.

There is a perfect strategic and cultural fit between both banks. Citi is known for being at the forefront of innovation in the financial services industry while UnionBank has leveraged its expertise to become a pioneer and leader in digital banking and other cutting-edge financial technologies.

## Shareholder Support

The acquisition has likewise earned the support of UnionBank’s shareholders. The Bank raised P40 billion in May 2022 through a stock rights offering (SRO) from existing shareholders to partially fund the acquisition of Citi Philippines. And it successfully raised an additional P12 billion from another SRO last February 2023.

The Bank’s shareholders, led by its principal shareholders, Aboitiz Equity Ventures, Social Security System, and Insular Life, all participated in the SRO, the latest round being heavily oversubscribed. This is a testament to UnionBank shareholders’ trust in the Citi acquisition.

After all, the deal has made UnionBank one of the biggest players in retail banking in the country. And as UnionBank leverages the benefits of acquiring Citi’s retail banking business, UnionBank is well-positioned to achieve its goal of becoming a great retail bank.



## BUILDING THE

# FUTURE OF BANKING

**The UnionBank Innovation Campus is a hotbed of creative ideas and a training ground for talent**

**A**lphabet has its Googleplex. Apple has its Apple Park. Meta has its MPK 20. MIT has its Media Lab. From Xerox PARC and AT&T Labs to Unilever Foundry and Coca-Cola Kolab, there has been a long history of corporate innovation and R&D headquarters since Thomas Edison founded GE in 1890. It is in this spirit and inspiration that UnionBank built its Innovation Campus.

Inaugurated in September 2022, the UnionBank Innovation Campus (UBIC) is an 8,000-square-meter, five-story, state-of-the-art building. It is the first of three buildings in a master-planned complex in a sprawling one-hectare area at the Sand Hub technology park in San Pedro City, Laguna. As with many UnionBank initiatives in the country, it is the first in the banking industry.



## **A Culture of Innovation**

The campus has been the physical embodiment of UnionBank's creative and innovative culture for the past two decades, which accelerated in the last several years as it embarked on its digital transformation. UnionBank has since fashioned itself as a technology firm with a banking license.

In many ways, it is like the entire bank is a fintech start-up. No other financial institution in the Philippines thinks and acts like it. It embraced Agile, adopted DevSecOps, runs hackathons, works in sprints, files patents, incubates start-ups, and launches products and services built on blockchain, data science, and artificial intelligence (AI).

UnionBank has been exploring cutting-edge technologies, including cryptocurrencies, non-fungible tokens (NFTs), robotic process automation (RPA), the Internet of Things (IoT), and the metaverse. And it is pushing the boundaries of open finance, embedded finance, and decentralized finance (DeFi).

## **R&D Lab**

The most forward-looking global financial institutions are acting more and more like tech companies by building R&D labs. For example, Visa has Innovation Centers, MasterCard has its Foundry, JPMorgan Chase has its Financial Solutions Lab, Citi has its D10X venture capital arm, and Deutsche Bank has its Innovation Network.

UnionBank's Innovation Campus is no different. It has a dedicated innovation lab equipped with the latest tools. The lab serves as a research hub and collaborative space for UnionBankers employees and partners to experiment with new technologies in a controlled environment.

As with any R&D lab, it is all about experimentation and iteration, testing and learning what works and what doesn't. With UnionBank's willingness to explore new ideas

and technologies, it has built a track record of creating award-winning, ground-breaking, and financially profitable digital platforms, apps, payment gateways, and technology solutions.

These fintech products and services were in full display during the inauguration of the campus, where UnionBank also held its first Innovation Festival. Around 3,000 visitors attended the three-day festival, including dignitaries from the public and private sectors, the media, clients, and employees. The Bank showcased all the various use cases it created using new technologies and solutions from its global technology partners.

## **Collab Space**

The UBIC builds on UnionBank's technology success as it houses UnionBank's various centers of excellence, including its institutes for blockchain, data science, and AI. Its new digital-only bank subsidiary, UnionBank Digital, has its headquarters also inside the campus.

One of the main goals of the Innovation Campus is to promote collaboration and innovation. It plays a key role in UnionBank's Tech Up *Pilipinas* advocacy to advance digital technology not just in the banking industry but in all other sectors, including the government.

For example, UnionBank has a partnership with the Department of Trade and Industry (DTI), with the campus housing DTI's National Center for Artificial Intelligence Research (CAIR) and its Industry 4.0 Pilot Factory (I4PF).

## **Training Camp**

Aside from being a research hub and collaboration space, the UBIC also serves as a training center for the next generation of business leaders, data scientists, coders, AI and blockchain developers, design thinkers, and cybersecurity experts.

Through courses from its UBP Xcellerator program and the Asian Institute of Digital Transformation (AIDT), UnionBank trains and equips its employees and other individuals and organizations. This helps create an ecosystem of partners and collaborators, setting the stage for advancing the country's digital technologies.

The AIDT, a partnership between UnionBank and Global Learning Solutions Singapore, runs an exclusively designed Executive Master Class in Digital Transformation. It equips leaders with the proper insights, tools, and techniques for their organizations to thrive in today's digital world.

The campus launch also ushered in the first of many more partnership hackathons with the government. Last year, UnionBank SME Segment, DTI, and UBP Xcellerator hosted a hackathon to solve the challenges of the country's fast-growing e-commerce industry.

## **Open Environment**

Like most start-up offices, the Innovation Campus exudes a modern, cool, and hi-tech vibe. It features various workspaces, from private offices to open counters to flexible meeting rooms. The campus has a gym, lounge, and coffee shop for employees to enjoy. It also includes UnionBank's cybersecurity center, which serves as redundancy backup and business continuity for its head office in Ortigas Center.

As a center for research, collaboration, and training, the UBIC provides a platform for innovation to help the Bank develop and bring new financial technologies to market. The campus is an integral part of UnionBank's strategy to stay ahead of the curve in the rapidly evolving world of banking and push forward its ambition to build the future of finance.



## BIG LEAP FOR

# SMALL BUSINESSES

UnionBank's MSME Business Banking app changed the way business owners bank



**T**here are over a million business establishments in the Philippines. And 99.5% of these are micro, small, and medium-sized enterprises (MSMEs). And yet, they are often underserved by financial institutions.

MSMEs have a more difficult time getting loans to help them expand or even just survive. Most do not have a finance department to handle banking transactions. With nine out of ten businesses being micro-enterprises with fewer than ten employees, the entrepreneur is usually the CEO and CFO rolled into one. It is not unusual for a business owner to line up in a bank branch to deposit cash, pay bills, and transfer funds. How can they do online banking if digital banking apps are often designed for retail clients and large corporations? Well, now they can.

### Breakthrough Solution

UnionBank has made it a priority to help MSMEs overcome these challenges by providing them with digital solutions that make it easier for them to grow and succeed. Its MSME Business Banking app is one such breakthrough.

The Bank's MSME team introduced this fully-featured mobile application with MSME business owners in mind. UnionBank designed the entire end-to-end experience for entrepreneurs, from application and onboarding to usage and support. It is not an off-the-shelf solution but was built from the ground up. It is not just the app itself that was customized specifically to address the needs of MSMEs.

The results have been astounding. Continuous enhancements in the MSME Business Banking app almost doubled



UnionBank's SME customer base from 60,000 to around 100,000 as of December 2022. And usage is through the roof. MSMEs have done 16 million monthly fund transfers, 700,000 bill payments, and almost 60,000 mobile check deposits using the app in 2022.

**Meeting the Needs of MSMEs**

Getting MSMEs to move into digital banking can be challenging. Some are set in their traditional ways of going to the branch to do banking transactions. Others feel it might be too technical and are intimidated by the drastic change.

And they have good reason to feel this way. Most banking apps in the market are complex and cumbersome to set up and use. And most banks require so much paperwork to be physically submitted just to open a business account and enroll it for digital banking access. It is simply a stressful, complicated, and time-wasting experience.

Because of this, UnionBank launched the Power to Grow campaign #WalangMaliitNaBusiness in 2022 to create awareness through social media, events, and other programs that all businesses deserve to get equal opportunity, big or small, and promote inclusivity that no MSME gets left behind. This campaign's objective was to empower and inspire MSMEs to keep going and that they could surpass any challenge.

The drive featured real MSMEs with stories to tell and how UnionBank has helped them in growing their businesses further. Through stories that went beyond banking, UnionBank's MSME products were highlighted to show how they touched people's lives.



**Hassle-Free DAO and Onboarding**

UnionBank understood the pain points and challenges that MSMEs go through. That is why it ensured that the application and onboarding process was seamless and stress-free. UnionBank is the first and only bank in the country to introduce digital account opening (DAO) for MSMEs.

This process is digital from end to end. Business owners do not need to visit a branch to open a business account. They don't have to submit hard copies of their documents to the branch. And they don't have to wait weeks to get confirmation that their account has been enrolled for digital banking. Everything is done online, from opening an account and uploading forms and documents to enrolling accounts and verifying signatories for digital banking. And it just takes hours, not weeks, to get started.

Existing UnionBank business account owners can likewise enroll their accounts and use the app with the same ease and convenience. Other banking apps are complicated and require bank personnel to explain and train business owners how to use them. UnionBank's MSME Business Banking app is so easy and intuitive that it only takes watching a short video tutorial to get started.

**An Everything-They-Need App**

UnionBank's MSME Business Banking app is full of features usually available only to large corporations that can afford a substantial maintaining balance. With UnionBank, shop owners can open a business starter account with an initial deposit and maintaining balance of only Php5,000. And yet, they can do practically every banking transaction on the app.

They can enroll multiple UnionBank business accounts, view their balances and transaction history, pay their bills with the most extensive list of government and utility billers, transfer funds to local and international banks, do scheduled and batch transfers, open and manage payroll accounts for their employees, and set up simple or complex business approvals.

MSMEs that require digital check-writing just need to make an initial deposit of Php100,000 to avail of this feature.

**Cash is King**

Cash is the lifeblood of any business, but even more so for MSMEs. UnionBank's MSME Business Banking app helps business owners access funds faster. For example, the mobile check deposit function allows them to deposit a check without going to a branch. They only need to take a photo of the check to have the funds credited almost immediately.

UnionBank's UPAY, its fully integrated payment acceptance hub, is already built into the MSME Business Banking app. UPAY provides MSMEs with a fast and secure way to receive customer payments, making managing their cash flow and growing their businesses easier.

Merchants can generate payment links and QR codes specific to a transaction. This enables MSMEs with online or brick-and-mortar stores to request and collect customer payments through multiple channels quickly. These include bank-to-bank fund transfers, digital wallets like GCash and GrabPay, over-the-counter outlets (Palawan Express, ECPay Partner Outlets, Cebuana Lhuillier), and debit and credit cards (Visa and MasterCard).

MSMEs who need extra funds to expand their operations can also apply for a business loan through the app. The online loan application may be approved within a week, and funds are credited to the account upon approval. The digital loan application process is designed to help MSMEs access finance quickly and easily, so they can get on with growing their companies.

Whether doing banking transactions, requesting and collecting payments, or applying for loans, UnionBank is playing a critical role in helping MSMEs succeed in the digital age. With the MSME Business Banking app and related banking services, UnionBank provides MSMEs with the tools and services they need to thrive in the digital age.



## BANKING EVERY FILIPINO

# EVERYWHERE

**The launch of UnionDigital Bank brings the vision to serve the unbanked closer than ever before**

**W**e live in an increasingly digital, mobile-first world. Most Filipinos connect online through their mobile phones. They watch streaming videos, play digital games, engage on social media, and chat online. And since the pandemic, more and more consumers buy, pay, and bank online.

The timing of UnionDigital Bank's launch could not be more perfect. UnionBank's digital-only bank subsidiary is only one of six digital banks approved to operate by the *Bangko Sentral ng Pilipinas* (BSP). The directive by the BSP was to reach Filipinos who do not have access to formal financial services. These include those who live in remote areas, do not have access to banking services, or do not have the requirements to get a loan or even just open a savings account.

### **Rapid Growth**

UnionDigital has a big, audacious goal: to increase the country's adult banked population to 70% and increase digital payments to half of all payments made in the Philippines. As a fully-digital bank from day one, UnionDigital was built with a singular mission to make financial services more accessible to all underbanked and underserved Filipinos all over the country.

Launched officially last July 2022, UnionDigital is off to a promising start. It already acquired 1.73 million customers and recorded Php4.8 billion in loans and Php9 billion in deposits just five months after its commercial launch. This is already an astounding achievement, something that would take new players years and tens of millions of marketing pesos to reach.

### **Competitive Advantages**

UnionDigital has clearcut advantages. It is the only digital bank by a publicly listed bank, which also happens to be the country's leading proponent of digital banking. It has the DNA of UnionBank and has inherited its corporate culture, best practices, and relentless experimentation in new technologies.

Moreover, UnionBank has honed its strategy of targeting anchor communities with built-in ecosystems, such as FMCGs and government corporations. A single anchor FMCG client, for instance, opens it up to hundreds of MSME suppliers. Partnering with government institutions such as the Social Security System (SSS) gives it access to millions of members.

UnionDigital leveraged its parent company's existing ecosystem partnerships, allowing it to achieve double-digital growth in digital deposit and lending products to mass market communities. This sets the stage for cross-selling future products, from digital assets such as cryptocurrencies to embedded services such as insurance.

Not only is UnionDigital backed by the resources of the seventh largest bank in the country, but it also has access to a massive amount of data, including customer data and transaction data, which is not available to a fintech start-up.

Instead of relying only on payments data, UnionDigital can look into historical data and financial behavior to determine a borrower's capacity and willingness to pay. Combined with alternative underwriting models, this access to more diverse data sources helps the digital bank with risk management, customer acquisition, and even product personalization, such as customizing interest rates.

As a subsidiary of UnionBank, UnionDigital is able to bridge the gap between innovation and regulation to make digital banking and virtual assets safe and accessible to Filipinos.

### **Value Proposition**

For unbanked consumers, UnionDigital offers ease and convenience. They do not need to visit a physical branch to open an account. Everything can be done from the UnionDigital Bank app.

They can open an online saving account in less than 10 minutes anytime, anywhere, with a valid ID and selfie photo. There are no fees and no paperwork. With zero initial deposit and zero maintaining balance, there are also zero hurdles for new customers. Plus, they can earn a high interest rate from their deposits.

UnionDigital account holders can access their funds and check their balances 24/7. They can make and receive payments and transfers from the comfort of their home or wherever they are.

For those who want to start a small business or tap quick cash for emergencies, UnionDigital offers hassle-free digital loans at lower rates than informal lenders. Customers can inquire and apply for cash loans through the app. There's no need to go to a branch, submit numerous documents, and wait for several days. By combining traditional and alternative data to underwrite loans, it can process and approve loans faster. For qualified borrowers, this means they can get cash in minutes, not days. UnionDigital's responsible lending practices elevate lives by giving access to credit to many first-time borrowers.

And as UnionDigital takes after its parent company UnionBank, the country's digital banking leader, it already has the experience and capabilities to protect its clients. Customers are secure and can be confident that their money is safe through multi-factor and risk-based authentication, encryptions, threat-aware apps, text message or e-mail alerts, and fraud and anti-financial crime monitoring.

### **Setting the Stage**

Ultimately, UnionDigital is not just a cool app. It's not about the most number of downloads and signups. It's not about getting millions of users who don't generate revenue. It's about building a profitable bank with unprecedented scale. By focusing on its balance sheet and growing its loan book, it will be able to grow a sustainable business.

UnionDigital's mission to drive financial inclusion has already begun with providing access to credit to underserved communities from UnionBank's ecosystem partners. And this already serves as a solid foundation to build on greater success.



# THE BANK OF TOMORROW

**UnionBank's pioneering entry into AI, APIs, and blockchain technology has made it future-proof while making emerging technologies available to Filipinos today.**

**U**nionBank has always been at the forefront of new technologies. In recent years, it has cranked up its innovation machine. The Bank is relentlessly pursuing emerging technologies to provide its customers with the best financial services. Six years ago, its leaders already saw the writing on the wall. Consumer behavior was shifting, fintech startups were filling gaps in the market, and new technologies were disrupting practically every industry, including banking.

Since it started its digital transformation, UnionBank has doubled down on digital. Its early forays into cloud computing, automation, blockchain, artificial intelligence (AI), and application programming interfaces (APIs) enabled the Bank to lay the groundwork for the banking infrastructure of the future.

And these are not pie-in-the-sky PowerPoint presentations. UnionBank and UBX have launched use case after use case for these cutting-edge technologies at every level and executed large-scale projects.

#### **Going Big on Blockchain**

UnionBank is the first bank in the Philippines to explore and leverage blockchain technology, a digitally distributed, decentralized, and immutable public ledger that allows multiple parties to record transactions and track assets in a business network. This makes transaction records and asset ownership transparent and secure.

The undisputed pioneer in blockchain technology, UnionBank has launched numerous breakthrough blockchain-based projects. The most notable ones include Bonds.PH and supply chain financing (SCF).

**Bonds.PH.** UnionBank's award-winning landmark project Bonds.PH is the first mobile app in the Philippines and Asia that uses blockchain technology to distribute retail treasury bonds (RTBs). This allows investors to buy and sell risk-free treasury bonds conveniently anywhere in the world. There is no need to go to a bank as they can cash in and out via the app.

The Bank issued the country's first digital bond using distributed ledger technology (DLT) in collaboration with the Philippine Depository & Trust Corp (PDMC) and Singapore-based fintech firm Hashstacs (STACS).

UnionBank sold Php11 billion in digital bonds to nearly 900 retail and institutional investors, an 11x oversubscription from its initial minimum offer size of Php1 billion. This marked a milestone in the Philippines and global finance, paving the way for future use of DLT and blockchain technology toward more automated and operationally efficient local capital markets.

**Supply Chain Finance (SCF).** UnionBank launched its pioneering and patented Supply Chain Finance (SCF) platform on the blockchain, the first in financial chain management in the Philippines. Its strategy revolves around community-based approaches, transparent transactions, and automated financing.

The Bank has long taken a strategic approach involving anchor corporate clients and their ecosystem of dealers and suppliers, many of which are MSMEs with limited access to financing. Building blockchain technology into the financial supply chain makes it easier and faster for anchor companies to provide dealer and receivables financing.

IBM's Hyperledger Fabric powers the transactions made on the SCF system, guaranteeing efficiency and security in the supply chain. Financing is embedded in automated collections and disbursements with digital invoice presentation. Companies can collect payments faster through the SCF platform and support their partners with financing options.

#### **An Ace with APIs**

UnionBank is an early proponent of open banking and open finance in the Philippines. Open banking is sharing data on accounts and payments between financial institutions and third-party providers such as fintechs. For example, UnionBank shares its data, with the consent of its clients, with these providers, allowing them to streamline their account opening process for customers and provide personalized offers and services. Open finance is the next step, encompassing other financial services like insurance, investments, wealth management, and treasury.

Open application programming interfaces (APIs) are the underlying technology behind open banking and open finance. APIs are connectors that enable financial institutions and third-party providers to interconnect their systems. And UnionBank is the only financial institution in the country with the broadest range of APIs in multiple use cases.

**API Marketplace.** As the first bank in the Philippines to offer banking-as-a-service through its API marketplace, UnionBank has helped more than 100 partners and has facilitated more than 78.7 million transactions amounting to Php597 billion. The marketplace has more than 200 API products and 500 API endpoints, expanding its market segment reach beyond fintechs to other industries.

For instance, UnionBank has partnered with e-commerce players such as Shopee and Lazada Philippines to give their customers direct cash-in services. Account linking for the major e-wallets and e-commerce wallets makes it quicker for end users to top up or deposit to their daily e-wallets on any amount.

**UrGovPH.** UBX, the open finance subsidiary of UnionBank, launched UrGovPH, a suite of open finance solutions that will allow the national government and local government units (LGUs) to easily create digital services across identity, taxation, finance, property, and business interactions.

This open finance toolkit enables the government to digitize public services and verify businesses and individuals without needing paper documents. For instance, LGUs can automate the workflow for managing all social services, from the local civil registry and enforcement of ordinances to citizen and business registration and acceptance of digital payments. This initiative supports the country's drive to promote ease of doing business and bring essential services closer to the people.

#### **Getting Smarter with AI**

UnionBank uses artificial intelligence (AI) and data science in various areas, including sales, customer service, risk management, and fraud detection. AI has enabled the Bank to process and analyze massive amounts of data. Using data science and machine learning (ML), a subset of AI, UnionBank has boosted its capabilities to offer hyper-personalization and improve the customer experience.

**Data Vault.** UnionBank has been using a data vault platform that serves as a central data hub with AI and ML capabilities. By using cross-sell models, it increased total bancassurance bookings by 138% compared to a non-model approach. It also increased its average monthly conversion rate in credit cards by 187% through

telesales and by 237% via email. It likewise boosted its average monthly conversion rate in auto loans.

By implementing hyper-personalization capabilities using data science and AI/ML, the Bank was able to offer financial solutions that are relevant and specific to the needs of its clients. And that's why response rates to cross-selling financial products doubled. As a result, UnionBank was able to find customers in a scalable manner and drive its revenues.

**Net Promoter Score (NPS) Free-Text Analysis Tool.** Sifting through tens of thousands of customer feedback is time-consuming. AI technologies such as natural language processing (NLP) have helped UnionBank streamline the analysis of more than 10,000 monthly survey responses and over 35,000 inquiries and complaints from customers.

The Bank uses the Net Promoter Score (NPS) Free-Text Analysis Tool to identify user needs and gains through direct feedback analysis automatically. NPS is an important consumer metric used by UnionBank to estimate customer loyalty and satisfaction.

The tool allows the Bank to understand customers' sentiments through free text in various channels and platforms, such as the UnionBank Online mobile app, comments on social media, or surveys answered in branches.

By understanding the needs and feedback from customers in a scalable and automated manner, the Bank can make more informed decisions and prioritize action steps faster. As a result, UnionBank raised its NPS above its local competitors. And it has allowed it to provide better service to its customers.

**Mules with Fraud Management.** UnionBank also uses AI to automatically detect unusual or irregular customer transaction behavior that matches money mule patterns. The AI can detect high-risk money mules account upon account opening and monitors these flagged accounts on a 150-day period. Any unusual behavior during the monitoring period found by the AI will cause the account to be flagged as a potential money mule and will subject the account to a manual investigation. The solution was able to automatically identify up to 40% of mules at 5% detection (of all newly opened accounts).

From AI and APIs to blockchain, UnionBank has been exploring next-generation technologies to serve its next-generation of customers better and stay ahead of the curve in the rapidly evolving world of banking.

MANAGEMENT  
COMMITTEE



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President & Chief Executive Officer



**FRANCIS B. ALBALATE**  
Controller



**ATTY. ARLENE JOAN T. AGUSTIN**  
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**THERESE G. CHAN**  
Wealth and Brokerage



**ANTONIO SEBASTIAN T. CORRO**  
Chief Cross-Sell Officer



**ANA MARIA A. DELGADO**  
Chief Customer Experience Officer  
Chief Digital Channels Officer



**ALBERT RAYMOND C. CUADRANTE**  
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**RAMON G. DUARTE**  
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**ANTONINO AGUSTIN S. FAJARDO**  
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**MARY JOYCE S. GONZALEZ**  
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**MANOJ VARMA**  
Consumer Banking



**ERWIN WIRIADI**  
Chief Risk Officer



# 2022 PEOPLE MILESTONES



**T**he year 2022 was never short of momentous for UnionBank. The Bank celebrated its 40th year in business, and in 2022 alone, its people and organization milestones have surpassed its many achievements over the years.

True to its commitment to maintaining a strong culture and a highly engaged workforce, UnionBank kept an annual attrition rate of 11% in 2022. The Bank likewise boasts a high engagement rate of 4.41 which is comparable with the global best business standard.

UnionBank is also proud to be the first Great Place to Work certified bank in the Philippines for two years in a row. This was made possible through the programs that help focus on the engagement, retention, and capability building that enables UnionBankers to #OwnTheFuture.

**Employees Owning the Future through Capability Building and Leadership Development**

The Bank recognizes the constant need for learning and development, supporting the philosophy of owning one’s career through capability building.

UnionBank University continuously grows its library of learning courses that aim to strengthen the core capabilities of the employees while giving them a chance to explore and upskill for a possible career shift within the organization and co-create innovations for their immediate communities. This platform is complemented by more capability-building and leadership initiatives that are experiential, purposeful, and transformative.

Capability-building is vital in the Bank’s transformation from Agile in 2017 to DevSecOps today. UnionBank aims to create a highly collaborative, flexible, and resilient organization that will help future-proof its people and the organization.

The Bank’s robust talent development program provides interns, future managers, bank executives, and tech leaders with the skills to prepare them for multiple work futures.

The Leader Executive Accelerated Development Program or LEAD Management Training Program was launched in 2017 to provide the LEAD management trainees, or LEADs, with training and job experiences within six to seven years,

enabling them to contribute to the organization and attain personal career goals.

As of 2022, twelve LEADs have graduated from the program and have been promoted to assistant vice president and up. There are sixty-seven trainees currently undergoing formal training and residency across the Bank.

The success of the program and the evolving needs of the Bank for tech talent led to the creation of the Technical Lead Program(Tech LEAD), a 12-month fast-tracked technical development program covering various emerging technologies while gaining business acumen and leadership foundations through blended learning interventions.

We have seeded 35 future tech leaders in UnionBank for data science, information security, customer experience, enterprise architecture, solutions delivery, infrastructure and service management, and digital delivery through the Technical LEAD Program.



TechLEADs ended their 12-month program with a Corporate Social Responsibility (CSR) initiative called 'Pay IT Forward,' where they developed a tech project that benefited an immediate community.

UnionBankers can also experiment and learn as they work through the Bank's centers of excellence and communities of practice. This year, UnionBank launched the Cloud Center of Excellence, Open Finance and Digital Services Center of Excellence, and Metaverse Center of Excellence. Through these platforms, employees can upskill and lead projects for continuous improvement of our products, services, and processes for customers' benefit.

#### **Tech Up Pilipinas: Transforming Businesses, Companies, Communities, and Government Agencies**

In 2021, UnionBank founded the Asian Institute of Digital Transformation (AIDT) in partnership with Global Learning Solutions Singapore. Since then, AIDT has run six seasons and trained nearly 200 professionals from the government sector, UBP transformation partners, academe members, and Aboitiz Equity Ventures.

UnionBank senior leaders Edwin Bautista, Henry Aguda, and David Hardoon were among the Global Faculty Mentors of AIDT's eight-week online Executive Masterclass in Digital Transformation. The first three seasons kicked off with UnionBank Chief Human Resources Officer Michelle Rubio as Chief Learning Officer, with the help of volunteers from the banking group who acted as Learning Mastery Coaches.

This initiative helps drive the Bank's advocacy to Tech Up Pilipinas by empowering organizations and leaders to drive meaningful transformation and sustainable development.

Alongside this effort is the continuous development and release of programs in emerging technologies through the UBP Xcellerator Program. Since its launch in 2018, Xcellerator has produced over 14,700 educated individuals with diverse expertise in artificial intelligence (AI), robotics, data science, data analytics, digital marketing, and more. The program is funded by UnionBank CSR and offers free courses benefiting students, job seekers, and those who want to learn tech skills.

#### **Environment, Social and Governance (ESG) and Sustainability**

2022 was also significant in terms of UnionBank's Environment, Social and Governance (ESG), and Sustainability and Inclusion initiatives. In 2021, the International Finance Corporation (IFC) invested USD150M in a seven-year social bond issued by the UnionBank. The first social bond, which was issued under the Bank's new sustainable finance framework, is its longest-term USD-denominated bond to date.

This paved the way for a strengthened commitment to embed ESG into the UnionBank culture continuously. The Bank also created an ESG Technical Working Group that convenes and recommends sustainability programs and initiatives to senior management and the board.

UnionBank has proactively developed skills and experience in sustainable finance and ESG. Learning and development through training and workshops are accelerated to empower employees to implement the policies and guidelines issued in line with the IFC social bond.

#### **#OnewithU: UBP's Biggest Onboarding**

UnionBank officially welcomed over 1,500 new UnionBankers who joined after acquiring Citibank's consumer banking business in the Philippines. August 1, 2022, marked the first official day when UnionBank and Citi Consumer Business were merged into one entity in the eyes of our regulators, stakeholders, customers, and employees.

In a welcome event dubbed '#OneWithU,' over 5,000 UnionBankers participated in a multi-location celebration at UnionBank Plaza, the Bank's over 300 branches, subsidiary offices, and acquired offices and branches in Eastwood, Greenhills, Makati, and Cebu. The main event at UB Square was streamed through a live broadcast on YouTube.

Months of hard work, communication, and collaboration led to this smooth transition. The stronger UnionBank team ensures that its millions of customers are cared for, assuring them of seamless continuity and upholding the legacy Citi has built for over 100 years in the Philippines.

**Keeping the Employee Engagement High**

As the Bank’s business flourishes, and with the 50% increase in the total employee population following the acquisition, UnionBank continues implementing its employee engagement programs that would empower and reward its people.

Events like the Spooktacular 2022 Halloween Event featured costume and makeup design and workplace décor contests to showcase creativity and sustainability. The holiday basket tradition was also revived, and the distribution kicked off in various sites last December 13, 2022.

Alongside the different engagement programs, UnionBank ensures its leadership team is engaged and motivated. Thematic team-building programs for leaders were done to ensure alignment and engagement. The military-themed teambuilding program, Go for Gold 2025, was held, where leaders underwent activities that tested their decision-making, leadership, cross-functional collaboration, and execution skills. Over 200 UnionBank leaders participated in this event, making it the most extensive team-building activity the Bank has implemented.


These programs are a testament to UnionBank’s culture of learning that drives innovations, which are essential to the Bank’s efforts to transition from BECOMING digital to BEING digital. And they are a nod to our employer value proposition of **OWN THE FUTURE.**

**HR-RELATED AWARDS**




**Green Buildings for the ARK Branches (Sustainability)**

Europa Awards  
July 2022

**Employer of the Year - Banking (Bronze)**

Stevie Awards for Great Employers  
August 2022




**TechLEAD - Leadership Training or Program (Silver)**

Stevie Awards for Great Employers  
August 2022




**Employee Engagement (Bronze)**

Stevie Awards for Great Employers  
August 2022




**Best Companies to Work for in Asia 2022**

HR Asia  
September 2022




**Best Bank for ESG 2022**

Asiamoney  
September 2022




**Platinum Employer of the Year > 1,000 Employees (Highest Recognition)**

Philippine HR Awards  
November 2022




**Philippine In-House Team of the Year - HR Legal**

Asian Legal Business Awards  
November 2022




**Great Place to Work Certified 2022-2023**

Asian Legal Business Awards  
November 2022





# LATEST AWARDS & RECOGNITION

## Best Retail Bank in the Philippines (4-time)

The Asian Banker Global Excellence in Retail Financial Services Awards 2023

## Digital Bank of the Year (6-time)

The Asset Triple A Digital Awards 2023

### SME Bank of the Year 2021 (Gold)

Efma SME Banking Awards 2021

### Best Domestic Private Bank Philippines 2022

Asian Private Banker Awards for Distinction 2022

### Best Digital Bank Philippines 2022

Global Banking and Finance Awards 2022

### Excellence in Innovation - Banking Philippines 2022

Global Banking and Finance Awards 2022

### Digital Bank of the Year Philippines 2022

The Asset Triple A Digital Awards 2022

### Best Digital Bank in Southeast Asia 2022

Capital Finance International (CFI.co)

### Best Bank in the Philippines 2022 (back-to-back)

The European

### Best Bank for Financial Inclusion Program 2022 (South East Asia)

The European

### Best Bank for Customer Experience in South East Asia 2022

Global Brands Magazine

### Mobile Banking and Payment Initiative of the Year Philippines

Asian Banking and Finance - Retail Banking Awards 2022

### SME Bank of the Year Philippines

Asian Banking and Finance - Retail Banking Awards 2022

### Domestic Retail Bank of the Year Philippines

Asian Banking and Finance - Retail Banking Awards 2022





**Philippine Blockchain  
Leader of the Year  
(Dr. Justo A. Ortiz)**

Philippine Blockchain  
Week 2022

**Asia's Best CFO  
(Jose Emmanuel U. Hilado)**

12th Asian Excellence Awards  
(Corporate Governance Asia)

**Most Inspiring CMOs of  
2022 (Albert Cuadrante)**

C Level Focus Magazine

**Highly regarded domestic  
private bank in the  
Philippines 2022**

Asiamoney Private  
Banking Awards 2022

**Highly regarded for  
wealth transfer/succession  
planning in the Philippines  
2022**

Asiamoney Private  
Banking Awards 2022

**Best Retail Bond Philippines  
(UnionBank of the Philippines  
9 billion pesos dual-tranche  
fixed rate bond)**

The Asset Triple A  
Sustainable Capital  
Markets Country &  
Regional Awards 2021

**Best multi-product financing  
(Cebu Pacific US\$840 million  
capital raising and liabilities  
re-profiling)**

The Asset Triple A  
Sustainable Capital Markets  
Country & Regional Awards  
2021 Awards 2021

**Highly Commended:  
Best Digital CX - Account  
Opening and Customer  
Onboarding**

The Digital Banker's  
Digital CX Awards 2022

**Top 5 Fixed-Income  
Brokering Participant**

PDS Group - PDS Annual  
Awards 2023

**Anvil for Multimedia  
PR Tools (Tech hUB)**

58th Anvil Awards

**Best ATM Project  
Philippines 2022  
(12i Mobile ATM)**

The Asset Triple A  
Digital Awards 2022

**Winner: Best Transaction  
Bank for CX**

The Digital Banker's Digital  
CX Awards 2022

**Winner: Outstanding Digital  
CX - Payments  
(UPay for MSMEs)**

The Digital Banker's  
Digital CX Awards 2022

**Winner- Best Application  
of Data Analytics (for DSAI's  
Data Vault)**

Retail Banker International  
- Asia Trailblazer Awards  
2022

**Highly Commended- Best  
Advance in Customer  
Relationship Management  
(for RBC's Max)**

Retail Banker International  
- Asia Trailblazer Awards  
2022

**Highly Commended- Best  
Advance in Payments (for  
TBC's UPAY)**

Retail Banker International  
- Asia Trailblazer Awards  
2022

**Highly Commended- Best  
Fintech Partnership (for  
FBG's Fintech Business  
Solutions)**

Retail Banker International  
- Asia Trailblazer Awards  
2022

**Highly Commended- Best  
Remittances Service (for  
FBG - Western Union)**

Retail Banker International  
- Asia Trailblazer Awards  
2022

**Highly Commended- Best  
Strategic Partnership  
(Winning initiative: UBP  
Business Solutions Fintech  
Partnerships)**

Retail Banker  
International - Asia  
Trailblazer Awards 2022

**Silver Stevie: Leadership  
Training**

Stevie Awards for Great  
Employers 2022

**Philippines Technology  
Excellence Awards for  
Analytics - Banking**

Asian Technology  
Excellence Awards  
2022

**Philippines Technology  
Excellence Awards for  
Digital - Banking**

Asian Technology  
Excellence Awards  
2022

**Rank 2 - Top Investment  
House (UnionBank)**

Asset Benchmark Research  
Awards 2022

**Winner: Outstanding  
Financial Inclusion in  
Response to COVID-19**

The Digital Banker's Global  
Retail Banking Innovation  
Awards

**Highest Consumer Credit  
Cards Growth**

Visa Annual Awards 2022

**Cloud Transformation  
Innovator Award**

Vmware 2022 Customer  
Achievement Awards

**Best Social Media  
Engagement Initiative/  
Application**

The Asian Banker -  
Excellence in Retail  
Financial Services  
Awards 2022

**Best in Future of Digital  
Infrastructure**

IDC Future Enterprise  
Awards Philippines 2022

**Platinum Employer  
of the Year**

Philippine HR Awards 2022

**Highest Commercial  
Payment Volume Growth**

Visa Annual Awards 2022



**2022 Transformation  
Champion Award**

BIAN (Banking Industry  
Architectural Network)  
Awards 2022



**Best in Future of Industry  
Ecosystems**

IDC Future Enterprise  
Awards Philippines 2022



**Best Companies to Work  
for in Asia**

HR Asia Best  
Companies to Work for  
in Asia Awards 2022



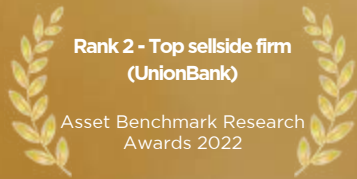
**2023 Celent Model Bank  
for Cloud Migration**

Celent Model Bank Awards  
2023



**Best Local Currency  
Bond (Union Bank of the  
Philippines T1 billion pesos  
digital bond)**

The Asset Triple A Country  
Awards for Sustainable  
Finance 2023



**Rank 2 - Top sellside firm  
(UnionBank)**

Asset Benchmark Research  
Awards 2022



**Bronze Stevie: Employer  
of the Year Banking**

Stevie Awards for Great  
Employers 2022



**Bronze Stevie: Achievement  
in Employee Engagement**

Stevie Awards for Great  
Employers 2022



**Highest Consumer Credit  
Payment Volume Growth**

Visa Annual Awards 2022



**Highest Active Credit Cards  
Growth**

Visa Annual Awards 2022



**2022 Transformation  
Champion**

1st BIAN Transformation  
Awards



**The Next 100 Global  
Awards 2023**

Global Banking and Finance  
Awards 2023



**2023 Celent Model Bank  
for Cloud Migration**

Celent Model Bank Awards  
2023



**Best Corporate Mobile  
Application (The Portal)**

The Asset Triple A Digital  
Awards 2023



**Top Consumer Debit Card  
Issuer**

Visa Annual Awards 2022



**Philippine In-House  
Team of the Year**

7th ALB Philippine Law Awards  
(Asian Legal Business)



**Top 5 Fixed-Income  
Cash Settlement**

PDS Group - PDS Annual  
Awards 2023



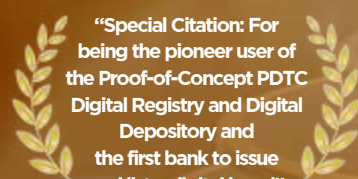
**Highly Commended- Best  
Fintech Partnership (UBP  
Digital Business Solutions  
Synergy Program)**

Retail Banker International -  
Asia Trailblazer Awards 2023



**Highly Acclaimed: Best SME  
Business Current Account/  
Transaction Account  
(for UnionBank BizStarter  
Account)**

The Digital Banker - Global  
SME Banking Awards 2023



**“Special Citation: For  
being the pioneer user of  
the Proof-of-Concept PDTC  
Digital Registry and Digital  
Depository and  
the first bank to issue  
and list a digital bond”**

PDS Group - PDS Annual  
Awards 2023





**ATTY. JOSELITO V. BANAAG**  
Corporate Secretary



**CARLO I. EÑANOSA**  
Chief Investor Relations Officer



**JOSELYNN B. TORRES**  
Chief Compliance  
and Governance Officer



**ERIC S. LUSTRE**  
Trust & Investment Services  
Group Head



**MYRNA E. AMAHAN**  
Internal Audit Group Head



**JOSE PAOLO G. RUFO**  
Chief Information Security Officer/  
Data Privacy Officer



**ROMMEL JASON L. GALANG**  
Chief Security Officer

# THE CEO AWARDEES 2022

**T**he UnionBank Innovation Campus (UBIC) is a futuristic hub for collaboration to foster innovation among partners and technologies. The 800-seater building was built and developed over a 1-hectare master planned complex in San Pedro, Laguna. It is set to become LEED Gold certified.

His Excellency, President Ferdinand Marcos, Jr., together with Secretary Alfredo Pascual of the Department of Trade and Industry and Bank Directors, inaugurated the UBIC on September 2022. The unveiling coincided with the first UnionBank Innovation Festival held in the campus.

The team was recognized as CEO Awardees for the members' contribution in levelling up innovation through the first smart campus for a financial institution within the Asia Pacific.



## CORE MEMBERS:

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Arceo, Ronald Gerard  
Belleca, Marc  
Bernardino, Jaysel  
Buencamino, May  
Cabrieto, John Ricky  
Casal, Agnes  
Casas, Catherine  
Deang, Dave Michael  
Dy, Kim

Dy, Norife  
Galang, Rommel  
Garcia, Andrew  
Gelido, Bianca  
Ileto, James Morris  
Kumar, Jacqueline  
Nath, Munmun  
Ocampo, Marcelino

Pablo, Roy  
Roa, Stewart  
Ruelan, Paula  
Soliman, Jose Paulo  
Soriano, Mourese  
Tiansing, Mary Ann  
Velasco, Chester  
Villareal, Melinda

## EXECUTIVE SPONSORS

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Edwin R. Bautista  
Ana A. Delgado  
Henry R. Aguda  
Ramon G. Duarte  
Dennis D. Omila  
Michelle E. Rubio  
Francis B. Albalate

Albert C. Cuadrante  
Jobart T. Dator  
Ramon Vicente V. De Vera  
Montano M. Dimapilis  
Michael P. Magbanua  
Jose Paolo G. Rufo  
Paula S. Josen



HENRY RHOEL R. AGUDA

LORENZO T. OCAMPO





JOHN F. JANUSZCZAK



MANUEL G. SANTIAGO, JR.



RAMON MELCHOR E. TEJERO

## SUBSIDIARIES

### CITY SAVINGS BANK

**ANA MARIA A. DELGADO**  
*Chairperson*

**LORENZO T. OCAMPO**  
*Vice Chairman & CEO*

**MANUEL G. SANTIAGO, JR.**  
*President & COO*

### UBX PHILIPPINES CORPORATION

**HENRY RHOEL R. AGUDA**  
*Chairman*

**JOHN F. JANUSZCZAK**  
*President & CEO*

### UNIONDIGITAL BANK, INC.

**JUSTO A. ORTIZ**  
*Chairman*

**HENRY RHOEL R. AGUDA**  
*President & CEO*

### UNIONBANK FINANCIAL SERVICES AND INSURANCE BROKERAGE, INC.

**MANOJ VARMA**  
*Chairman*

**RAMON MELCHOR E. TEJERO**  
*President & CEO*

### UBP INVESTMENTS CORPORATION

**JOSE EMMANUEL U. HILADO**  
*Chairman*

**PETER ISMAEL F. QUIAMBAO**  
*President*

### PETNET, INC.

**MANUEL G. SANTIAGO, JR.**  
*Chairman*

**ADRIAN ALFONSO T. OCAMPO**  
*President*

### BANGKO KABAYAN, INC.

**LORENZO T. OCAMPO**  
*Chairman*

**BEATRIZ B. ROMULO**  
*President & CEO*

### FAIRBANK INC.

**TEODORO M. PANGANIBAN**  
*Chairman*

**WILLIAM AMADO B. CASTAÑO**  
*President*

### FIRST UNION DIRECT CORPORATION

**ANTONIO SEBASTIAN T. CORRO**  
*Chairman*

**ROMEO C. KAGALINGAN**  
*President*

### FIRST UNION INSURANCE AND FINANCIAL AGENCIES, INC.

**MARY JOYCE S. GONZALEZ**  
*Chairperson*

**NERISSA A. GONZAGA**  
*President*

### FIRST UNION PLANS, INC.

**EDWIN R. BAUTISTA**  
*Chairman*

**ROMEO C. KAGALINGAN**  
*President*

### PROGRESSIVE BANK

**BEATRIZ B. ROMULO**  
*Chairperson*

**DOLLIE B. BUENCONSEJO**  
*Acting President*



TEODORO M. PANGANIBAN



WILLIAM AMADO B. CASTAÑO



JOSE EMMANUEL U. HILADO



PETER ISMAEL F. QUIAMBAO



ADRIAN ALFONSO T. OCAMPO



BEATRIZ B. ROMULO



ROMEO C. KAGALINGAN



NERISSA A. GONZAGA



DOLLIE B. BUENCONSEJO



### Risk Culture and Philosophy

Given that banks and financial institutions are in the business of taking risks, UnionBank operates according to its established risk philosophy, where the Board is responsible for approving, reviewing, supervising, and overseeing the Bank's risk strategy, risk policies, risk appetite and risk limits. Following the Board's instructions, the Bank's Senior Management and various risk management committees set up independent risk management functions to ensure that risks are properly understood, controlled, and managed, in addition to the risk processes which must be clearly aligned with the Bank's business strategies.

### Risk Appetite and Strategy

UnionBank's risk appetite is the level of risk that it is prepared to accept in pursuit of its business objectives and strategies. It is consistent with UnionBank's risk-taking capacity.

UnionBank's risk appetite is set by the Board of Directors. The risk appetite cannot be defined by a single number as it has many dimensions and is a combination of regulatory requirements and internal policy limits. The Bank's appetite for risk is influenced by a range of factors, including whether a risk is consistent with its core strategy and whether an appropriate return can be achieved from taking that risk. UnionBank has a lower appetite for risks that are not part of its core strategy.

### Risk Appetite Framework

A risk appetite framework has been established, which includes the Board-approved risk appetite statements and the related risk policies and limits.

The risk appetite statements establish the philosophy and high-level boundaries for risk-taking activities across UnionBank. The risk policies and limits give more specific guidance for particular risks, providing clarity for management in making day-to-day decisions.

The specific appetite for each risk type is implemented and enforced by an extensive set of specific limits, controls, and governance processes.

### Risk Structure and Process

The Bank's risks are managed enterprise-wide by all units of the Bank as it adopted the Three Lines of Defense Model in Enterprise Risk Management (ERM). The risks, processes, systems, compliance and controls are identified by the Business Units (1st line). The risks are measured by ERM to establish the controls and limits to mitigate the risks, likewise other controls identified by the Business Units to mitigate the risks are assessed based on design and effectiveness by ERM, Information Security and Compliance (2nd line). The internally developed risk measurement models used are validated by an independent party while the assessments of controls are validated by Internal Audit (3rd line). Tying all this up is an active oversight function by the Board of Directors. The Bank maintains transparent dealings with both external auditors and regulators in relation to the business, vision, plans and strategies.



The Board of Directors (BOD) exercises oversight of the Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Bank has established independent risk management units (RMUs) that objectively review and ensure compliance to the risk parameters set by the BOD. They are responsible for the monitoring and reporting of risks to senior management and the various committees of the Bank. The BOD is primarily responsible for setting the risk appetite, approving risk parameters, credit policies, and investment guidelines, as well as establishing the overall risk-taking capacity of the Bank. To fulfil its responsibilities in risk management, the BOD has established the following Committees, whose functions are described below.

- a. The Executive Committee (EXCOM), composed of seven members of the BOD, exercises certain functions as delegated by the BOD including, among others, the approval of credit proposals, asset recovery and real and other properties acquired (ROPA) sales within its delegated limits.

- b. The Risk Management Committee (RMC), composed of seven members of the BOD, shall advise the Board of the Bank's overall current and future risk appetite, oversee Senior Management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank.
- c. The Market Risk Committee (MRC), composed of nine members of the BOD, majority of whom are independent directors, including the Chairman. The Committee is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.
- d. The Operational Risk Management Committee (ORMC), composed of at least three (3) members of the Board of Directors (BOD), majority of whom are independent directors, including the Chairman, reviews various operational risk policies and practices.
- e. The Audit Committee (AudComm) is composed of at least seven members with at least four Independent Directors. All its members are appointed by the Board of Directors with most members, including the Chairman, preferably with accounting, auditing, or related financial management expertise of experience. The Audit Committee has an ongoing responsibility of assessing the effectiveness of the control environment, including the interrelation of other internal control components. It also serves as principal agent of the BOD in ensuring independence of the Bank's external auditors and the internal audit function, the integrity of management, and the adequacy of disclosures and reporting to stockholders. It also oversees the Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

## ANTI-MONEY LAUNDERING



### GOVERNANCE, CULTURE AND ACTIVITIES

The members of the Board, Senior Management and all employees of the Bank strictly adhere to the provisions of the Anti-Money Laundering Act (AMLA) as amended, Revised Implementing Rules and Regulations (RIRR) and its own Money Laundering and Terrorist Financing Prevention Program (MTPP).

To ensure full compliance with the AML regulations, employee awareness is key; thus, timely dissemination of the MTPP manual and new AML Issuances and periodic AMLA Training are conducted.

The Anti-Money Laundering Committee (AMLACOM) was created to provide management oversight regarding the implementation of the Bank's AML risk management policies and procedures. The AMLACOM reports to the Corporate Governance Committee (CGC), which in turn assists the Board in fulfilling its responsibilities in the prevention of money laundering and terrorist financing.

## CUSTOMER IDENTIFICATION AND ACCEPTANCE

The Bank maintains a system of verifying the true identity of its clients by establishing a clearly written customer acceptance and identification policy and procedures, including a set of graduated money laundering criteria for clients categorized depending on the risk it may pose to the Bank. In case of corporate and juridical entities, the legal existence, ownership and control structures as well as the authority and identification of all persons going to act on their behalf are verified. The Bank's risk assessment considers all relevant risk factors that are documented and updated periodically. From the resulting risk assessment, the appropriate level of due diligence is applied. Name screening is employed to assist with the identification of sanctioned individuals and organizations, persons convicted of AML crimes, as well as the illegal activity to which the Bank may be exposed. The screening is done at two levels: customer and transaction, where the customer name screening is done during onboarding and throughout the lifecycle of the customer relationship. And, as part of the recent acquisition of Citibank's Consumer Business in the Philippines in 2022, UnionBank subscribed to Base60 to maintain continuity of management of Citibank's reportable, covered transactions.

The provisions of the Bank's MTPP are Implemented in a manner that is non-discriminatory to all customer types, ensuring that political exposure, religion, race or ethnic origin are not used as the only basis to deny access to the Bank's services.

### RECORD KEEPING AND RETENTION

Banking units, groups and branches responsible for safekeeping records and documents as required under the AMLA, as amended, are obligated to ensure that the aforementioned records are made readily available during examinations and/or audits conducted by its regulators.

As a general policy, all customer identification records, such as identification documents, signature cards and documentary requirements submitted by the clients and records pertaining to customer due diligence performed by Bank personnel, shall be maintained and safely stored as long as the account exists.

Meanwhile, all transaction records, including all unusual or suspicious patterns of account activity whether or not a Suspicious Transaction Report (STR) was filed with the AMLC, are maintained and stored for five (5) years from date of transaction as required by law.

In case of account closure, record on customer identification, account files and business correspondences are preserved and safely stored for at least five (5) years.

When the account is involved in a money laundering case, its account opening and transaction documents are retained until the case is decided with finality.



## REPORTING OF COVERED AND SUSPICIOUS TRANSACTIONS

The designated Operations Unit oversees the transaction monitoring and reporting system for Covered Transactions (CTRs) and Suspicious Transactions (STRs), in coordination with the various units or groups within the Bank. The Unit ensures that the system is working effectively and regularly reviewed so that reports to the regulatory agencies continue to be accurate and submitted within the prescribed period. The Compliance and Corporate Governance Office (CCGO) performs the final review of the STRs prior to filing and automated submission by the system.

Digital solutions via Robotic Programming Application (RPA) and electronic dashboards are implemented for monitoring of AML transaction alerts, tracking of AML review completion, and handling of AML regulatory report submission.

## TRAINING

Formulation and conduct of AML training and dissemination of updates regarding AML best practices for the members of the Board, Senior Management, Officers and Staff of the Bank and service providers are done by the Compliance and Corporate Governance Office (CCGO). CCGO ensures that all training materials are regularly updated and prepared for the targeted recipients.

AML Training forms part of the New Employee Organization Program (NEOP) and is required to be taken by all newly-hired employees. Refresher courses are likewise provided to employees to ensure that they are updated with AML regulations and best practices. These refreshers are conducted in regional training caravans and via online or E-learning modules to be taken by employees on an annual basis.

## INTRODUCTION

Banks have played, and continue to play, a significant role in developing sustainable economies and shaping recovery. Over the last few years, however, the banking industry has witnessed unprecedented challenges and lingering uncertainties brought about by the constantly evolving economic, environmental, business, and regulatory landscape.

As the pace of change continues to accelerate, financial institutions are now forced to rethink their business models and embrace technology to thrive, and not just survive.

At UnionBank, we have always been enablers of change, constantly co-creating innovations for a better world, which also allows us to anticipate and respond quickly to satisfy our stakeholders' needs, demands, and expectations.

Our approach to good corporate governance has always been built upon our commitment to leverage technology as a driver of sustainable business to ensure that no one gets left behind. We have not wavered in this commitment, even in the face of strict and rigorous supervision, regulatory, and governance standards.

This report has been prepared pursuant to the disclosure requirements of the Manual of Regulations for Banks (MORB) of the Bangko Sentral, recommendations of the SEC Memorandum Circular No. 19, Series of 2016 otherwise known as the Code of Corporate Governance for Publicly Listed Companies, and the prevailing best practices contained in the ASEAN Corporate Governance Scorecard (ACGS).

## OUR CORPORATE GOVERNANCE STRUCTURE

### Stockholders

Our stockholders are the ultimate owners of our business and serve as the highest authority in our governance structure. They enjoy the benefits of strong corporate governance, which we believe is critical not only for the success of the organization but also in advancing the interests of our shareholders.

### Board of Directors

Our Board of Directors serves as the governing body elected by the stockholders that exercises the corporate powers of the organization and has the fiduciary responsibility to protect UnionBank and all its shareholders.

The Board approves and oversees the company's vision, mission, and strategic priorities, as well as monitors the implementation of our corporate governance framework.

### Separation of the roles of the Chairman and CEO

The positions of the Chairman of the Board and the President & CEO are held by different individuals to foster an appropriate balance of power, increased accountability, effective decision making, and good governance. The division of the responsibilities and accountabilities between the Chairman and the President & CEO is clearly articulated and delineated in our governance policies.

The Chairman facilitates discussions of key issues by fostering an environment conducive to constructive debate and leveraging on the skills and expertise of individual directors. He also makes certain that the meeting agenda focuses on strategic matters, including key governance concerns.

The President & CEO executes and administers the policies approved by the Board and exercises such powers vested in him by the Board. He is also responsible for the general supervision, administration, and management of the business and affairs of the organization.

### Lead Independent Director

The Lead Independent Director performs a more enhanced function over the other independent directors and leads them at Board meetings in raising queries and pursuing matters, including discussion of risk appetites, and key control and governance concerns.

### Vice Chairman

The Vice Chairman of the Board takes on the role of the Chairman in the absence of or upon request by the Chairman.

### Board Committees

The Board has established various committees to oversee specific areas of the organization. These committees delve deeper into the details of their respective mandates and areas of expertise, and report back to the Board. The composition, functions, and responsibilities of all committees are properly defined and established in their respective charters.

### Corporate Secretary

Our Corporate Secretary assists the Board and the board committees in the conduct of their meetings. He also preserves the integrity of all documents, records, and other information essential to the conduct of his duties and responsibilities to the organization. He is a Filipino and a resident of the Philippines.



### **Chief Compliance and Corporate Governance Officer**

Our Chief Compliance and Corporate Governance Officer monitors and ensures the compliance of the organization with the relevant rules and regulations on corporate governance. As the Head of the Compliance function, she also oversees the identification and management of the regulatory compliance risks faced by the organization.

### **Chief Risk Officer**

Our Chief Risk Officer leads the development of the risk appetite of the organization. He reviews and implements appropriate policies, processes, and systems to ensure that the risk management capabilities of the organization are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

### **Chief Audit Executive**

Our Chief Audit Executive develops an audit plan based on robust risk assessment, including inputs from the Board, and ensures that such plan is comprehensive and adequately covers regulatory matters. She provides reasonable assurance that the key procedural controls of the organization are effective, appropriate, and complied with.

### **Management Committee**

Our Management Committee (MANCOM) is composed of highly qualified leaders and respected practitioners in the fields of business, banking and finance, technology, marketing and other relevant disciplines.

The MANCOM provides guidance on strategic decisions consistent with the Bank's purpose, brand, and core values and reviews policies and procedures that govern the Bank's businesses and operations while giving due consideration to the interests of various stakeholders.

### **Subsidiaries**

Together with our subsidiaries, we provide a full range of banking and other financial services to different market segments. Our subsidiaries enable us to be a highly diversified banking group that spans across digital banking, thrift, and rural banking, to name a few.

## **BOARD MATTERS**

### **Board composition**

Our 15-member Board is composed of directors who bring a wide range of skills and deep industry experience to our Boardroom. Our directors are elected at the annual meeting of stockholders, each of whom holds office for a term of one year, or until his successor has been chosen and qualified.

In terms of degree of independence, our Board has three classifications of directorship.

Our executive directors are members of the Board who are actively involved in the day-to-day management and have executive responsibility for the operations of a part or whole of the organization, while the non-executive directors have no executive responsibility and does not perform any work related to the operations of the company.

Independent directors (who are also considered as non-executive directors) are members of the Board who are independent of management and the controlling shareholder and are free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. Our independent directors serve up to a maximum of nine cumulative term of nine (9) years. After which, the independent director is perpetually barred from serving as independent director in the bank, but may continue to serve as a regular director.

The following changes to the composition of the Board occurred prior to the issuance of this report:

- Election of Samel A. Aboitiz vice Juan Alejandro A. Aboitiz at the annual stockholders' meeting held in April 22, 2022;
- Ron Hose stepped down from the Board effective August 26, 2022, due to personal reasons;
- SSS-nominee directors Michael G. Regino and Atty. Ricardo L. Moldez stepped down from the Board effective January 27, 2023; and
- Election of Rolando L. Macasaet and Robert Joseph M. De Claro as nominee directors of SSS, effective January 27, 2023, to serve the unexpired terms of office of Mr. Regino and Atty. Moldez, respectively.

**Board diversity, skills, and competencies**

Over the last few years, the makeup of our Board has changed dramatically to align with the diversity of the customers and markets we serve. We are ramping up our efforts to attract diverse talents and leaders into our organization, which allow us to think differently, solve problems more creatively, raise challenging questions, and make more accurate decisions.

We believe that achieving diversity in the Boardroom is a step towards better governance. As a matter of transparency, we have identified the following measurable objectives for implementing our Board Diversity Policy and the progress in achieving these objectives, in compliance with the standards espoused by the ASEAN Corporate Governance Scorecard:

- At least two (2) female directors or 10% of the total board membership, whichever is higher
- At least 50% of the Board members have background or experience in banking and financial services
- At least 50% of the Board members have attended a training on anti-money laundering

At the time of writing, our Board has achieved the above-mentioned diversity targets. Collectively, the competencies, skills, experience, and qualifications of our individual directors span different industries and sectors, including banking and financial services, utilities, construction, manufacturing, power, infrastructure, pharmaceutical, food and beverage, and real estate.

In terms of gender diversity, we have two (2) female directors in the Board. We have five (5) out of nine (9) Board committees with female representation.

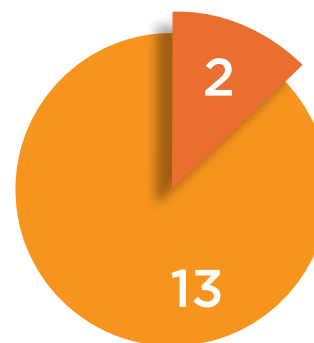
In terms of the type of directorships, we have two (2) executive directors, while the remaining Board members are non-executive and/or independent.

Our Board is also composed of directors with a mix of age and tenure, with new and younger directors bringing fresh ideas and perspectives into the table, while more senior and longer serving directors contributing institutional knowledge and insights about the business, operations, and history of the organization.

Our Board is satisfied that the current demographics of the Board is diverse enough to meet the needs of the organization.

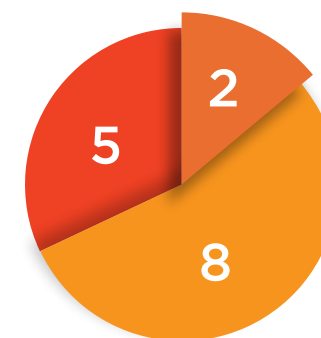
The skills set matrix of our Board can be found on the Corporate Governance subsite of our company website.

**GENDER**



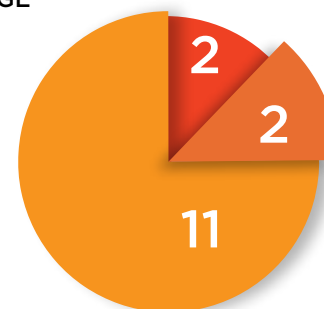
Female Male

**DIRECTORSHIP**



Executive Non-executive Independent

**AGE**



31 to 50 yrs. old 51 to 70 yrs. old 71 and above

**TENURE**



Less than 1 yr. 1 to 5 yrs. 6 to 10 yrs. More than 10 yrs.

### Board vacancies

In accordance with Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines, any vacancy occurring in the Board other than by removal or by expiration of term is filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, said vacancies are filled by the stockholders in a regular or special meeting called for that purpose.

A director elected to fill a vacancy is referred to as replacement director and serves only for the unexpired term of the predecessor in office.

### Board nomination and election

We have established strict and rigorous vetting and selection procedures, as summarized below, to effectively review the qualifications of nominees.

- The Compliance and Corporate Governance Office (CCGO) through the Corporate Secretary accepts the nominations from the shareholders. As a matter of policy, any stockholder, whether majority or minority, has the right to nominate candidates for seats in the Board.
- CCGO reviews the profile of the nominees against 'fit and proper' standards to ascertain that they possess all the qualifications and none of the disqualifications stipulated under the Manual of Regulations for Banks (MORB) and other applicable requirements under existing laws. Qualified nominees are requested to accomplish a questionnaire or nomination form.
- CCGO presents the nominees to the Corporate Governance Committee (CGC).
- CGC endorses final list of nominees for Board approval.
- Once approved by the Board, election of directors will be held at the annual meeting of the shareholders.

We also consider the use of professional search firms, industry databases, or other external sources to search for qualified candidates to the Board. In 2022, we reached out to the Institute of Corporate Directors to assist us in our search for candidates.

Upon election, the CCGO prepares and submits the required certifications and other documentary and reportorial requirements, in coordination with the directors concerned, in support of our request for the confirmation of their election by the BSP Monetary Board.

### Board meetings and attendance

The Board devotes sufficient time and attention to discuss and deliberate on important matters and issues at hand. Regular meetings of the Board are held monthly, the schedule of which is set before the start of the calendar year. Special meetings may be called if needed.

The agenda of the meetings, meeting materials, and supporting documents are uploaded to the Diligent Board, a secure board portal, at least five working days in advance, to give ample time for the directors to study the materials and prepare for the meeting.

The meetings are convened and presided over by the Chairman of the Board. Board members engage in healthy debate, ask questions, and seek clarifications on the proposals presented.

In cases where a decision is to be arrived at by the Board, the quorum requirement for each Board meeting shall be at least two-thirds (2/3) of all the members of the Board.

Board members who cannot physically attend or vote at any meeting can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication.

In 2022, the Board held a total of fourteen (14) meetings. All directors have complied with the 50% minimum attendance requirement to be eligible for re-election, and the 75% attendance rate recommended by the parameters of the ASEAN Corporate Governance Scorecard.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Erramon I. Aboitiz	14	14	100.00
Justo A. Ortiz	14	14	100.00
Edwin R. Bautista	14	14	100.00
Sabin M. Aboitiz	13	14	92.86
Manuel R. Lozano	14	14	100.00
Juan Alejandro A. Aboitiz <sup>2</sup>	4	4	100.00
Ana Maria A. Delgado	14	14	100.00

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Nina Perpetua D. Aguas	14	14	100.00
Michael G. Regino	14	14	100.00
Aurora C. Ignacio <sup>3</sup>	2	2	100.00
Roberto G. Manabat	14	14	100.00
Ron Hose <sup>4</sup>	10	10	100.00
Manuel E. Escueta	14	14	100.00
Josiah L. Go	14	14	100.00
Francisco Ed. Lim	14	14	100.00
Ricardo L. Moldez <sup>5</sup>	12	12	100.00
Samel A. Aboitiz <sup>6</sup>	9	10	90.00

<sup>1</sup> Represents no. of Board meetings held in 2022 and during the incumbency of the director, as the case may be

<sup>2</sup> Juan Alejandro A. Aboitiz stepped down from the Board effective April 22, 2022

<sup>3</sup> Aurora C. Ignacio stepped down from the Board effective March 25, 2022

<sup>4</sup> Ron Hose stepped down from the Board effective August 26, 2022

<sup>5</sup> Ricardo L. Moldez joined the Board to fill up the position vacated by Aurora C. Ignacio, effective March 25, 2022

<sup>6</sup> Samel A. Aboitiz joined the Board to fill up the position vacated by Juan Alejandro A. Aboitiz effective April 22, 2022

Apart from the regular and special meetings of the Board, the non-executive directors also meet to have an open discussion among themselves and provide an effective check on management on issues that may pertain to audit, risk, compliance, or governance. The topics may include challenges encountered in Management performance vis-a-vis the specific objectives on risk, control, and compliance.

The sessions are attended by the members of the Board who do not occupy executive positions in the Bank and by the Chief Compliance Officer, Head of Internal Audit, Chief Risk Officer, and the External Auditor Partner.

In 2022, the sessions were held on March 25 and August 26. A representative of the External Auditor attended the second session.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Roberto G. Manabat <sup>2</sup>	2	2	100.00
Erramon I. Aboitiz	2	2	100.00
Justo A. Ortiz	2	2	100.00
Sabin M. Aboitiz	2	2	100.00
Manuel R. Lozano	2	2	100.00
Juan Alejandro A. Aboitiz <sup>3</sup>	1	1	100.00
Nina Perpetua D. Aguas	2	2	100.00
Michael G. Regino	2	2	100.00
Ron Hose <sup>4</sup>	1	1	100.00
Manuel D. Escueta	2	2	100.00
Josiah L. Go	2	2	100.00
Francisco Ed. Lim	2	2	100.00
Ricardo L. Moldez <sup>5</sup>	2	2	100.00
Samel A. Aboitiz <sup>6</sup>	1	1	100.00

<sup>1</sup> Represents no. of Non-Executive Board meetings held in 2022 and during the incumbency of the director, as the case may be effective January 27, 2023

<sup>2</sup> Roberto G. Manabat, our Lead Independent Director, serves as the Chairman of the Non-Executive Board

<sup>3</sup> Juan Alejandro A. Aboitiz stepped down from the Board effective April 22, 2022

<sup>4</sup> Ron Hose stepped down from the Board effective August 26, 2022

<sup>5</sup> Ricardo L. Moldez joined the Board to fill up the position vacated by Aurora C. Ignacio, effective March 25, 2022

<sup>6</sup> Samel A. Aboitiz joined the Board to fill up the position vacated by Juan Alejandro A. Aboitiz effective April 22, 2022

### **Board remuneration**

The non-executive directors each receive a per diem of P160,000.00 for attendance in each meeting of the Board, except for the Chairman of the Board who receives P240,000.00.

The executive directors receive a per diem of P1,500.00 for attendance in Board meetings and P3,000.00 for each committee meeting.

The Chairman of each committee receives a per diem of P120,000.00 per meeting attended and a committee member receives a per diem of P80,000.00.

Per diems and bonuses of some directors who represent institutional shareholders are received by said directors for and on behalf of their respective institutions.

The total annual compensation paid to our directors in 2022 can be found in our definitive information statement sent to all shareholders and is also posted on our company website.

There was no proposal to change the remuneration of directors presented during the annual meeting of shareholders in 2022.

### **Board performance evaluation**

We believe in the concept of “Kaizen,” a Japanese term used to denote continuous improvement, which has been fundamental to our growth momentum over the years. Our Board regularly carries out evaluations to appraise its performance as a collective body and individually, and assess whether it possesses the right mix of backgrounds and competencies.

Each year, Board members undertake the assessment of the performance and effectiveness of the Board, Board committees of which he is a member, and key senior management members.

Performance of the individual members of the Board is also being assessed, through self-assessment and independent assessment carried out by selected members of management.

The questionnaire contains varying statements pertaining to the roles, functions and responsibilities of the Board, its committees, and individual members, based on leading corporate governance practices. Assessment metrics relate to board structure, leadership function, stakeholder relations, governance, controls, and conduct of meetings and facilities.

The evaluation results are aggregated, analyzed, and reported by the Compliance and Corporate Governance Office (CCGO) to the Corporate Governance Committee (CGC) and to the Board. To maintain the anonymity and confidentiality of the responses, results are presented with no attribution to the respondents.

Key findings are considered by the Board, and concrete action plans are being developed and implemented to address the gaps and areas for improvement noted.

In 2022, the results have been favorable and the Board as whole, its committees, and individual members have received affirmative ratings across all evaluation metrics.

### **Board induction, training, and continuing education**

We do not rest on our laurels because the world keeps changing at a pace much faster than what we can imagine. Our Board champions lifelong learning to remain relevant in these fast-changing times and be cognizant of what is happening in the world.

Upon joining the Board, new directors are properly oriented and briefed on matters pertaining to the organization’s structure, business, strategies, and governance. Incumbent directors also attend continuing training programs and courses on specific regulations and corporate governance matters relevant to the organization, including audit, internal controls, risk management, financial technology, sustainability, and strategy.

## CORPORATE GOVERNANCE

At the time of writing, our Board members have complied with the training requirements stated above.

Name	Program	Date	Training Provider
Erramon I.	Annual Corporate Governance Training	November 28, 2022	Aboitiz Equity Ventures
Justo A. Ortiz	Annual Corporate Governance Training	November 28, 2022	Aboitiz Equity Ventures
Edwin R. Bautista	Annual Corporate Governance Training	November 28, 2022	Aboitiz Equity Ventures
Sabin M. Aboitiz	Annual Corporate Governance Training	November 28, 2022	Aboitiz Equity Ventures
Manuel R. Lozano	Annual Corporate Governance Training	November 28, 2022	Aboitiz Equity Ventures
Samel A. Aboitiz	Corporate Governance Orientation Program	April 27 to 28, 2022	Institute of Corporate Directors
Ana Maria A. Delgado	Annual Corporate Governance Training	November 28, 2022	Aboitiz Equity Ventures
Nina Perpetua D. Aguas	Advanced Corporate Governance Training	October 10, 2022	Institute of Corporate Directors
Rolando L. Macasaet	Corporate Governance Orientation Program	March 08, 2023	Institute of Corporate Directors

Name	Program	Date	Training Provider
Robert Joseph M. De Claro	Corporate Governance Orientation Program	March 08, 2023	Institute of Corporate Directors
Roberto G. Manabat	Distinguished Corporate Governance Speaker Series	October 20, 2022	Institute of Corporate Directors
Manuel E. Escueta	Annual Corporate Governance Training / Fraud & Forgery Detection and Prevention Program	March 24 to 25, 2023	Bankers Institute of the Philippines
Josiah L. Go	Annual Corporate Governance Training / Mansmith Innovation Summit	April 26 to 27, 2022	Mansmith and Fielders
Francisco Ed. Lim	Advanced Corporate Governance Training	November 17, 2022	Institute of Corporate Directors

### Retirement and term limit

While prevailing governance standards would recommend the adoption of mandatory retirement age limits for directors as a way to renew board composition, we believe that this is not always the most viable option, since adopting a fixed limit on director tenure would result in the arbitrary retirement of seasoned directors with valued expertise and in-depth knowledge of the organization's business, structure, and history.

As an alternative to adopting a fixed retirement age limit for Board members, we have established robust procedures on the re-election of incumbent directors, in accordance with the 'fit and proper' rule, to ensure that they remain qualified for the position for the duration of their respective terms. Aptitude and integrity, professional diligence, and

independent judgement of individual directors are being evaluated on a yearly basis, as part of the Board's performance assessment, the results of which are being considered for their re-election.

For independent directors, we have also adopted a maximum cumulative term limit of nine (9) years. After which, the independent director is perpetually barred from serving as independent director in the Bank, but may continue to serve as regular director.

As of December 31, 2022, we have no independent director who has reached this term limit.

### Shareholdings

As a corporation vested with public interest, we have adopted strict policies governing trades of directors and key officers and those with access to material non-public information.

Our Trading Blackout Policy restricts directors, officers, and employees who are privy to insider information to trade the Bank's traded securities during a pre-determined timeframe, which is the blackout period.

For structured events, blackout period is imposed beginning five (5) trading days before the date of knowledge or the receipt of the material non-public information, and until two (2) trading days after the submission of the periodic reports to the regulator.

For unstructured events, it is the period from date of knowledge or receipt of material non-public information to a period of not less than two (2) trading days after the public disclosure of the event.

The Chief Compliance and Corporate Governance Office (CCGO) issues the Trading Blackout notice based on the scheduled and unscheduled disclosures for the year, while the Corporate Secretary ensures compliance with the disclosure notices filed with our regulatory agencies and the stock exchange.

The table below shows the number of shares comprising the Bank's capital stock (all of which are voting shares) owned of record by the directors as of February 28, 2023:

Title of Class	Name of Beneficial Owner	Number of Shares, Amount, and Nature of Legal and Beneficial Ownership		Citizenship	Percentage of Class
Common	Erramon I. Aboitiz	436	P4,360.00	(r)	0.00%
		26,626,594	P266,265,940.00	(b)	113%
Common	Justo A. Ortiz	4,440,678	P44,406,780.00	(r)	0.19%
		-	-	(b)	0.00%
Common	Edwin R. Bautista	1,137,288	P11,372,880.00	(r)	0.05%
		-	-	(b)	0.00%
Common	Sabin M. Aboitiz	251,459	P2,514,590.00	(r)	0.01%
		3,408,579	P34,085,790.00	(b)	0.14%
Common	Manuel R. Lozano	-	-	(r)	0.00%
		31,864	P318,640.00	(b)	0.00%
Common	Samel A. Aboitiz	454,685	P4,546,850.00	(r)	0.02%
		-	-	(b)	0.00%
Common	Ana Maria A. Delgado	131,454	P1,314,540.00	(r)	0.01%
		3,459,954	P34,599,540.00	(b)	0.15%
Common	Nina D. Aguas	1	P10.00	(r)	0.00%
		-	-	(b)	0.00%
Common	Robert Joseph M. De Claro	1	P10.00	(r)	0.00%
		-	-	(b)	0.00%
Common	Rolando L. Macasaet	1	P10.00	(r)	0.00%
		-	-	(b)	0.00%
Common	Roberto G. Manabat	81	P810.00	(r)	0.00%
		-	-	(b)	0.00%
Common	Manuel D. Escueta	81	P810.00	(r)	0.00%
		-	-	(b)	0.00%
Common	Josiah L. Go	81	P810.00	(r)	0.00%
		28,931	P289,310.00	(b)	0.00%
Common	Atty. Francisco Ed. Lim	9,678	P96,780.00	(r)	0.00%
		-	-	(b)	0.00%

**Interlocking positions**

We are cognizant that effective sharing of managerial and technical expertise between the Bank and other entities promotes economies of scale and organizational synergies.

In this regard, we have established an effective governance process to ensure that the benefits of having directors with interlocking positions in other entities are optimized, in accordance with the principles set out under BSP Circular No. 1129, Series of 2021 on the Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions (BSFIs).

As a general rule, interlocking directorships are allowed provided the positions do not pose conflicts of interest. Board members with interlocking positions are reminded to comply with the Manual on Corporate Governance and Code of Conduct, and must avoid circumstances that may appear or could result in conflicts of interest with UnionBank.

A non-executive director may concurrently serve as a director in a maximum of five (5) publicly listed companies. In case the maximum is reached, the concerned director should explain how he will be able to devote sufficient time to the Bank and effectively discharge his responsibilities as director despite his numerous concurrent positions in other entities. As of December 31, 2022, we have no director who has breached this limit on interlocking directorship positions held in publicly listed companies.

For monitoring and reporting purposes, the Chief Compliance and Corporate Governance Office (CCGO), in coordination with the Human Resource (HR), submits to the BSP an annual report of all interlocking positions of its directors and officers within twenty (20) banking days from the end of each reference year.

**BOARD COMMITTEES**

To the extent practicable, the Board may create committees of temporary or permanent nature and determine the committees' composition, powers, and responsibilities.

These committees serve as an avenue to maximize the specific competencies and knowledge of individual board members, and pursue a more specific and defined mandate compared to the Board as whole.

**Audit Committee**

The Audit Committee is tasked to provide oversight on the Bank's financial reporting process and the internal and external audit functions.

Moreover, the Audit Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Bank's systems of internal control, risk management and corporate governance.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Roberto G. Manabat <sup>2</sup>	13	13	100.00
Manuel R. Lozano	13	13	100.00
Nina Perpetua D. Aguas	13	13	100.00
Aurora C. Ignacio <sup>3</sup>	4	4	100.00
Francisco Ed. Lim	13	13	100.00
Manuel D. Escueta	13	13	100.00
Josiah L. Go	13	13	100.00
Ricardo L. Moldez <sup>4</sup>	9	9	100.00

<sup>1</sup> Represents no. of Audit Committee meetings held in 2022 and during the incumbency of the director, as the case may be

<sup>2</sup> Audit Committee is chaired by Roberto G. Manabat, an independent director, in compliance with the ACGS

<sup>3</sup> Aurora C. Ignacio stepped down as member of the Audit Committee effective March 25, 2022

<sup>4</sup> Ricardo L. Moldez was appointed as member of the Audit Committee effective March 25, 2022

**Corporate Governance Committee**

The Corporate Governance Committee oversees our compliance and governance framework and ensures the adoption and consistent implementation of regulations and governance policies in form and in substance. The Committee exercises governance oversight on the Bank's subsidiaries and ensures adherence to our Group Governance Policy.



In addition, the Committee also assumes the role of the Nomination and Remuneration Committee of the Board.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Francisco Ed. Lim <sup>2</sup>	18	18	100.00
Justo A. Ortiz	18	18	100.00
Sabin M. Aboitiz <sup>3</sup>	16	18	88.89
Nina Perpetua D. Aguas	18	18	100.00
Aurora C. Ignacio <sup>4</sup>	5	5	100.00
Roberto G. Manabat	18	18	100.00
Ron Hose <sup>5</sup>	13	13	100.00
Manuel D. Escueta	18	18	100.00
Josiah L. Go	18	18	100.00
Michael G. Regino <sup>6</sup>	10	12	83.33
Erramon I. Aboitiz <sup>7</sup>	11	11	100.00

- 1 Represents no. of Corporate Governance Committee meetings held in 2022 and during the incumbency of the director, as the case may be  
2 Corporate Governance Committee is chaired by Francisco Ed. Lim, an independent director, in compliance with the ACGS  
3 Sabin M. Aboitiz was appointed as alternate member (from regular member) effective November 25, 2022  
4 Aurora C. Ignacio stepped down as member of the Corporate Governance Committee effective March 25, 2022  
5 Ron Hose stepped down as member of the Corporate Governance Committee effective August 26, 2022  
6 Michael G. Regino was appointed as member of the Corporate Governance Committee effective March 25, 2022  
7 Erramon I. Aboitiz was appointed as regular member (from alternate member) effective November 25, 2022

### Executive Committee

The Executive Committee approves credit and loan transactions whether clean or secured within the approved limits set by the Board, endorses credit transactions beyond the Committee's approving limits for the approval of the Board, and approves such other transactions as may be initiated by the Bank's business units within the Committee's limit of transactions.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Erramon I. Aboitiz <sup>2</sup>	20	20	100.00
Justo A. Ortiz	20	20	100.00
Manuel R. Lozano	20	20	100.00
Edwin R. Bautista	20	20	100.00
Sabin M. Aboitiz	20	20	100.00
Nina Perpetua D. Aguas	20	20	100.00
Aurora C. Ignacio <sup>3</sup>	3	3	100.00
Michael G. Regino <sup>4</sup>	16	17	94.12

- 1 Represents no. of Executive Committee meetings held in 2022 and during the incumbency of the director, as the case may be  
2 Executive Committee is chaired by Erramon I. Aboitiz  
3 Aurora C. Ignacio stepped down as member of the Executive Committee effective March 25, 2022  
4 Michael G. Regino was appointed as member of the Executive Committee effective March 25, 2022

### Information Technology and Cybersecurity Committee

The Information Technology and Cybersecurity Committee (ITCC) provides oversight on the overall information technology and information security strategy of the Bank and its alignment with the Bank's business strategies and objectives.

Given the evolving trends in IT and cybersecurity threats, the Committee also aims to pioneer the advancement of cybersecurity practices in the local banking industry.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Justo A. Ortiz <sup>2</sup>	12	12	100.00
Edwin R. Bautista	10	12	83.33
Aurora C. Ignacio <sup>3</sup>	3	3	100.00
Ana Maria A. Delgado	12	12	100.00
Ron Hose <sup>4</sup>	8	8	100.00
Henry Rhoel R. Aguda <sup>5</sup>	10	12	83.33
Michael G. Regino <sup>6</sup>	8	9	88.89
Ricardo L. Moldez <sup>7</sup>	1	1	100.00

1 Represents no. of ITCC meetings held in 2022 and during the incumbency of the director, as the case may be

2 ITCC is chaired by Justo A. Ortiz

3 Aurora C. Ignacio stepped down as member of the ITCC effective March 25, 2022

4 Ron Hose stepped down as member of the ITCC effective August 26, 2022

5 Henry Rhoel R. Aguda is designated as non-voting member of the ITCC

6 Michael G. Regino was appointed as member of the ITCC effective March 25, 2022

7 Ricardo L. Moldez was appointed as alternate member of the ITCC effective March 25, 2022

**Market Risk Committee**

The Market Risk Committee reviews the risk management policies and practices relating to market risk, interest rate risk in the banking book (IRRBB), and liquidity risk.

The Committee reviews the broad business strategies and policies for managing the market risk of the trading book, IRRBB, and liquidity risk including funding strategy and corresponding risk tolerance aligned with the strategic direction of the Bank.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Josiah L. Go <sup>2</sup>	12	12	100.00
Erramon I. Aboitiz	12	12	100.00
Justo A. Ortiz	12	12	100.00
Nina Perpetua D. Aguas	12	12	100.00
Michael G. Regino <sup>3</sup>	3	3	100.00
Francisco E. Lim	12	12	100.00
Roberto G. Manabat	12	12	100.00
Manuel D. Escueta	12	12	100.00
Ron Hose <sup>4</sup>	8	8	100.00
Ricardo L. Moldez <sup>5</sup>	9	9	100.00

1 Represents no. of Market Risk Committee meetings held in 2022 and during the incumbency of the director, as the case may be

2 Management Risk Committee is chaired by Josiah L. Go, an independent director

3 Michael G. Regino was appointed as alternate member of the Market Risk Committee effective March 25, 2022

4 Ron Hose stepped down as member of the Market Risk Committee effective August 26, 2022

5 Ricardo L. Moldez was appointed as member of the Market Risk Committee effective March 25, 2022

### Operational Risk Management Committee

The Operational Risk Management Committee (ORMC) reviews risk management policies and practices relating to operational risk.

The Committee ensures that the Bank is aware of and understands the nature and complexity of the major operational risks in the Bank's business and operating environment, including risks arising from transactions or relationships with clients, third parties, vendors, suppliers, outsourced service providers, and environmental and social related risks.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Ron Hose <sup>2</sup>	8	8	100.00
Justo A. Ortiz	13	13	100.00
Juan Alejandro A. Aboitiz <sup>3</sup>	4	4	100.00
Michael G. Regino <sup>4</sup>	4	4	100.00
Francisco E. Lim	13	13	100.00
Manuel D. Escueta	13	13	100.00
Roberto G. Manabat	13	13	100.00
Ricardo L. Moldez <sup>5</sup>	10	10	100.00
Samel A. Aboitiz <sup>6</sup>	8	9	88.89
Josiah L. Go <sup>7</sup>	5	5	100.00

1 Represents no. of ORMC meetings held in 2022 and during the incumbency of the director, as the case may be

2 Ron Hose stepped down as Chairman of the ORMC effective August 26, 2022

3 Juan Alejandro A. Aboitiz stepped down as member of the ORMC effective April 22, 2022

4 Michael G. Regino was appointed as alternate member of the ORMC effective March 25, 2022

5 Ricardo L. Moldez was appointed as member of the ORMC effective March 25, 2022

6 Samel A. Aboitiz was appointed as member of the ORMC effective April 22, 2022

7 Josiah L. Go, an independent director, was appointed as Chairman of the ORMC effective September 6, 2022

### Related Party Transactions Committee

The Related Party Transactions Committee evaluates all material related party transactions (RPTs) to ensure that these are not undertaken on less favorable economic terms to the Bank (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) compared to similar transactions with non-related parties and that no corporate or business resources of the Bank are misappropriated or misapplied, and determines any potential reputational risk issues that may arise as a result of or in connection with the transactions.

The Committee assists the Board in ensuring that RPTs are undertaken only on an arm's length basis in compliance with the Bank's RPT Policy and applicable policies and guidelines of the BSP and SEC.

Name <sup>2</sup>	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Francisco Ed. Lim	12	12	100.00
Roberto G. Manabat	12	12	100.00
Manuel D. Escueta	12	12	100.00

1 Represents no. of Related Party Transactions Committee meetings held in 2022 and during the incumbency of the director, as the case may be

2 The Related Party Transactions Committee is composed entirely of independent directors, including the Chairman, in compliance with the ACGS

### Risk Management Committee

The Risk Management Committee oversees the enterprise risk management framework and ensures that there is periodic review of the effectiveness of risk management systems and recovery plans.

The Committee also ensures that the current and emerging risk exposures are consistent with the Bank’s strategic direction and overall risk appetite.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Manuel D. Escueta <sup>2</sup>	12	12	100.00
Erramon I. Aboitiz	12	12	100.00
Justo A. Ortiz	12	12	100.00
Michael G. Regino <sup>3</sup>	3	3	100.00
Roberto G. Manabat	12	12	100.00
Josiah L. Go	12	12	100.00
Ron Hose <sup>4</sup>	8	8	100.00
Ricardo L. Moldez <sup>5</sup>	9	9	100.00

1 Represents no. of Risk Management Committee meetings held in 2022 and during the incumbency of the director, as the case may be  
 2 Risk Management Committee is chaired by Manuel D. Escueta, an independent director  
 3 Michael G. Regino was appointed as alternate member of the Risk Management Committee effective March 25, 2022  
 4 Ron Hose stepped down as member of the Risk Management Committee effective August 26, 2022  
 5 Ricardo L. Moldez was appointed as member of the Risk Management Committee effective March 25, 2022

**Trust Committee**

The Trust Committee ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices. In line with this, the Committee oversees the effective implementation of the risk management framework and internal control system relative to the fiduciary activities.

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Erramon I. Aboitiz <sup>2</sup>	12	12	100.00
Justo A. Ortiz	12	12	100.00
Edwin R. Bautista	12	12	100.00
Michael G. Regino	12	12	100.00

Name	No. of meetings attended	No. of meetings held <sup>1</sup>	% of attendance
Alan Jay C. Avila <sup>3</sup>	1	1	100.00
Eric S. Lustre <sup>4</sup>	6	6	100.00
Irma M. Lasquesty <sup>5</sup>	5	5	100.00

1 Represents no. of Trust Committee meetings held in 2022 and during the incumbency of the director, as the case may be  
 2 Trust Committee is chaired by Erramon I. Aboitiz  
 3 Alan Jay C. Avila stepped down as member of the Trust Committee effective January 28, 2022  
 4 Eric S. Lustre was appointed as member of the Trust Committee effective January 28, 2022  
 5 Irma M. Lasquesty was appointed as member of the Trust Committee effective July 21, 2022

**MANAGEMENT COMMITTEES**

Management committees are created to perform specific tasks not covered by the Board and its committees. Unlike Board committees, management committees have a greater role in the day-to-day activities of the organization due to the nature of the functional roles of its members, who are the key officers of the Bank.

At the time of writing, we have fifteen (15) management committees, all of which are fully functional and operating:

Committee	Mandate
Anti-Money Laundering Committee	Proposes to the Board, through the Corporate Governance Committee, and monitors measures to actively prevent and address money laundering and terrorist financing risks
Architecture Steering Committee	Oversees the overall enterprise architecture of the Bank and its alignment with the Bank’s business strategies and objectives
Asset-Liability Committee	Exercises oversight on the assessment of the adequacy and implementation of specific policies and procedures relating to market and liquidity risks
Credit Committee	Reviews matters for endorsement to the Executive Committee, Risk Management Committee, and the Board to ensure adequate senior management oversight in the management and monitoring of the Bank’s credit and credit risk-taking activities

Committee	Mandate
Crimes Investigations Committee	Investigates and determines if a criminal case should be filed and/or maintained by the Bank against an employee or a third person
Data Governance Management Committee	Reviews and approves recommendations for ensuring that the Bank generates and timely submits accurate reports for use in strategic decisions and regulatory reporting, in accordance with accounting and regulatory standards
Discipline Committee	Reviews the cases endorsed by the appropriate fact-finding body and decides on the administrative cases in a timely manner
Employee Loans Committee	Evaluates employee loan applications to ensure that the same is compliant with the Board-approved program and BSP policies
Insourcing Committee	Conducts annual review of the insourced services of the Bank
Management Committee	Provides guidance on strategic decisions consistent with the Bank's purpose, brand, and core values towards the attainment of long-term goals
Personnel Committee	Sets policies that aim to develop, strengthen, and sustain employee engagement, and ensures leadership succession at the executive level
Reputation Management Committee	Ensures that all reputation management efforts are aligned, and messages communicated are consistent for all stakeholders
Retirement Committee	Responsible for the general management and administration of the UnionBank Retirement Plan and Retirement Fund for its employees
Related Party Transaction Review Committee	Reviews and endorses related party transactions prior to presentation, endorsement, or notation by the RPT Committee
Resiliency Steering Committee	Provides the strategic direction for the Bank's Business Continuity Management System (BCMS) Framework

### Performance Assessment

The Bank strengthened its performance management system to purposely integrate the Balanced Scorecard (BSc) framework in its effort to strongly align the Bank's strategies and goals in the key areas of Financial Performance, Risk, Operations, Stakeholders, People, and Strategy Execution. More so, the Bank has established the 2020 Lines of Business BSc as a foundation to effectively implement the Bankwide scorecard to the individual business level and to ensure a more objective performance assessment of all employees, including senior management. Its performance management system, also known as MyPerformance, will drive this as it promotes the principles of a multi-rater approach, rewards for results, self-driven high-performance, and self-driven career. In support of the Bank's accelerated digital transformation, performance assessment includes periodic evaluation of digital initiatives during business reviews.

### Orientation and Continuing Education

UnionBank University remains to be the main channel for continuous learning and development of employees, including the senior management of the Bank. Compliance courses are available throughout the year in Microsoft Office 365 apps such as Sway and SharePoint to provide a digital, easily accessible learning experience for all employees. As these platforms are embedded in the corporate emails, Bank executives can also easily and conveniently access them.

Apart from these courses, members of the senior management team continually learn by participating in the quarterly learning sessions for executives, the Leaders' Learning Circle (LLC), where local and global thought leaders are invited to share their expertise and views on emerging topics such as the future of banking and financial services, leading-edge financial and digital technologies, and leadership and management disruptions and evolution.

More so, the annual Strategic Planning session with the Board of Directors is a great learning opportunity for the Bank's leaders to keep themselves abreast of the trends and best practices of banking and financial technology, digital strategy, platforms, and emerging technology applications.

### Retirement and Succession Management

The Bank recognizes that succession is key in building a Bank of enduring greatness and that it is an integral piece in driving strategy. Therefore, succession planning and management is an established exercise in the Bank. Having the right number and good mix of key talents with the required capabilities is sustained even during employee retirements, movements, and other talent decisions to ultimately, prepare the Bank to become a future-ready organization.

The Bank through the conduct of the regular talent reviews identifies successors to critical positions to ensure leadership continuity. Potential successors are assessed in terms of expertise and performance, leadership capability, culture alignment, and technology adoption. We cast a wider net of leadership pool through the management training program, identification of high-potential talents, leadership development and external talent mapping.

The Bank's deliberate and systematic effort to ensure leadership continuity covers retirement among the scenarios that can affect its business landscape. Under the Bank's Retirement Policy, the normal retirement age is at 60 years with a provision for late retirement beyond age 60 years subject to the Board of Directors' approval.

### Remuneration

The Corporate Governance Committee oversees the implementation of the programs for the salaries and benefits of Senior Management.

The compensation policies and procedures for Senior Management follow a market-based compensation structure, anchored on the principles of meritocracy or pay-for-performance.

### COMPLIANCE

Imagine a classroom without rules, a world without laws, and a banking system without regulations. It would surely result in chaos, disorder, and confusion.

At UnionBank, we view compliance to regulations not only as an obligation, but as way of doing business. We have established strong compliance programs and policies designed to specifically identify and mitigate risks that may erode the franchise value of UnionBank such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation. Through our compliance efforts, we seek to do business in a trusted environment in which our customers can transact with confidence.

Our compliance function, the Compliance and Corporate Governance Office (CCGO), facilitates the effective management of compliance risk and ensures that our businesses and affairs are conducted within the boundaries of laws, rules, and regulations.

The Board has appointed the Chief Compliance and Corporate Governance Officer with the rank of Senior Vice President (SVP) to reinforce adequate stature and authority of compliance in the organization. She oversees the overall design and effective implementation of the compliance risk management system and supervises our compliance function. She serves on a full-time basis and functionally reports to the Corporate Governance Committee.

We have been working closely with various regulatory bodies to maintain the safety and soundness of the banking system. Our Compliance Office works very closely with the Association of Bank Compliance Officers (ABCOMP), Bankers' Association of the Philippines (BAP) and Bankers' Institute of the Philippines (BAIPhil), organizations of like-minded finance and banking professionals whose mission is to professionalize the compliance system in the banking industry and develop constructive working relationship with regulators, including the Bangko Sentral ng Pilipinas (BSP), Anti-Money Laundering Council (AMLC), Securities and Exchange Commission (SEC), to name a few.

The CCGO is composed of five (5) main units, Anti-Money Laundering (AML) Policy, Compliance Testing, Corporate Governance, Investment Surveillance and Product Compliance, the latter where the designated compliance officers are given responsibilities and provide advice according to products – Treasury, Credit, Trust, Private Banking and Finance, IT, Operations and Subsidiaries. The Compliance Testing function, as mandated by the BSP, evaluates the adequacy of the Bank's compliance program and procedures and that these continue to be appropriate in addressing the identified compliance risks. The CCGO and Internal Audit Groups work closely in determining the scope of their reviews to achieve sufficient and non-duplication of coverage of the businesses.

### INTERNAL AUDIT



The Internal Audit Group (IAG or the Group) is entirely independent of all other organization units of the Bank. It operates under the direct control of the Audit Committee and is given an appropriate standing within the Bank to be free from bias and interference. IAG is headed by the Chief Audit Executive (CAE), an SVP. The Group is tasked to report on

the Bank's processes, systems, operating units and activities and their performance towards the attainment of corporate objectives, primarily by ensuring that established organizational controls are designed appropriately and are operating effectively. IAG conducts assurance and advisory engagements based on a forward-looking audit plan that is consistent with the Bank's strategic plans and priorities. The Group performs risk assessment using a process family level structure so that the audit engagements will be thematically coherent. And when needed, IAG avails of third-party services to ensure coverage of all risk areas. Additionally, when called for by the Bank's Code of Conduct, Internal Audit also conducts investigations in aid of administrative proceedings.

As the Bank continuously evolves towards its digitization strategy, IAG has undertaken initiatives to adapt and expand its processes, and to provide relevant and timely recommendations to the Bank. The Group has implemented a continuous auditing process that aims to provide assurance on high-risk, high-volume areas/process, on a real-time, or near real-time basis.

IAG adopts the GRC system which integrates the operational risk management across the Parent Bank. IAG also uses it as an audit management system to ensure the quality and completeness of documentation across its different engagements and to serve as an audit management information system. IAG also implemented offsite reviews, leveraging on the document management system of the Bank.

The Parent Audit Committee, through the Parent CAE, continuously oversees the internal audit function of its subsidiaries. The Group Internal Audit function was created to support the governance process over internal audit functions and to promote quality and consistency across the Group.

#### **EXTERNAL AUDIT**

The External Auditors on the other hand examine the Bank's financial statements and express an opinion on whether the numbers reported in the Bank's Balance Sheet, Income Statement, and other financial statements are fairly presented in accordance with financial reporting standards. The Audit Committee recommends the appointment, re-appointment, and change of external auditors. External audit services are currently provided to the Bank by SGV & Co (EY Philippines).

On behalf of the Board of Directors, the Audit Committee provides oversight of the Bank's financial reporting and the internal and external audit function. It is also responsible for setting up the Internal Audit Group and for the appointment of the CAE and the Independent External Auditor who both report to the Audit Committee. Moreover, the Audit Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Bank's internal control system.

## **GOVERNANCE POLICIES**

### **Corporate Governance Confirmation Statement**

Good governance is woven into our corporate fabric and permeates our culture. As we strive to achieve governance excellence in every aspect of our business and operations, we have complied substantially with prevailing standards and best practices in governance as of December 31, 2022.

The details of our compliance with the Code of Corporate Governance for Publicly Listed Companies can be found in our Integrated Annual Corporate Governance Report, published on our company website.

Our intensive efforts on this front paid off. UnionBank achieved three-golden arrow recognition for its 2022 ASEAN Corporate Governance Scorecard (ACGS) performance. In the prior year, the Bank garnered two arrows during the ASEAN Corporate Governance Scorecard Arrow Awards Night held at the Sheraton Manila Hotel.

The Golden Arrow Award recognizes the country's top publicly listed companies in corporate governance that have "exhibited observable conformance with the Philippine Code of Corporate Governance and internationally recommended corporate governance practices as espoused by the ACGS."

### **Corporate Governance Manual**

Our actions are guided by the Manual on Corporate Governance, which provides an overview of how we are governed and how we operate.

We regularly review and update the provisions of the Manual to address regulatory developments in the industry. We submit the Manual to the Securities and Exchange Commission (SEC) whenever there are significant changes or amendments.

Our Manual is also publicly available on the company website for easy reference of our shareholders, regulators, investors and other stakeholders.

### **Group Governance Policy**

We have established a policy for subsidiary governance designed to ensure that the Parent Bank performs its oversight function over its subsidiaries in compliance with regulatory mandates and to facilitate alignment of corporate culture across the entire banking group.

Our Group Governance Policy provides general guidance to the members of the Board of UnionBank in the performance of its oversight function over the subsidiaries and defines the roles and reportorial duties of the directors and/or officers of the Parent Bank and its subsidiaries.

### Code of Conduct

The UnionBank Code of Conduct supports our unique employee culture. UnionBankers demonstrate the attributes of forward thinking, innovative, open and agile which are helping UnionBank to power the future of banking.

What is unique about UnionBank is how we:

- Live our Purpose to 'Co-create innovations for a better world';
- Constantly seek opportunities for growth, as an institution and as professionals;
- Treat people with respect;
- Collaborate with great people working in teams; and are
- Committed to a winning culture.

We enable the success of our stakeholders – our clients, business colleagues, suppliers, shareholders, communities where we serve each other. We always strive to be the best in what we do. Every product, service, or endeavor at the workplace is nurtured by the UnionBankers' faithful adherence and dedication to our Values of Integrity, Magis, and Ubuntu, nurtured by our passion to provide competent, effective and delightful service.

Thus, the Code of Conduct embodies the principles for the personal and professional conduct of all UnionBankers, with practices founded on public trust and confidence. It is founded on the institution's unwavering commitment to the highest standards of responsible and ethical business practice, anchored on our Purpose, Values and our Core Competence of banking.

### Whistleblowing mechanism

Our Whistleblower Policy is intended to assist individuals to whistle blow on malpractices which they have discovered and to provide protection to the whistleblower. We ensure that such concerns are treated seriously, appropriately, and with utmost confidentiality.

Reportable incidents include unlawful activity, fraud, corruption, violation of policies and agreements including the Bank's Code of Conduct, to name a few.

A hotline was set up to warrant the anonymity and confidentiality of the reports whose merits will be evaluated by an investigating body, escalated to the Discipline Committee or the Compliance and Corporate Governance Office, as needed, and accorded the fitting course of action.

### Anti-bribery and anti-corruption

We conduct our business transactions in an ethical and honest manner to support the integrity of the financial system. We take zero-tolerance stance to bribery and corruption and are committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever we operate.

Employees are prohibited from offering, paying, receiving, promising, or authorizing any gift or payment to any person directly or indirectly through or to a third party for the purpose of (*i.e.* in exchange for): (1) causing the person to act or fail to act in violation of a legal duty; (2) causing the person to abuse or misuse their position; (3) securing an improper advantage, contract or concession for the organization or any other party.

### Creditors' Rights

As a universal bank, deposit-taking is one of our principal banking activities. We are committed to protect our depositors who serve as our main creditors.

We ensure that our depositors have a reasonable understanding of the financial products and services which they acquire or avail of. Through our verified communication channels in traditional and digital platforms, we provide information that accurately represents the nature and structure of the product or service, its terms and conditions, as well as its fundamental benefits and risks.

Furthermore, we support the Philippine Deposit Insurance Coverage (PDIC) in its mandate to protect depositors by providing deposit insurance coverage for the depositing public and help promote financial stability. We advertise PDIC's deposit insurance protection in appropriate and accurate manner by incorporating the official PDIC Insurance Statement (Deposits are insured by PDIC up to P500,000 per depositor) on relevant advertisements and official communications.

Through these efforts, we ensure that our depositors are treated fairly, honestly, and professionally at all stages of our relationship.



### Supplier Selection and Accreditation

We uphold the principles of truthfulness, fairness, and respect in our dealings with suppliers. We continue to build and maintain good relations by honoring agreements which are entered in conformity with the law and public policy.

All purchases of equipment, supplies and services for the Bank are made based on quality, utility and price offered by the vendors. While the Bank may actively negotiate for favorable terms with its suppliers, it does not knowingly mislead them with respect to competitors' price and terms, its plans for future purchases, or other particulars of their transactions. The Bank does not use its vantage position as customer to impose unfair conditions that could not have been obtained by negotiations in good faith or commit acts or omissions that unjustly breach contractual obligations.

We implement a strict and fair Supplier Accreditation Policy for all suppliers and outsourced service providers where submission of comprehensive information sheet and applicable documentary requirements are mandatory. The suppliers are then subjected to an initial and ongoing assessment based on applicable criteria, including the company's status in its respective industry, liquidity evidenced by its business viability, and free from any major lawsuit or government action, among others.

### Dividend Policy

The Board of Directors of the Bank shall determine and declare dividends each year amounting to approximately twenty-five percent (25%) of the prior year's net income after tax, payable out of the Bank's unrestricted retained earnings, subject to prior approval by the relevant regulatory authorities as may be required.

In accordance with the Bank's By-Laws, the Board of Directors shall determine and declare dividends each year out of prior year's net income after tax, payable out of the Bank's available unrestricted retained earnings, subject to prior approval by the relevant authorities as may be required.

The following is a summary of the dividends declared and distributed by the Bank in 2022.

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
January 28, 2022	February 14, 2022	N/A	March 2, 2022	P2.80	1,524,918,059	P4,269,770,565.20

In compliance with BSP regulations, the Bank ensures that adequate reserves are in place for future bank expansion requirements. The foregoing cash dividend declaration was made within the BSP's allowable limit for dividends.

### Consumer Protection

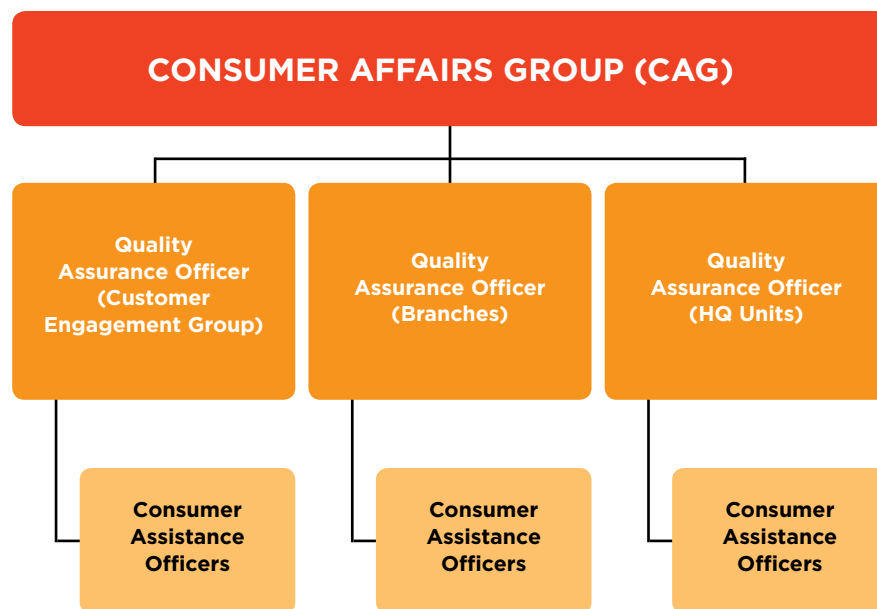
The Board and Senior Management are responsible for developing the Bank's consumer protection strategy and establishing an effective oversight of the Bank's consumer protection programs.

The Board is primarily responsible for approving and overseeing the implementation of the Bank's Consumer Protection Risk Management System (CPRMS), while the Senior Management ensures that the Bank's practices are aligned with the approved Consumer Protection Policies and Risk Management System and relevant statements are consistently displayed throughout the Bank's place of business particularly across all business units that deal directly with consumers.

Risk assessment strategies are included as part of the Consumer Assistance Policy and Procedure (CAPP) to analyze the data of complaints/requests, its causes, effects to other products/services, and corrective actions including its costs as well as resources. All monitored complaints, regardless of nature or type, shall be centralized to the Consumer Affairs Group.

The Consumer Affairs Group (CAG) shall analyze complaints data, root causes and trends of complaints; monitor resolution and effectiveness of actions taken; recommend action plans to prevent recurrence and mitigate identified operational or reputational risks; analyse the recommended action plans in the Complaints Report to Senior Management. CAG reports and escalates issues and concerns to Senior Management and to the Operational Risk Management Committee on a monthly basis about persistent complaints against the Bank or UnionBankers.

The CAG is also responsible for the monitoring and oversight of the Bank's Customer Experience in compliance with BSP Circulars 857 and 1048 on Financial Consumer Protection and for ensuring that the consumer assistance management process is necessary, updated, and conforms to the internal control framework of the Bank and complied with by all affected units.



The table below shows the Full Year 2022 summary of customer complaints statistics broken down according to product type.

Product type	Count	%
E-Money	3,750	2
Other Products and Services	15,199	10
Credit Card	29,972	19
Deposit	30,013	19
Customer Service	37,316	24
Remittance	41,642	26
	<b>157,892</b>	<b>100</b>

**Related Party Transactions**

It is the policy of the Bank to ensure that all transactions entered into by the Bank with its related parties are undertaken only on an arm’s length basis and subjected to appropriate oversight of the Board and relevant committees so as to protect the Bank from conflicts of interest and abusive RPTs that may arise.

The Bank has in place a Related Party Transaction (RPT) Policy approved by the Board of Directors and strictly implemented across all covered transactions in the Bank. The RPT guidelines ensure fairness and transparency, definition of related party transactions (RPTs) which cover a wider scope than DOSRI and encompass a broader spectrum of transactions (i.e. not limited to credit exposures), and the appropriate handling and monitoring of RPTs. These transactions are made and entered into substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. Hence, the transactions likewise go through the same vetting and monitoring process applicable to ordinary or unrelated party transactions as set forth in the Bank’s internal guidelines or policies.

The members of the Board, stockholders and management are obliged to disclose any financial interest in any transaction or matter affecting the Bank, especially material facts pertaining to the transaction including the terms and conditions of the proposed transaction and deviations, if any. Likewise, the Bank officers or employees who are related to the transacting party are required to abstain from the discussion, approval, and management of the transaction.

The Related Party Transactions Committee or RPT Committee is responsible for assisting the Board in fulfilling its governance responsibilities on RPTs, as specified on our Policy.

The table below shows the summary of material RPTs. In 2022, all related party transactions were conducted fairly and at arm’s length basis.

Relationship	Nature	Terms & Conditions	Amount / Contract Price	Outstanding Amount
DOSRI	Credit Facilities and others	Standard terms and conditions	2.49 billion	.30 billion
Affiliate	Credit Facilities and others	Annual renewal; Standard terms and conditions	6.93 billion	.414 billion
Subsidiary	Credit Facilities and others	Standard terms and conditions	14.483 billion	.005 billion
Other Related Parties	Credit Facilities and others	Standard terms and conditions	2.89 billion	2.322 billion
		<b>Total</b>	<b>24.79 billion</b>	<b>3.04 billion</b>

## CORPORATE SOCIAL RESPONSIBILITY

UnionBank's corporate social responsibility program is aligned with the Bank's overall digital transformation strategy and is guided by our policies on sustainability and corporate social responsibility (CSR).

We see our CSR programs as contributors to the global movement on providing solutions to the Sustainable Development Goals of the United Nations. Our CSR programs will focus on five goals: SDG 1 (No Poverty), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 13 (Climate Action), and SDG 9 (Industry, Innovation, and Infrastructure). Most importantly, we see our CSR initiatives as incubators of innovation where we create a positive impact on the community.

In 2022, our CSR connected its thrust with the overall sustainability mission to "Tech Up" the Philippines. The Bank believes that it has a vital role and responsibility for building strong and resilient communities by leveraging on the successes of UnionBank in innovation and digital transformation. The Bank focused in the areas of e-commerce, education tech, and climate tech (community wellbeing and environment).

Driven by this, we pursued strategic CSR partnerships with organizations and institutions that align with our advocacy on innovation, which is geared towards bringing to life our Group Purpose of "co-creating innovations for a better world."

We achieved more milestones in 2022, namely:

- CitySavings' Teacher Care Programs  
CitySavings is committed to providing capability-building opportunities and enabling educators to teach and touch the lives of learners nationwide. In 2022, CitySavings teacher training capabilities, and learning resources to promote financial education, build disaster resilient communities, and advocate health and wellness were deployed. They were able to help 580 beneficiary schools, and Department of Education division and regional offices nationwide. There were 4,500 DepEd attendees nationwide on financial, health, and wellness programs. CitySavings' CSR programs last year included:
  - Brigada Eskwela  
This DepEd core program is actively supported by CitySavings to complement DepEd's Basic Education-Learning Continuity Plan. Various stakeholder engagement programs that focus on the health and safety of the school community for the opening of classes are constantly developed and needs per region, per division are targeted specifically to ensure quality education is provided to all.

Project Per@parasyon

This is the Bank's advocacy on financial literacy and practical wealth management for public school teachers.

- Project Pink  
A breast cancer awareness program for teaching and non-teaching staff, that provides an avenue for correct information on the prevention and early detection of breast cancer.
- Project #BetterMe  
Mental wellness program for our education frontliners, in partnership with MentalHealthPH, that enables the former to care for their mental wellbeing.
- Continued partnering with the Development Academy of the Philippines (DAP) to develop webinars and learning sessions on digital transformation designed to train a new batch of government executives and local government officials.
- Partnered with Pasig City in hosting the 3rd global Climathon, which allowed the bank to support participants in designing solutions to the wicked problems of our society. In 2022, UnionBank awarded innovation prizes to the most innovative solution on key socio-economic and environmental problems of the city.

Furthermore, GoBeyond Communities remains to be the Bank's main corporate social responsibility intervention. It is an employee engagement program where employees can promote their personal advocacies by conceptualizing, developing, and implementing community-enriching programs, with funding provided by the Bank. In 2022, the Bank's employees had recorded 2,428 volunteers, 83,162 beneficiaries, reaching a total of 1,326 communities. In implementing its People Tech initiatives, the Bank aims to help employees, partners, and other stakeholders develop digital literacy and build the necessary skills to prepare them for the future.

The Bank is leveraging on its in-house centers of excellence in Data Science and Artificial Intelligence, as well as its Xcellerator program to equip internal and external talents with emerging capabilities. The Bank's Xcellerator program has been making an impact through developing digital talents, with the aim of building up the capabilities of Filipino workers and making them tech-ready for emergent digital landscapes. UB Xcellerator assists educational institutions by enabling education partners to increase talents that will bring about innovations and game-changing products.

UB Xcellerator has provided courses and educational programs on digital skills such as blockchain, data science, and artificial intelligence to 16,209 individuals as of December 31, 2022. As of the same date, UB Xcellerator offered 136 modules to the public for free.

## RIGHTS OF SHAREHOLDERS

Our stockholders are the ultimate owners of our business and serves as the highest authority in our governance structure. They enjoy the benefits of strong corporate governance, which we believe is critical not only for the success of the organization but also in advancing the interests of our shareholders.

We treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. Shareholders' rights relate to the following, among others: (a) pre-emptive rights; (b) right to receive dividends; (c) right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting; (d) right to nominate candidates to the Board; (e) voting rights; (f) right to information; and (g) power of inspection.

The basic rights of our shareholders are disclosed in the Manual on Corporate Governance which is posted on our company website.

### Shareholders' meeting

The meeting of the shareholders serves as a venue for them to express opinions, raise questions, and pass resolutions. We have two (2) types of meeting as stipulated in our By-laws.

The annual meeting of the stockholders is held on the fourth Friday of the month of April of each year, if not a legal holiday, otherwise the next business day following.

The special meeting of the stockholders may be called for any purpose at any time by the Chairman of the Board, by the President, or by the holders of not less than one-third (1/3) of the subscribed capital stock of the corporation.

All meetings of the stockholders shall be held at the principal office of the organization, or at any place designated by the Board in the city or municipality where the principal office of the corporation is located.

In accordance with Sections 23 and 57 of the Revised Corporation Code which allow voting through remote communication or in absentia, our 2022 annual stockholders' meeting (ASM) was conducted virtually by secure videoconference facility at <https://asm.unionbankph.com> and facilitated at the 28th Floor, UnionBank Plaza, Meralco Ave. cor. Onyx St., Ortigas Center, Pasig City last April 22, 2022.

## Before the ASM

Notices of the ASM and the Definitive Information Statement were duly served by providing the Quick Response (QR) Code to all stockholders of the Bank as of record date of March 11, 2022, by e-mail for those stockholders who have given their e-mail addresses, by way of disclosure to The Philippine Stock Exchange, Inc. and Philippine Dealing and Exchange Corporation on March 28, 2022, and posted on the Bank's website.

Pursuant to SEC Notice dated February 16, 2022, referring to the alternative distribution of the notice of stockholders meeting, the notice was published in business sections of The Philippine Daily Inquirer and The Philippine Star, in print and online format, on March 30 and 31, 2022.

## During the ASM

The Vice Chairman, acting on behalf the Chairman of the Board, presided and called the ASM to order. The Corporate Secretary recorded the minutes of the proceedings. The Vice Chairman thanked the stockholders who attended the meeting via online streaming, who have voted in absentia through the Bank's online voting portal, and who submitted their proxy forms appointing the Chairman as proxy.

At the request of the Vice Chairman, the Corporate Secretary presented the rules of conduct and procedures that govern the ASM. The Corporate Secretary explained that the stockholders have been notified of the rules of conduct and proceedings of the ASM as stated in the Explanation of Agenda items attached to the Notice of Meeting, which forms part of the Definitive Information Statement.

In addition, the Bank engaged Sycip Gorres Velayo & Co. to conduct a third-party validation of the votes for the meeting.

Shareholders voted on the following agenda: (a) approval of the Minutes of the Bank's stockholders' meetings held on April 23, 2021 and August 11, 2021; (b) approval and ratification of past actions of the Board of Directors, Board Committees, and Management, including all significant related party transactions; (c) appointment of the External Audit for the year 2022; and (d) election of directors.

Shareholders are allowed to elect directors individually. Each resolution deals with only one item; there is no bundling of several items into the same resolution.

The shareholders were encouraged to express their opinions and raise any questions, either on the agenda or any other questions related to the business and operations of the Bank. During the open forum, the Vice Chairman, upon advice by the meeting moderator that there were a few questions received from stockholders sent via email thru the Office of the Corporate Secretary, answered all the aforementioned questions, all of which were recorded in the Minutes of the meeting.

Stockholders are also invited to submit to the Office of the Corporate Secretary via email any other questions relative to the agenda items presented at the live webcast. The Bank's answers will be sent to the stockholders' e-mail addresses.

#### After the ASM

The results of the meeting were disclosed to the PSE Edge and on the Bank's website on April 25, 2022. The Minutes contained the voting results (which included the approving, dissenting, and abstaining votes) for all resolutions/agenda items, questions raised by shareholders and answers given by the Vice Chairman, and attendance of the Board members and senior officers.

#### DISCLOSURE AND TRANSPARENCY

Transparency is one of the core principles of our governance framework. To ensure better protection of the rights of our shareholders and other stakeholders, full disclosure of our financial performance, results of operations, governance policies, programs and procedures, and other developments in the organization, is imperative.

Our company website is the primary source of corporate information, financial performance, products and services, contact information, news and advisories, and latest developments pertaining to UnionBank.

We also release our annual and quarterly reports to convey our financial performance in a comprehensive and accurate manner. The reports are also being disclosed in compliance with the reporting requirements of the SEC and PSE.

Press releases and media briefings are also being utilized to communicate important news and developments or information about our business.

Title	Date
UBP Net Income up 9% to P12.6 Bn	January 31, 2022
UBP 1Q2022 Net Income at P2.6 Bn	April 25, 2022

Title	Date
Union Bank of the Philippines Completes P40 Billion Stock Rights Offering	May 17, 2022
UnionBank announces first-ever digital peso bond offering	May 23, 2022
UnionBank raises P11 billion in maiden digital peso bonds	June 02, 2022
UBP posts P6.1. billion net income in 1H2022	July 29, 2022
UnionBank completes the acquisition of Citigroup's consumer banking business in the Philippines	August 1, 2022
UnionBank 9M2022 Net Income at P10.1 Billion	November 2, 2022
UnionBank raised \$358 million in syndicated loan facility	November 25, 2022

#### INVESTOR RELATIONS

UnionBank engages the investing public and potential investors through an effective Investor Relations (IR) Program. The investing community is updated of the Bank's performance, strategies, and management actions towards achieving a true and fair valuation of the Bank. As a publicly listed company, IR abides by the disclosure and reporting requirements of the PSE, SEC, other relevant regulations.

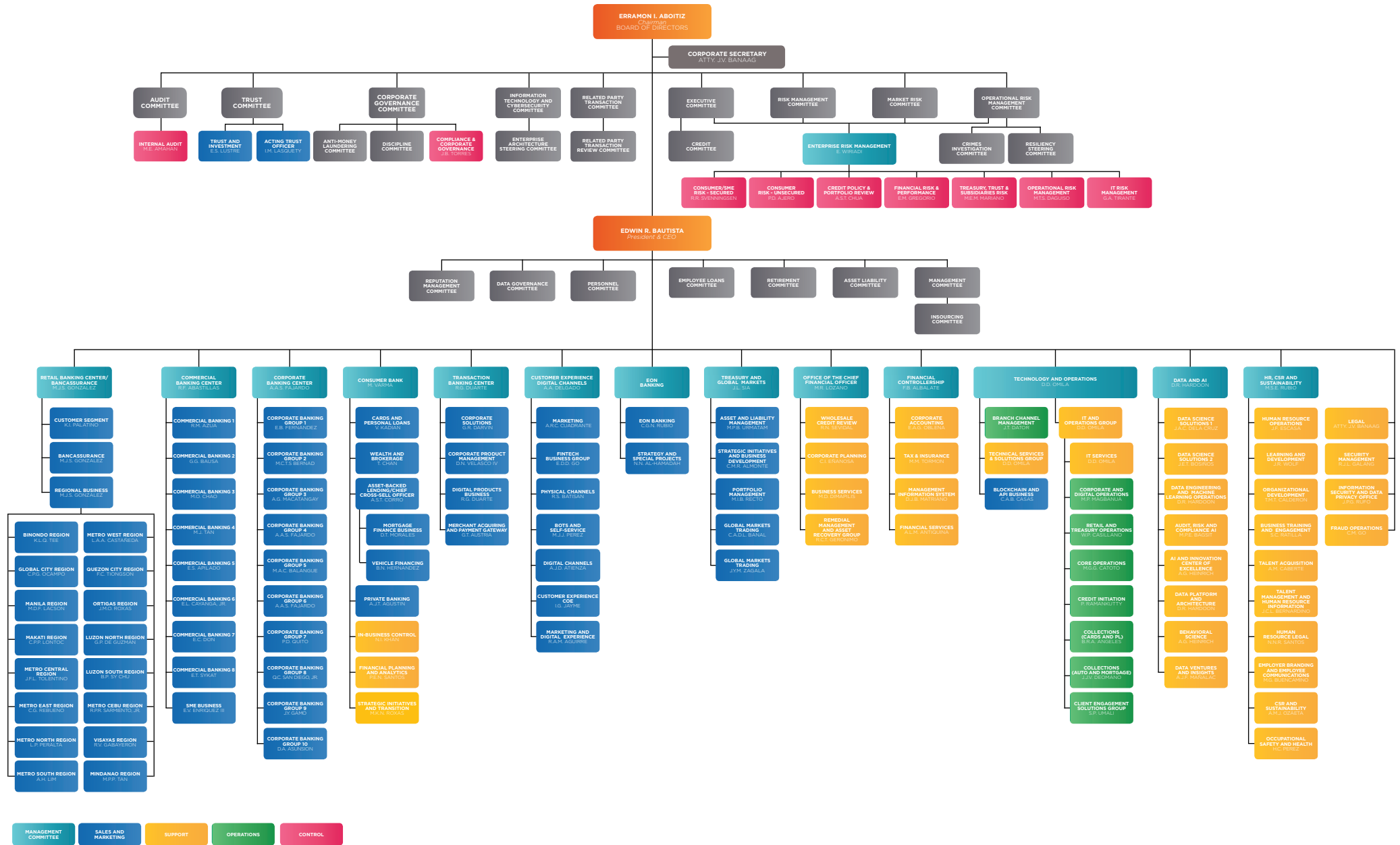
UnionBank's Investor Relations Office (IRO) shall promote transparency, guided by the following principles:

- Observance of the highest ethical standards to uphold the best interest of all stakeholders;
- Adherence to principles of good corporate governance to align with best practices;
- Conformance with PSE & SEC disclosure requirements and other relevant regulations; and
- Timely dissemination of material and accurate information to all stakeholders.

Our IRO ensures that relevant information about the Bank's activities and performance are communicated properly through: regulatory reports and disclosures, press releases, annual stockholders' meetings, annual reports, website, investor presentations, conference calls, and other modes of communication.

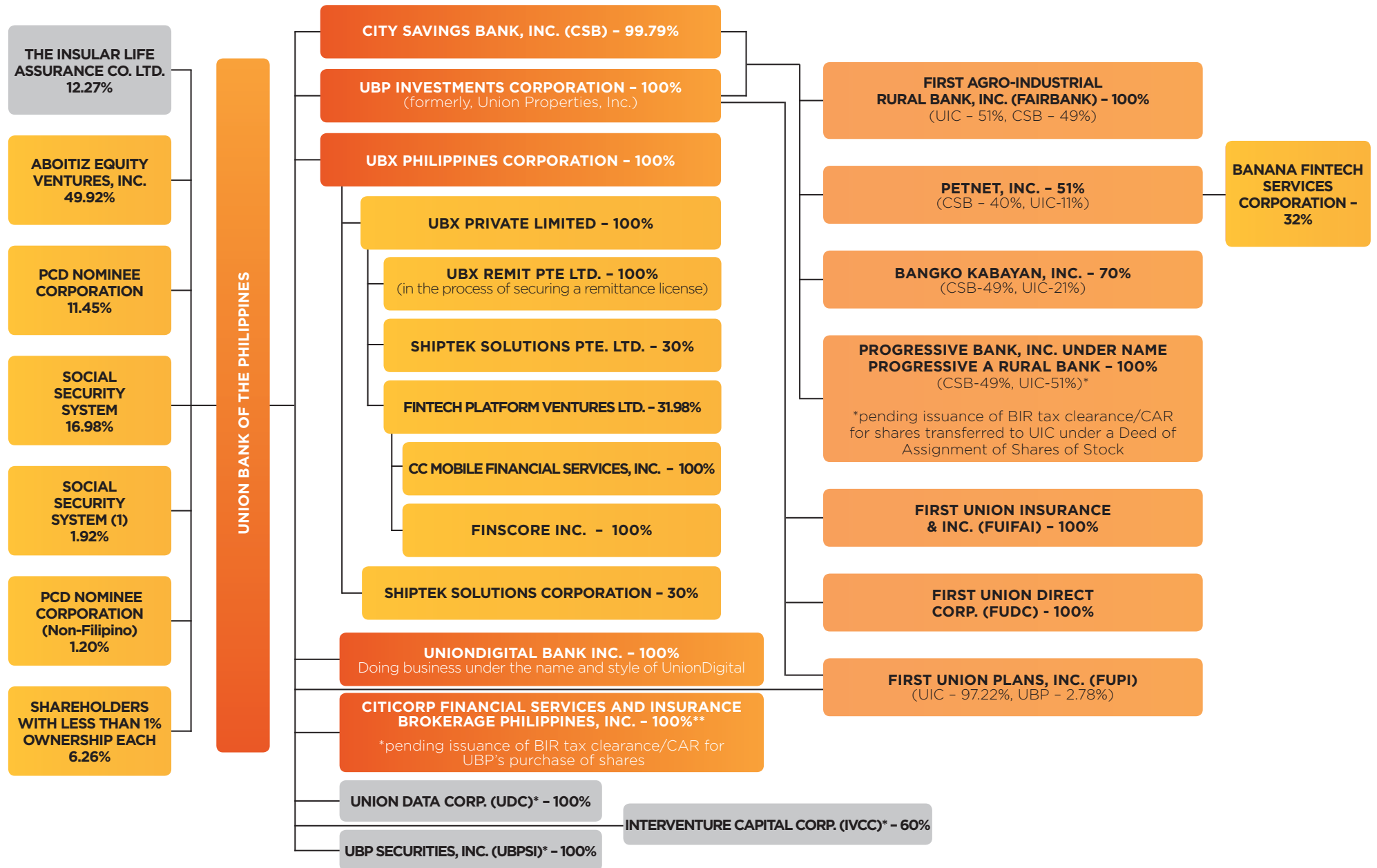
# TABLE OF ORGANIZATION

As of March 2023



MANAGEMENT COMMITTEE | SALES AND MARKETING | SUPPORT | OPERATIONS | CONTROL

# CONGLOMERATE MAP



\*Dormant.

\*\*The SEC approved the change of corporate name to UnionBank Financial Services and Insurance Brokerage Inc. [formerly Citicorp Financial Services and Insurance Brokerage Philippines, Inc.] on 28 February 2023

## PROFILE OF THE BOARD OF DIRECTORS

**Erramon I. Aboitiz**, 65, Filipino  
Non-Executive Director, 29 years in the Board  
Represents Aboitiz Equity Ventures

Serves as Chairman of UnionBank. He is a Director of Aboitiz Equity Ventures, Inc., a publicly listed company, and the Aboitiz Infracapital, Inc. Mr. Aboitiz also sits as a Board of Trustees with the Asian Institute of Management.

Mr. Aboitiz was awarded the Management Association of the Philippines' Management Man of the Year and Ernst & Young's Entrepreneur of the Year both in 2011.

Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, major in Accounting and Finance, from Gonzaga University in Spokane, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.

**Chairman:** Executive Committee, Trust Committee  
**Vice Chairman:** Non-Executive Board  
**Member:** Risk Management Committee, Market Risk Committee, Corporate Governance Committee

**Justo A. Ortiz**, 65, Filipino  
Non-Executive Director, 29 years in the Board  
Represents Aboitiz Equity Ventures

Serves as Vice Chairman of UnionBank. He holds the position of Chairman and/or Director of various subsidiaries of the Bank: UnionDigital Bank Inc. and UBX Philippines Corporation. He sits as Chairman of the following companies: Fintech Philippines Association, Inc., Distributed Ledger Technology Association of the Philippines, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition, Aboitiz FeedAll Holdings, Inc.; Director of Aboitiz Equity Ventures, Inc. and Concepcion Industrial Corporation, both publicly listed companies; Director of Philippine Payments Management, Inc., Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Makati Business Club and World Presidents Organization. He was the Chief Executive Officer of the Bank from 1993 to 2017. Prior to his stint in UnionBank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank, N.A.

Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas (UST) as he was conferred a Doctor of Humanities degree, Honoris Causa, on December 11, 2015. He was inducted as Honorary Fellow of Institute of Corporate Directors (ICD) on August 12, 2022. Other recognition bestowed to him were Asian Banker Lifetime Award and Philippine Blockchain Leader of the Year 2022. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University.

**Chairman:** Information Technology and Cybersecurity Committee  
**Member:** Executive Committee, Risk Management Committee, Trust Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance Committee

**Edwin R. Bautista**, 62, Filipino  
Executive Director, 7 years in the Board

Serves as Director and President & Chief Executive Officer of UnionBank. He also serves as Chairman of the following subsidiaries and affiliates of UnionBank: First Union Plans, Inc.; Vice Chairman of City Savings Bank, Inc.; and Director of UBP Investments Corporation, UBX Philippines Corporation, UnionDigital Bank Inc., and PETNET, Inc. He is a Director of Aboitiz Power Corporation, a publicly listed company. He was the President and Chief Operating Officer of the Bank from January 1, 2016 to December 31, 2017. He also served as Senior Executive Vice President of the Bank from 2011 to 2015. He acted as President of the International Exchange Bank in 2006 until its merger with UnionBank. He was Senior Vice-President of UnionBank from 1997 to 2001 and Executive Vice President from 2001 to 2011. He previously worked as Senior Brand Manager at Procter and Gamble, Marketing and Sales Director of the Philippines and Guam at American Express International, and Vice President/Group Head of Transaction Banking at Citibank.

Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advanced Management Program at the Harvard Business School, U.S.A.

**Member:** Executive Committee, Trust Committee, Information Technology and Cybersecurity Committee



**Sabin M. Aboitiz**, 58, Filipino  
Non-Executive Director, 11 years in the Board  
Represents Aboitiz Equity Ventures

Serves as Director of UnionBank. He is President and Chief Executive Officer of Aboitiz Equity Ventures, Inc., and Chairman of the Board of Aboitiz Power Corporation, both publicly listed companies.

Mr. Aboitiz is also the President of AEV Aviation, Inc., and AEV-CRH Holdings, Inc., wholly-owned subsidiaries of Aboitiz Equity Ventures, Inc. (AEV).

He is the Chairman of Aboitiz Foundation, Inc., Aboitiz Land, Inc., Aboitiz Power Corp, Manila-Oslo Renewable Enterprise, Inc.; Republic Cement Services, Inc., Filagri Holdings Inc., Director of Aboitiz & Company, Inc., Aboitiz Equity Ventures, Inc, Aboitiz InfraCapital, Inc, AEV CRH Holdings, Inc.; Republic Cement and Building Materials, CRH Aboitiz Holdings, Inc., Apo Agua Infraestructura, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., Unity Digital Infraestructura Inc., Pilmico International Pte. Ltd, Aboitiz Power International Pte. Ltd., and AEV International Pte. Ltd.

He spent much of his professional life with Aboitiz Transport, Inc.; his last position was as President and Chief Executive Officer of one of its subsidiaries, Aboitiz One, Inc. (owner of the 2GO brand) now called 2GO Group, Inc. He graduated from Gonzaga University in the USA with a B.S. Business Administration Degree, majoring in Finance.

**Member:** Non-Executive Board, Executive Committee  
**Alternate Member:** Operations Risk Management Committee, Corporate Governance Committee

**Manuel R. Lozano**, 52, Filipino  
Director, 6 years in the Board

Serves as Director of UnionBank. He holds the position of Executive Vice President and Chief Financial Officer of UnionBank. He was Senior Vice President and Chief Financial Officer of Aboitiz Equity Ventures, Inc. from June 2015 to December 2022, and Aboitiz Power Corporation from January 2014 to June 2015, both publicly listed companies. He was also the Chief Financial Officer of the Aboitiz Power Generation Group and AP Renewables, Inc. from December 2008 to December 2013. Prior to joining the Aboitiz Group, Mr. Lozano was the Chief Financial Officer and Director of PAXYS, Inc. and held various positions in financial institutions including Jardine Fleming & CLSA.

Mr. Lozano graduated with a Bachelor of Science degree in Business Administration from the University of the Philippines (Diliman) and holds an MBA degree from The Wharton School of the University of Pennsylvania.

**Member:** Executive Committee  
**Alternate Member:** Risk Management Committee, Market Risk Committee

**Ana Maria A. Delgado**, 42, Filipino  
Director, 2 years in the Board  
Represents Aboitiz Equity Ventures

Serves as Director and Senior Executive Vice President, Chief Digital Channel Officer and Chief Customer Experience Officer of UnionBank. She is the Chairman of subsidiary City Savings Bank, Inc., and Director of SingLife Philippines, Republic Cement and Building Materials Inc., and Aboitiz Equity Ventures, Inc., a publicly listed company. She started her career with UnionBank as a Product Manager under the Retail Banking Center and has held multiple positions in the Bank covering SME lending and Consumer Finance businesses. Prior to joining the Bank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008.

Ms. Delgado graduated with a Bachelor of Arts in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010.

**Member:** Information Technology and Cybersecurity Committee  
**Alternate Member:** Executive Committee, Market Risk Committee

**Samel A. Aboitiz**, 31, Filipino  
Non-Executive Director, 1 year in the Board  
Represents Aboitiz Equity Ventures

Serves as Director of UnionBank. He is Vice President and Head of Finance & Accounting for Coal Business Unit of Aboitiz Power Corporation (AboitizPower), a publicly listed company. He is also concurrently Treasurer and Controller of Aboitiz & Company (ACO), and Vice President for Finance of Aboitiz Equity Ventures, Inc. (AEV), a publicly listed company. He is a member of the Board of Advisors of ACO, and the Board of Directors of San Fernando Light & Power Co. and Visayas Electric Company. He served as Assistant Vice President and Controller for Coal Business Unit of AboitizPower from January 2019 to July 2021; Deputy Head of Operations of PETNET, Inc. from July 2018 to December 2018;

## PROFILE OF THE BOARD OF DIRECTORS

and Corporate Finance Manager of AEV from September 2016 to July 2018. Prior to joining the Aboitiz Group, he was Investment Banking Analyst for CLSA Exchange Capital, and with Castleton Commodities International as Freight Analyst.

Mr. Aboitiz earned his Bachelor of Arts, major in Economics and minor in Philosophy degree from the University of Virginia, Charlottesville, USA.

**Member:** Non-Executive Board, Operations Risk Management Committee, Audit Committee

**Alternate Member:** Risk Management Committee

**Nina Perpetua D. Aguas**, 70, Filipino

Non-Executive Director, 7 years in the Board  
Represents Insular Life Assurance, Co.

Serves as Director of UnionBank. She is currently the Executive Chairperson of the Board of Trustees of The Insular Life Assurance Co., Ltd. and its subsidiaries: Insular Health Care, Inc. and Insular Foundation, Inc. She also sits as Non-Executive Director of Pilipinas Shell Petroleum Corporation; Independent Director of Monde Nissin Corporation, both publicly listed companies; and Director of Insurance Institute for Asia and the Pacific, Inc. She was also a member of the Board of Directors and Chairperson of Bank of Florida (A Rural Bank) and has served as a member of the World Bank Group's Advisory Council on Gender and Development.

She was the President and Chief Executive Officer of Philippine Bank of Communications, a publicly listed company, from August 2012 to March 2015. Prior to this, she was the Managing Director for Private Banking, Asia-Pacific at ANZ Banking Group Ltd., Singapore. She also held various positions with Citigroup Inc. - Managing Director for Corporate Compliance, New York; Country Business Manager, Global Consumer Group, Philippines; Head of Sales & Distribution, Global Consumer Group, Philippines; and Regional Audit Director, Citigroup, Asia-Pacific.

**Member:** Non-Executive Board, Executive Committee, Audit Committee, Market Risk Committee, Corporate Governance Committee

**Rolando L. Macasaet**, 62, Filipino

Non-Executive Director, 3 months in the Board  
Represents Social Security System

Serves as Director of UnionBank. Presently the President and Chief Executive Officer of the Social Security System (SSS). He also serves as Vice Chairperson of the Social Security Commission, the governing body of the SSS. He previously held the position of President and General Manager of the Government Service and Insurance System (GSIS) from 2019 to 2022, and as the Chairperson of the GSIS' Board of Trustees in 2018.

Prior to joining the SSS, Mr. Macasaet has had extensive experience in public service as he served in various leadership capacities in several Government-Owned and Controlled Corporations (GOCCs) from 1988 to 2005, such as the Philippine National Construction Corporation, Dasmariñas Industrial Steel Corporation, Skyway Corporation, and Tierra Factors Corporation.

Moreover, he has more than two decades of professional experience in financial services, banking, and public-private partnerships, most of it with the Philippine National Bank (PNB), a publicly listed company. His work in PNB included postings overseas as Vice President and General Manager in Los Angeles, California (USA) and as Regional Vice President-ASEAN in Singapore. His other stints in the banking sector included a two-year service as Corporate Account Manager at BMO Bank of Montreal, Vancouver and as President and Vice Chairman of the Philippine Postal Bank from 2005 to 2007. He also served as a Board Member of various companies such as San Miguel Corporation and Bank of Commerce, both publicly listed companies, Private Infrastructure and Development Corporation, and PCI Bank. He further served as Director of the Asian Infrastructure and Investment Bank (AIIB) in Beijing (China's counterpart of the World Bank and Asian Development Bank).

He holds a Bachelor of Science in Business Economics, Cum Laude, from the University of the Philippines and has earned a Master of Business Administration - Honors Program from the same university. He also finished an Executive Program in Finance at Columbia University in New York, and a Diploma in Management Development at Harvard Business School in Boston, Massachusetts.

**Member:** Non-Executive Board, Executive Committee, Trust Committee,

Corporate Governance Committee, Information Technology and Cybersecurity Committee

**Alternate Member:** Risk Management Committee, Market Risk Committee, Operations Risk Management Committee

**Robert Joseph M. De Claro**, 51, Filipino  
Non-Executive Director, 3 months in the Board  
Represents Social Security System

Serves as Director of UnionBank. He is a member of the Social Security Commission. He currently serves as President and CEO of Transpotech and Services, OPC. With a background in creating, administrating, and spearheading startup and operating entities for over twenty-five years, Mr. De Claro is a business leader seasoned over decades of professional experience and equipped with necessary knowledge to achieve common and long- term corporate goals. He has been able to deliver double-digit gains in revenue through strategic growth strategies and with an expertise in identifying opportunities, coupled with strong customer relationship management skills.

Mr. De Claro held various roles with numerous companies such as President and CEO for People4u, Inc.; Operating Partner for FutureNow Business Services, Inc.; President and General Manager for JMango Philippines, Inc.; and General Manager, APAC for GlobalOne Solutions, Inc. and Cloud Sherpas. He holds a Bachelor of Science in Computer Science with specialization in Information Technology from De La Salle University.

**Member:** Non-Executive Board, Risk Management Committee, Audit Committee, Market Risk Committee, Operations Risk Management Committee

**Alternate Member:** Executive Committee, Corporate Governance Committee, Information Technology and Cybersecurity Committee

**Roberto G. Manabat**, 74, Filipino  
Independent Director, 5 years in the Board

Serves as Lead Independent Director of UnionBank. He is also an Independent Director of the following companies: City Savings Bank, Inc. and UnionDigital Bank Inc., both subsidiaries of the Bank; Citicorp Financial Services and Insurance Brokerage Philippines, Inc.; Goldilocks Bakeshop, Inc.; Sodexo BRS Philippines, Inc.; and National Reinsurance Corporation, a publicly listed company. He is a Certified Public Accountant. Mr. Manabat is a Board Adviser on Internal Audits of SM Investments Corporation, a publicly listed company, and its subsidiaries/affiliates. He is also a Director in PA Properties and Development Corp. He also sits as Trustee of the Shareholders Association of the Philippines; Chairman of KPMG R.G. Manabat Foundation; and Chairman of Enactus Philippines.

As the first General Accountant of the Securities and Exchange Commission (SEC) from 2003-2005, he set up the mechanism for effective financial reviews of the financial reports submitted by listed and other public companies regulated by the SEC. His past experience involves: Chairman and Chief Executive Officer of KPMG R.G. Manabat & Co.; a member of the Global Council of KPMG International; a member of the Asia-Pacific Board of KPMG International; Chairman of Auditing & Assurance Standards Council; Consultant of the SEC; and Partner of SyCip Gorres Velayo & Co., among others. Mr. Manabat has a track record of more than 40 years in the field of accountancy and has been a prominent advisor to many corporate and government agencies on good governance principles and practices.

In 2018, he received The Outstanding Professional Award in the Field of Accountancy given by the Professional Regulation Commission. In 2019, he was honored by The Federation of Asian Institute of Management Alumni Associations, Inc. (FAIM) with an AIM Alumni Achievement (Triple A) Award, the most prestigious recognition given to AIM graduates.

Mr. Manabat graduated from the University of the East with a degree in Business Administration. He obtained his Master's degree in Business Management from Asian Institute of Management.

**Chairman:** Non-Executive Board, Audit Committee

**Member:** Risk Management Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance Committee, Related Party Transaction Committee

**Manuel D. Escueta**, 71, Filipino  
Independent Director, 2 years in the Board

Serves as Independent Director of UnionBank. He is an Independent Director of City Savings Bank, Inc., a subsidiary of the Bank, and Citicorp Financial Services and Insurance Brokerage Philippines, Inc. He also serves as Independent Director of Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Aboitiz FeedAll Holdings, Inc., and Pascual Laboratories, Inc.

## PROFILE OF THE BOARD OF DIRECTORS

Mr. Escueta sits as member of the Executive Committee and Marketing Adviser of Mega Global Corporation; member of the Board of Trustees and Advisory Council of Educhild Foundation, Philippines; and Vice Chairman of the Board of Trustees of PAREF Southridge School for Boys. He served as Independent Director of Vitarich Corporation, a publicly listed company, from 2014 to mid-2022. He was the President of Educhild Foundation Philippines from 2004 to 2019, and also the President and CEO of Pascual Laboratories, Inc. from 2009-2012. He also served as the Chairman of the Board of Directors and Business Head of Pascual Consumer Health Corporation, Inc. and Pascual Consumer Health Division, respectively. He was the Vice President for Corporate Marketing and Communications of United Laboratories, Inc. from September 2001 to March 2004. He also worked as General Advertising and Marketing Manager for Procter & Gamble, Asia.

Mr. Escueta is a graduate of University of the Philippines in Diliman, Quezon City, with a degree in Business Administration, Majoring in Marketing.

**Chairman:** Risk Management Committee

**Member:** Non-Executive Board, Audit Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance Committee, Related Party Transaction Committee

**Josiah L. Go**, 60, Filipino  
Independent Director, 2 years in the Board

Serves as Independent Director of UnionBank. He is the Chairman and Chief Innovation Strategist of Mansmith and Fielders, Inc., previous winner of the Innovation Excellence award given by the ASEAN Business Awards, and Chairman of Waters Philippines (the market leader in the direct selling of premium home water purifiers in the Philippines). He served as National President of the Philippine Marketing Association in 1991, Chairman of the Direct Selling Association of the Philippines in 2002, and National President of the Association of Marketing Educators from 2004-2005.

Mr. Go is known as one of the Philippines' most respected marketing gurus and the most awarded business educators of the Philippines with 19 bestselling and record-breaking marketing and entrepreneurship books. He has been recognized as one of the Agora Awardees in 1994, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 2001, one of the Ten Outstanding Young Persons (TOYP) of the World in 2002

and one of only two Lifetime Achievement Awardees by the Association of Marketing Educators (2007), the youngest marketing educator to be bestowed this honor. He was also given the Brand Leadership Award during the World Brand Congress in India (2009). His accomplishments were recognized by the international community where he has been included in the 10th edition of the International Who's Who of Intellectuals (England).

Mr. Go has completed the Blue Ocean Strategy qualification process in Blue Ocean Strategy Institute in Insead, France. He has taught at the De La Salle and Ateneo Universities. He is also an Executive Scholar of the Kellogg Business School (in marketing and Sales Management) as well as the MIT Sloan (in Strategy and Innovation). He also took advance marketing programs at Harvard, Wharton and at the London Business School. He specializes in the fusion of marketing and innovation using the lenses of data-driven entrepreneurship and teaches advanced marketing subjects. He has given talks and facilitated over 1,000 marketing seminars in the Philippines and internationally to teams in diverse industries, in different situations and contexts.

He graduated from De La Salle University with a degree in Management and took his Master of Arts degree in Religious Studies from Maryhill School of Theology.

**Chairman:** Market Risk Committee

**Member:** Non-Executive Board, Risk Management Committee, Audit Committee, Corporate Governance Committee

**Atty. Francisco Edralin Lim**, 67, Filipino  
Independent Director, 2 years in the Board

Serves as Independent Director of UnionBank. Atty. Lim is a Senior Legal Counsel of the Angara Concepcion Regala & Cruz Law Offices (ACCRALAW). He is incumbent chairman of the FINEX Academy and Justice Reform Initiative (JRI) and Co-Chairman (together with Finance Secretary Benjamin Diokno) of the Capital Market Development Council.

Atty. Lim is former President of the Philippine Stock Exchange, Inc. (PSE), Securities Clearing Corporation of the Philippines (SCCP), Financial Executives Institute of the Philippines (FINEX), Management Association of the Philippines (MAP) and Shareholders' Association of the Philippines (SharePHIL).

\* publicly listed company

Atty. Lim currently serves as a Director/Trustee of several Philippine stock and non-stock corporations, among which are the Air Asia Group Limited (Malaysian company), Alphaland Corporation, Converge Information and Communications Technology Solutions', Inc, First Philippine Holdings Corporation<sup>2</sup>, The Insular Life Assurance Co., Ltd. and Union Bank of the Philippines\*.

Atty. Lim is a member of the Integrated Bar of the Philippines, Philippine Bar Association, New York State Bar Association and the American Bar Association.

Atty. Lim is a columnist of Rappler (on leave) and former columnist of the Philippine Star and Philippine Daily Inquirer.

Atty. Lim is the Chairman of the Commercial Law Department of the Philippine Judicial Academy, Co-Chairperson of the Sub-Committee on E-Commerce Law, member of the SubCommittee on Commercial Courts and the Committee on the Revision of the Rules of Court of the Philippine Supreme Court.

Atty. Lim is a law professor in the School of Law, Ateneo de Manila University and School of Law of San Beda University (on leave).

Atty. Lim actively participated in assisted in the enactment several Philippine laws such as the Financial Rehabilitation and Insolvency Act (FRIA), Credit Investment System Act (CISA), Real Estate Investment Trust Act (REITA), Personal Equity Retirement Account Act (PERAA), and the Philippine Competition Act (PCA).

Atty. Lim actively participated in the drafting of several Supreme Court rules of procedure such as the Interim Rules on Intra-Corporate Controversies, Rules on Electronic Evidence, Rules on Notarial Practice, Rules on DNA Evidence, Financial Rehabilitation Rules of Procedure, Financial Liquidation and Suspension of Payments, Rules of Procedure on the Liquidation of Closed Banks, and Interim Rules on Electronic Notarization.

Among Atty. Lim's most recent awards are: "Elite Practitioner" in Capital Markets and Dispute Resolution (2020-2022) by Asialaw Profiles; "Benchmark Litigation Star" (2021) and "Benchmark Litigation Asia-Pacific Dispute Star" (2020) in Commercial and Transactions, Government & Regulatory, Insolvency, and Whitecollar Crime by Benchmark Litigation Asia-Pacific; "Leading Lawyer" in Banking and Finance: Capital Markets, and Dispute Resolution (2020-2021) by Chambers Asia-Pacific, Chambers and Partners; "Leading Lawyer" in Capital Markets and Tax (2020-2021) by The Legal 500 Asia Pacific; "A-List Re: Philippines' Top 100 Lawyers" (2018-2020) by Asia Business Law Journal (Vantage Asia); "Lawyer of the Year - Philippines" by Benchmark Litigation, Asia-Pacific Awards 2019; Chairman's Merit Award FINEX Foundation 2020; "Market Leader: Banking and Mergers & Acquisitions" (2019- 2020) by the International Finance Law Review (IFLR1000; "Ranked Lawyer" in Corporate and Finance (2017-2021) by the Chambers Global, Chambers & Partners; "Commended External Counsel of the Year" by the In-House Community Counsels (2016-2020); "Deal Maker of the Year" by Thomson Reuters Asian Legal Business Philippine Law Awards 2017; Punong Gabay Award from the Philippine Council of Deans and Educators (PCDEB); Professorial Chair in Commercial Law from the Philippine Supreme Court, Philippine Judicial Academy and the Metrobank Foundation, Inc.; Certificate of Commendation from the Supreme Court of the Philippines; and Certificate of Appreciation from Capital Market Institute of the Philippines.

Atty. Lim is a co-author of The Philippine Competition Act: Salient Points and Emerging Issues and the Bench Book for Commercial Courts published by the Supreme Court of the Philippines.

Atty. Lim has a Bachelor of Arts (*cum laude*) and Bachelor of Philosophy (*magna cum laude*) degrees from the University of Santo Tomas, Bachelor of Laws (Second Honors) from the Ateneo de Manila University and Master of Laws from the University of Pennsylvania, USA.

**Chairman:** Corporate Governance Committee, Related Party Transaction Committee  
**Member:** Non-Executive Board, Audit Committee, Market Risk Committee, Operations Risk Management Committee

### PROFILE OF KEY OFFICERS

**Edwin R. Bautista** serves as Director and President & Chief Executive Officer of UnionBank. He also serves as Chairman of the following subsidiaries and affiliates of UnionBank: First Union Plans, Inc.; Vice Chairman of City Savings Bank, Inc.; and Director of UBP Investments Corporation, UBX Philippines Corporation, UnionDigital Bank Inc., and PETNET, Inc. He is a Director of Aboitiz Power Corporation, a publicly listed company. He was the President and Chief Operating Officer of the Bank from January 1, 2016 to December 31, 2017. He also served as Senior Executive Vice President of the Bank from 2011 to 2015. He acted as President of the International Exchange Bank in 2006 until its merger with UnionBank. He was Senior Vice-President of UnionBank from 1997 to 2001 and Executive Vice President from 2001 to 2011. He previously worked as Senior Brand Manager at Procter and Gamble, Marketing and Sales Director of the Philippines and Guam at American Express International, and Vice President/Group Head of Transaction Banking at Citibank.

Mr. Bautista earned his Bachelor of Science in Mechanical Engineering degree from the De La Salle University. He also completed the Advanced Management Program at the Harvard Business School, U.S.A.

**Member:** Executive Committee, Trust Committee, Information Technology and Cybersecurity Committee

**Ana Maria A. Delgado** serves as Director and Senior Executive Vice President, Chief Digital Channel Officer and Chief Customer Experience Officer of UnionBank. She is the Chairman of subsidiary City Savings Bank, Inc., and Director of SingLife Philippines, Republic Cement and Building Materials Inc., and Aboitiz Equity Ventures, Inc., a publicly listed company. She started her career with UnionBank as a Product Manager under the Retail Banking Center and has held multiple positions in the Bank covering SME lending and Consumer Finance businesses. Prior to joining the Bank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008.

Ms. Delgado graduated with a Bachelor of Arts in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010.

**Member:** Information Technology and Cybersecurity Committee

**Alternate Member:** Executive Committee, Market Risk Committee

**Manoj Varma** holds the position of Senior Executive Vice President and Head of the Consumer Banking Group of UnionBank. He is also the Chairman of Citicorp Financial Services and Insurance Brokerage Philippines, Inc. Prior to joining the Bank, he was the Country Business Manager of Citibank Philippines from 2018 to 2022. During his 30-year career with Citibank, he served in various business management across all functional units in finance, sales, credit, and marketing from Philippines, India, Taiwan, South Korea, and the United States of America. Mr. Varma graduated in bachelor's degree in mechanical engineering from New Delhi, India and obtained his MBA degree from Georgetown University, Washington DC.

**Roberto F. Abastillas** holds the position of Executive Vice President and Center Head of the Commercial Banking of UnionBank. He is also a Director of First Union Insurance & Financial Agencies, Inc. He started his career with the Bank in 2006 as Senior Vice President and Head of the Commercial Banking 1 Group. Mr. Abastillas was previously Senior Vice President and Head of the Account Management Center 1 at International Exchange Bank from 1995 to 2006. He was Vice President and Head of the Account Management Group 1 for United Coconut Planters Bank from 1986 to 1995.

**Ramon G. Duarte** holds the position of Executive Vice President and Head of Transaction Banking Center of UnionBank. He was previously Chief Technology Officer of Dotenable, Inc. from 2000-2001; Head of Electronic Banking Transaction Services at ABN AMRO Philippines from 1999 to 2000; and Assistant Vice President of Product Management under Global Transaction Services at Citibank from 1996 to 1999.

**Antonino Agustin S. Fajardo** is Executive Vice President and Center Head of Corporate Banking of UnionBank and serves as Director of First Union Insurance & Financial Agencies, Inc., a subsidiary of the Bank. He is also a Senior Credit Officer and has had broad experience in the corporate and consumer sectors of the Bank in various leadership roles. He headed the Mortgage Business from 2013 to 2017, and in the early years of the Bank from 1994 to 1998, also played key roles in the Specialized Lending Group, which was involved in general project finance and the on-lending of official development funds to key accounts. Prior to joining the Bank, he was Project Officer for the Private Development Corporation of the Philippines.

**Mary Joyce S. Gonzalez** holds the position of Retail Banking Center Head at UnionBank with a Corporate Rank of Executive Vice President. She is also the Chairperson of First Union Insurance and Financial Agencies, Inc., at the same time she is Director of UBP Investments Corporation and First Union Direct Corporation, all subsidiaries of the Bank. She started her career in UnionBank as Branch Manager of the Main Office Branch in 1994. After a few months, she was given an expanded role as Sales Director of the Makati 1 Region. Her stint as Sales Director over the years saw major growth in the deposit and fund generation business, and the development of a very capable sales management team. In recognition of her contribution to the business, Joyce was promoted to Senior Vice President and was given an additional task to develop and lead Customer Segment Management and bring greater customer centricity in UnionBank's pursuit in delighting its customers, given her seasoned abilities, and exposure in the business of Retail Banking.

**Manuel R. Lozano** holds the position of Executive Vice President and Chief Financial Officer of UnionBank. He currently serves as Director of the Bank. He was Senior Vice President and Chief Financial Officer of Aboitiz Equity Ventures, Inc. from June 2015 to December 2022, and Aboitiz Power Corporation from January 2014 to June 2015, both publicly listed companies. He was also the Chief Financial Officer of the Aboitiz Power Generation Group and AP Renewables, Inc. from December 2008 to December 2013. Prior to joining the Aboitiz Group, Mr. Lozano was the Chief Financial Officer and Director of PAXYS, Inc. and held various positions in financial institutions including Jardine Fleming & CLSA.

Mr. Lozano graduated with a Bachelor of Science degree in Business Administration from the University of the Philippines (Diliman) and holds an MBA degree from The Wharton School of the University of Pennsylvania.

**Member:** Executive Committee

**Alternate Member:** Risk Management Committee, Market Risk Committee

**Eric S. Lustre** holds the position of Executive Vice President and Chief Trust Executive of UnionBank. He most recently served as President and Chief Executive Officer of Philam Asset Management, Inc. from 2016 to 2021. Simultaneous to his role, he held various roles with Philam Group of Companies as Country Credit Officer and Chief Executive Officer of Philam Properties Corporation, Philamlife Tower Management Corporation, Philamlife Tower Condominium Corporation and the President of Tower Club, Inc. Mr. Lustre also served as Head of Corporate Finance and Real Estate Investment of The Philippine American Life and General Insurance Company. He was previously a member of the Board of Directors of the following corporations: Phinma Corporation, a publicly listed company; Philam-Equitable Life Assurance Company; ICCP Holdings, Inc.; Science Park of the Philippines, Inc.; Regatta Properties, Inc.; Beacon Property Ventures, Inc.; Pueblo de Oro Development Corporation; Cebu Light Industrial Park, Inc.; and RFM-Science Park of the Philippines, Inc.

Mr. Lustre started his banking career as a Staff Analyst for Corporate Account Management in Far East Bank & Trust Company, and with Citibank N.A. Manila Branch as Assistant Manager for Corporate Sales. He has a Bachelor of Science in Business Management from Ateneo de Manila University and holds a Master's degree in Business Management Major in Finance from the Asian Institute of Management.

**Dennis D. Omila** holds the position of Executive Vice President, Chief Information Officer, IT Services Group and Operations and Shared Services Group Head of UnionBank. He was the former Senior Vice President of the Infrastructure Engineering and Service Operations cluster of Globe Telecom, Inc., a publicly listed company, from 2014 to 2016. He was also the President and COO of NetX Technology Solutions, Inc. from 2002 to 2007. His certifications include Certified Information Systems Security Professionals (CISSP), Certified Check Point Security Instruction (CCSI), Certified Check Point Security Engineer (CCSE), Certified Check Point Security Administrator (CCSA), Vulnerability Assessment Specialist, Threat Assessment Specialist, Certified Core and Edge ATM Network Specialist (Fore Systems), Certified Networks Administrator (Nortel Networks), Certified SINIX, IRIX, Solaris and BSD UNIX Administrator and Business Continuity Certified Planner (BCCP).

Mr. Omila is a graduate of De La Salle University with a degree in Bachelor of Science major in Computer Science with specialization in Computer Technology (BSCS-CT).

## PROFILE OF KEY OFFICERS

**Michaela Sophia E. Rubio** holds the position of Executive Vice President and Chief Human Resource Officer of UnionBank. She is also the Lead for CSR, Sustainability, and Occupational Safety and Health Division. She joined the Bank in 2004 as Vice President and handled the Human Resource Services, Training and Organization Development divisions. Subsequently, she became the Deputy HR Director. Prior to joining the Bank, she was the Vice President and Country Human Resource, Quality and Corporate Communications Head in the Philippines of the global electrical and power company, Asea Brown Boveri (ABB) from 1999 - 2001. She worked from 2001 - 2003 as a Senior Consultant in OTi Consulting Singapore working with government owned and private organizations on Singapore Quality Class/Award, People Developer, Industry Capability Upgrading (ICAP) and Work Life and Work Redesign of which she was certified by SPRING Singapore. Before a career in Human Resource, she worked for ten years in the semiconductor and electronics manufacturing industry handling engineering and managerial functions in Statistical Process Control and Quality.

**Johnson L. Sia** holds the position of Executive Vice President, Treasurer and Head of Global Markets of UnionBank. He was formerly the Head of Financial Markets of ING Philippines. He has twenty-eight (28) years of experience in treasury and financial markets from Citibank Philippines, Singapore and Korea. Mr. Sia started his banking career in Citibank by being part of the bank's Management Associate Program and rose from the ranks. He has broad treasury experience spanning risk management, sales, operations, product development and general treasury management, including balance sheet management.

He has been active in leading industry market issues in the Philippines as Vice Chair of the Open Markets Committee of the Bankers Association of the Philippines (BAP) as well as the Chairperson of the BAP's Benchmark Committee.

He graduated Magna Cum Laude and obtained his Bachelor of Science degree in Computer Science from Ateneo de Manila University. He obtained his Master of Science in Business Management from the Asian Institute of Management and finished his graduate studies with high distinction.

**Raymond Anthony B. Acosta** holds the position of Senior Vice President and Head of Infrastructure and Service Management of UnionBank. He is responsible for the IT and Service Management operations and has led various infrastructure initiatives of the Bank. Prior to joining the Bank, he was Database Administrator/ Solutions Consultant of iASpire.Net Philippines. He served as LEAD Database Administrator/ Solutions Consultant of Active Business Solutions, Inc. He started his career as LEAD Database Administrator/ Solutions Consultant for DataCenter Operations and Services of Open Systems Operation Corporate Information Solutions, Inc.

Mr. Acosta graduated from Ateneo de Manila University with a degree in Bachelor of Science Major in Management Information Systems.

**Atty. Arlene Joan Roxas Tanjuaquio-Agustin** holds the position of Senior Vice President and Head of Private Banking Group of UnionBank. She is a Chartered Wealth Advisor and a Chartered Trust and Estate Planner. Atty. Agustin brings with her more than two decades of experience and expertise in Treasury and Trust. She started her career in banking in 1990 as a Trader in Asiatruster Bank, then moved to China Banking Corp., a publicly listed company, as an Assistant Manager for Treasury. In 1997, she transferred to Jade Progressive Savings and Mortgage Bank where she became the Senior Assistant Vice President-Treasurer. After her two-year stint, she went to join Robinsons Bank and became its First Vice President, Head of Treasury and concurrent Head of Legal & Credit Administration. From 2007 to 2009, she worked for GE Money Bank where she was appointed as First Vice President and Treasurer. When GE Money Bank was acquired by BDO Unibank, Inc., a publicly listed company, she was appointed as the Customer Solutions Desk Head of the Treasury Capital Markets and Derivatives Division and at the same time served as the First Vice President and Treasurer of BDO Elite Savings Bank until 2011. In the same year, she joined Maybank Philippines, Inc. where she became the Senior Vice President, Treasurer and Head of Global Markets.

Atty. Agustin completed her Bachelor's degree in Political Science and Economics from the University of the Philippines, Diliman. She earned her Juris Doctor Law degree at the Ateneo De Manila University and later took her Master's degree in Business Administration at De La Salle University. She is a member of the Integrated Bar of the Philippines.



**Francis B. Albalate** holds the position of Senior Vice President and Financial Controller of UnionBank. He is a Certified Public Accountant. Prior to joining the Bank, he was an Audit Partner at Punongbayan & Araullo from 2003 to 2011. He worked as Head of the Transaction Advisory Services from 2007 to 2009 and Audit Senior Manager from 1999 to 2003. He was a former Financial Services Industry Audit Leader at Deloitte Philippines from 2011 to 2016. He earned a Master's degree in Business Management from the Asian Institute of Management.

He graduated with a degree in Bachelor of Science in Commerce, majoring in Accounting, from San Beda College. He attended the Pacific Rim Bankers Program at the University of Washington in 2006.

**Maria Angelica C. Balangue** is a Senior Vice President and Group Head in the Corporate Banking Center of UnionBank. She joined UnionBank as First Vice President in November 2019. She was previously with China Bank Capital Corporation and ING Bank N.V., Manila Branch. She also worked at the Bank of Tokyo-Mitsubishi UFJ Ltd. in their Manila and Singapore offices. She completed the academic requirements for the Master of Science in Computational Finance at De La Salle University. She obtained her undergraduate degree in Bachelor of Science in Economics from the University of the Philippines, Diliman.

**Atty. Joselito V. Banaag** holds the position of Senior Vice President, Corporate Secretary, and General Counsel of UnionBank. He was the former Head of the Legal and Compliance Division and Corporate Governance of GT Capital Holdings, Inc., a publicly listed company, from 2012 to 2015. He also previously worked at the Philippine Stock Exchange (PSE), a publicly listed company, as the General Counsel and concurrently, as Chief Legal Counsel of the Securities Clearing Corporation of the Philippines (SCCP). He was also Officer-in-Charge of the Exchange's Issuer Regulation Division. Prior to that, he held various positions in SGV & Co., Cayetano Sebastian Ata Dado & Cruz Law Offices, PNO Exploration Corporation, and Padilla Jimenez Kintanar & Asuncion Law Offices.

He earned his Bachelor of Arts in Political Science minoring in Japanese Studies from the Ateneo de Manila University and his Bachelor of Laws from the University of the Philippines.

**Konstantin O. Beloglazov** holds the position of Senior Vice President and Portfolio Lending Head. Prior to joining the Bank, he was the Consumer Lending Business Strategy & Development Head of Citibank N.A. He has 16 years of experience in Operations, Customer Engagement, Customer Lending and Project Implementation. Expert in call centre operations & productivity, Product & portfolio SME in cards, cash loans, instalments. He started his career with Citibank N.A. and has held various positions within Citibank. Mr. Beloglazov obtained his bachelor's degree in Linguistics from Sakhalin State University.

**Antonio Sebastian T. Corro** holds the position of Senior Vice President and Chief Cross-Sell Officer & Asset-Backed Lending Head of UnionBank. Prior to joining the Bank, he held various positions from 2001 to 2017 in MasterCard Asia/Pacific Pte. Limited such as Country Manager in Thailand & Myanmar, leading the execution of business development strategies to expand MasterCard products and services throughout Thailand and Myanmar; Country Manager and Chief Representative in Indochina Region, guiding the member banks across the Indochina region Vietnam, Cambodia, Laos and Myanmar, through the execution of franchise related activities, among others; and Vice President for Operations and Member Relations in the Philippines. He also held various positions in Standard Chartered Bank from 1999-2001.

Mr. Corro earned his Administracion de Recursos Fisicos Y Financieros from Colegio Universitario Fermin Toro, Venezuela.

**Albert Raymond C. Cuadrante** holds the positions of Senior Vice President and Chief Marketing Officer of UnionBank. He was formerly the President of Acumen Strategy Consultants, providing consultancy services focused on strategy, transformation and capability building to enable higher business performance. Mr. Cuadrante has almost 30 years of collective experience in the field of digital commerce, brand management and marketing. In 2008, he joined Jollibee Foods Corporation, a publicly listed corporation, and handled various positions from Marketing Director for Red Ribbon, Vice President and Marketing Head of Jollibee, President for Greenwich, and established and headed the Digital Commerce and Customer Loyalty division for the Philippines, which was tasked to lead the digital transformation for customer-facing touchpoints. He was the recipient of the 2013 Asia Pacific Tambuli Chief Marketing Officer of the Year award. He started his Marketing career at Procter & Gamble Philippines.

Mr. Cuadrante graduated Bachelor of Science Major in Management Engineering (Honors Program) from Ateneo De Manila University.

## PROFILE OF KEY OFFICERS

**Gerard R. Darvin** holds the position of Senior Vice President and Sales Head of Corporate Solutions under Transaction Banking Center of UnionBank. He has held other roles in the Bank from 2000-2010 initially as a Relationship Manager in Retail Banking Center until he assumed the role of Director of Sales covering several regional areas.

Prior to joining the Bank, he had extensive experience in Retail Banking Sales as a Branch Manager in Philam Savings Bank (an AIG company) from 1996 to 2000 and a Sales Officer in Citytrust Banking Corporation from 1992-1996. He started his banking career at Urban Bank, a mid-sized bank known for private banking in 1990 as a Sales Associate.

Mr. Darvin graduated with a Bachelor of Arts degree in Political Science at the Ateneo de Manila University in 1990.

**Jobert T. Dator** holds the position of Senior Vice President, Branch Channel Management Head of UnionBank. A graduate of Bachelor of Science in Business Administration Major in Accounting from Enverga University in Lucena City. He has been with the Bank for 25 years and has extensive experience in Branch Operations Management. He has obtained Six Sigma Black Belt Certification last 2015. He was also a former Sales Director under Retail Banking Group. Rose from the ranks, he started working with the Bank as a Branch Service Officer and eventually became a Branch Manager. In addition to this, he also worked with China Banking Corporation and Metropolitan Bank and Trust Corporation, both publicly listed companies, early in his career.

**Montano M. Dimapilis** holds the position of Senior Vice President and Head of Business Services Group of UnionBank. He joined the Bank as Vice President and Head of Facilities Management Group in November 2011 before his promotion as First Vice President, Head of Facilities Management Group and Branch Network Management in July 2015. Prior to joining UnionBank, he was Resident Manager/ General Manager of Pacific Plaza Condominium Association under FPD Asia Property Management. Involved in various consultancy works related to property management and construction. He was Operations Manager of Phoenix Omega Development Corporation. He also worked as Project Manager and Project Site Engineer to companies in Saudi Arabia.

Mr. Dimapilis is a licensed Civil Engineer and Real Estate Broker. He earned his Bachelor of Science in Civil Engineering degree from Adamson University and took his Master of Business Administration degree from Ateneo de Manila University.

**Carlo I. Eñanosa** holds the position of Senior Vice President and Head of Corporate Planning and Investor Relations of UnionBank. He also served as Treasurer of UBX Philippines Corporation, a wholly-owned subsidiary of the Bank. He joined the Bank in 2015 as Assistant Vice President and Head of Strategic Risk Management Division and then held the role of Vice President and Head of Budget and Planning Division. Prior to joining the Bank, he was Senior Assistant Vice President and Head of Strategic Management Department of East West Banking Corporation, a publicly listed corporation. He had been a Project Management Officer for Citigroup Business Service – Asia. He also worked with International Exchange Bank from 1998-2006 and held roles as Methods Analyst and Investments & Capital Budgeting Officer. Mr. Eñanosa graduated from De La Salle University with a Bachelor's degree in Industrial Engineering Minor in Mechanical Engineering.

**Concepcion Perla P. Lontoc** holds the position of Senior Vice President and Sales Director of the Bank. She was First Vice President and Sales Director from July 2016 to June 2020. She started her career with the Bank as Assistant Manager/ Sales Officer in May 1996. She graduated with a degree in BS Economics from the University of the Philippines Diliman in 1989.

**Michael P. Magbanua** holds the position of Senior Vice President and Head of Corporate and Digital Operations of UnionBank. He was First Vice President and Head of Operations and Shares Services of the Bank from July 2019 to July 2021. From 2014 to 2016, he served as President & CEO of Price Solutions Philippines, Inc, a Standard Chartered Group Company. Prior to this, he held various positions in Sales and Distribution with Citibank N.A. Philippines and its affiliates. He was Marketing Manager, and Operations Special Projects & Front-end Collection Manager in Equitable Cardnetwork, Inc.

Mr. Magbanua graduated from the De La Salle University with Bachelor's degree in Business Administration Major in Computer Application. He obtained his MBA from the University of the Philippines.

**Dave T. Morales** holds the position of Senior Vice President and Head of Mortgage Finance Business of UnionBank. He joined the Bank as Relationship Manager and then assumed the role of Sales Director. He started his career as Merchants Specialist Acquiring of FarEast Bank & Trust Company. He has also worked with Bank of the Philippine Islands, a publicly listed company, as Merchants Sales Acquiring.

Mr. Morales is conferred a Doctor of Philosophy in Commerce and earned his Master's degree in Business Administration both from the University of Santo Tomas.

**Ronaldo Jose M. Puno** currently holds the position of Senior Vice President and Solutions Delivery Head of UnionBank. where he is responsible for the bank's overall software development. He joined the Bank on June 4, 2018 as Head of Business Process Automation.

Prior to the bank, Mr. Puno directed local privately-held holdings companies in applying new technologies for mass housing and transportation segments. Mr. Puno also served as the Global Business Process Lead in the U.S.A for one of the world's largest biotechnology companies, leading process improvement and automation COE activities for N. America, EMEA, Brazil, Latin America, and Asia. Mr. Puno also worked at the U.S.A's leading car rental company to automate and digitize its case management and fulfillment processes, and implemented the OMS for one of the world's largest telecommunications companies. Mr. Puno graduated with a degree in Commerce from the University of Virginia, U.S.A.

**Jose Maria O. Roxas** holds the position of Senior Vice President and Sales Director of UnionBank. He started his career with the Bank as Foreign Exchange Trader and then transferred to Retail Banking Group as a Relationship Manager. In 2011, he was promoted as Sales Director for the Bank's Metro Central Region and for Ortigas Central Business district in 2017. Mr. Roxas graduated from De La Salle - College of St. Benilde with a degree in Bachelor of Science in Business Management.

**Raquel N. Sevidal** holds the position of Senior Vice President and Head of the Wholesale Credit Group of UnionBank. She has more than twenty-four (24) years of experience in the banking industry. She was formerly First Vice President and Sub-Group Head - Countryside of the Commercial Banking Group of Metropolitan Bank and Trust Company ("MBTC"). She also previously held the position of Division Head of Credit Group from and a Designated Senior Credit Officer of MBTC. She started her career as Relationship Manager of Equitable PCIBank.

Ms. Sevidal graduated with a Bachelor of Science degree in Psychology from the University of Santo Tomas and holds a Master's degree in Business Administration at De La Salle University.

**Gautam Sharma** holds the positions of Senior Vice President and Retail Bank Sales Network Head of UnionBank. He has a 15-year track record of success in financial services and a result-oriented professional with experience across business strategy, portfolio management, sales & marketing, and digital banking. Prior to joining the Bank, he was Senior Vice President in Regional Retail Bank for APAC & EMEA of Citibank, N.A. He started his career with Citibank N.A. in 2007 and has held various positions within Citibank across India, Philippines, and Singapore.

He graduated with a Bachelor's degree in Technology (Mechanical Engineering) from Punjab Technical University and obtained his Master's in Management Studies (Marketing) from the University of Mumbai.

**Julian P. Tarrobago, Jr.** holds the position of Senior Vice President and Chief Investment Officer of UnionBank. Prior to joining the Bank, he was Head of Equities of ATR Asset Management (ATRAM), where he managed the best-performing Equity Fund in the Philippines for the past 6 years.

Prior to this, he worked with ING Bank as its Assistant Vice President for Investments for four (4) years--where he spear-headed the implementation & development of the Regional Equity Investment Process, in collaboration with the Australian and Hong Kong IIM Offices. He had a short stint with Sunlife of Canada as its Senior Equities Portfolio Manager. Earlier, he was Vice President for Investment Research at Philippine Equity Partners, Inc (formerly known as Merrill Lynch Philippines) where he functioned mainly as an industry analyst covering consumer, property and power and energy sectors.

Mr. Tarrobago completed his degree in Management of Financial Institutions from De La Salle University Manila and finished further certifications in ING Investment Institute Hong Kong in 2007 and the UBS Asset Management Academy of the Phil Securities and Exchange Commission Singapore in 2017.

**Jeannette Yvonne M. Zagala** holds the position of Senior Vice President and Financial Markets Sales Head of UnionBank. Prior to joining the Bank in November 2017, she was First Vice President and Distribution Group Head of East West Banking Corporation, a publicly listed company. She has extensive experience with distribution of investment and foreign exchange sales, fixed income securities and UITF products to different market segments, among other. Ms. Zagala's leadership positions have included serving as Vice President and Fixed Income Products and Trading Desk Head of Citicorp Financial Services and Insurance Brokerage Phils., Inc. from July 2010 to January 2015, Senior Assistant Vice President and Fixed Income Asian Credit Portfolio of Banco De Oro Universal Bank, a publicly listed company, from February 2007 to July 2010. She started her career as Money Market Trader from The Philippine Banking Corporation, and later joined the Metropolitan Bank and Trust Company, a publicly listed company as US\$/PhP Swap and Forward Trader. She held various positions with the National Association of Securities Brokers, Inc. and currently serves as Co-Chair of its Education Committee.

Ms. Zagala graduated with a Bachelor of Science degree in Business Economics from the University of the Philippines and completed her Applied Business and Economics Program Candidate from the University of Asia and the Pacific.

**Myrna E. Amahan** holds the position of Senior Vice President and Chief Audit Executive of UnionBank. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and has the designation of Certification in the Governance of Enterprise Information Technology (CGEIT). On top of these certifications in the field of internal audit and information technology, Mrs. Amahan is a qualified internal audit external validator, having undertaken the necessary training as well as passing the required exams. As qualified external validator, Mrs. Amahan is certified to conduct quality assessment of internal audit units as required under the International Standards for the Professional Practice of Internal Auditing.

She previously worked as supervising IS auditor at Equitable-PCI Bank from 1996 to 2000 and was Head of the System Consultancy Services of the Commission on Audit from 1993 to 1996. Also, while with the Commission on Audit, Mrs. Amahan was among the government auditors sent to various United Nations agencies to conduct information systems audit. Mrs. Amahan graduated Magna Cum laude with a degree of Bachelor of Science in Commerce Major in Accounting from the University of San Carlos. She obtained a Master's degree in Public Management from the Development Academy of the Philippines in 1994.

**Rear Admiral Rommel Jason L. Galang PN, (Ret.)** holds the position of Senior Vice President and Chief Security Officer of UnionBank. Prior employment in Unionbank, he is a senior officer of the Philippine Navy where he held various position. Rear Admiral Galang is a distinguished military officer with over 38 years of active service and exhibits exceptional standard of excellence, fine leadership acumen, a notable innovator in navy modernization and perspective vision. He has expertise in the field of strategic and tactical planning, operations and research, project management on the Philippine Navy Modernization program, and special operations. His notable position while on active service was the former Commander of the Naval Sea Systems Command; Commander, Naval Forces West; Deputy Commander, Philippine Fleet; Commander, Littoral Combat Force; Chief of United Command Staff, Western Command, AFP; Director, Naval Research and Technology Development Center; and Commander of the Naval Special Operations Group (Navy seals).

Rear Admiral Galang PN (ret) is a recipient of the Philippine Legion of Honors medal given by president Rodrigo Duterte, and the Order of Lakandula (rank of Commander) given by President Gloria Macapagal Arroyo. He also received Four Distinguished Service Star, Two Distinguished Navy Cross, Two Meritorious Achievement Medal, One Distinguished Service Medal, One Gawad sa Kaunlaran Medal, Five Bronze Cross medal, Two Silver Wing medal, Thirty Three Military Merit Medal, Two Military Civic Action Medal, Seven Military Commendation Medal, and Ten more assorted medals making him one of the few Navy Officers who received more than 50 different medals throughout his Naval Career. He is a graduate of the Philippine Military Academy Class of 1987 and obtained his master's degree in Management (Public Administration) from the Philippine Christian University.

**Irma M. Lasquety** holds the position of Senior Vice President and COO/Acting Trust Officer of UnionBank. She has a solid experience, specializing in the overall management of global transaction operations under the Trust Department/ Asset Management from both foreign and local banks. She was formerly served as Senior Assistant Vice President and Deputy Operations Head of BDO Unibank, Inc., a publicly listed corporation. Prior to this role, she was Vice President, Deputy Operations Head for Global Technology Operations Asset Management of Deutsche Bank AG, Manila. She started her career with Citytrust Banking Corporation, Inc. as Project Manager under the Trust Department.

Ms. Lasquety is a Certified Public Accountant and a Registered Financial Planner. She holds a Bachelor's Degree in Accounting from Philippine School of Business Administration.

**Member:** Trust Committee

**Jose Paolo G. Rufo** holds the position of Senior Vice President, Chief Information Security, and Data Protection Officer of UnionBank. Mr Rufo is a Certified Information Systems Security Professional and Founding Member and Treasurer of ISC2 Philippine Chapter. Prior to joining the Bank, he was Head of Data Privacy and Information Security Governance, and formerly served as Head of Data Management and Development of Globe Telecom, Inc. (a publicly listed company) from 2010 to 2018. He also served under the Government Service Insurance System as the Head of SAP and Database Administration Unit from 2009 to 2010.

Mr. Rufo graduated with the degree in BS Statistics from the University of the Philippines - Diliman.

**Joselynn B. Torres** holds the position of Senior Vice President and Chief Compliance and Corporate Governance Officer of UnionBank. With over thirty years of experience in the financial and compliance services industries, working in the areas of business development and mergers and acquisitions, audit, compliance and quality assurance, most of which were spent in the banking sector. She was the Business Development Head of City Savings Bank, Inc. (a UnionBank subsidiary), heading the product development function and assisted in the microfinance business acquisitions. As Senior Vice President, she previously handled Business Development, in charge of mergers & acquisitions, for Philippine Bank of Communications (PBCOM), a publicly listed company; and Compliance and Audit responsibilities for Citibank N.A. Philippines and ABN AMRO, responsible for the promotion of control and compliance awareness among the employees of the organization.

**Atty. Buenaventura S. Sanguyo, Jr.** holds the position of Vice President, Deputy Head of the Legal Division and Assistant Corporate Secretary of UnionBank. He is also the Corporate Secretary of various subsidiaries of the Bank. Prior to joining the Bank, he was the Assistant Vice President and General Counsel of The Philippine Stock Exchange, Inc., a publicly listed company, from 2012 to 2015. He was previously a Partner at Castro Sanguyo Margarejo and Rosas Law Office. He was also engaged as an Associate of Reyes Francisco & Associates Law Office and Senior Tax Consultant at Isla Lipana & Co./ Pricewaterhouse Coopers. He graduated Cum Laude from the University of Santo Tomas with a degree in Bachelor of Arts in Political Science and obtained his Law degree from the University of the Philippines.

**Therese G. Chan** holds the position of Head of Wealth and Brokerage of UnionBank. She serves as Director of Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and as Chairman of Citifinancial Holdings Corporation. Prior to joining the Bank, she was Retail Bank Director of Citibank N.A. Philippines. She also held various roles with Citibank N.A. Philippines such as Sales & Distribution Director from 2016-2019, and Senior Vice President for S&D Cards Sales Head (2012-2015) and CitiPhone (2010-2011), among others.

Ms. Chan holds a Bachelor of Science degree in Broadcast Communication minor in Economics from the University of the Philippines - Diliman, Quezon City.

**Dr. David R. Hardoon** holds the position of Chief Data and AI Officer of UnionBank, overseeing the data and innovation requirements for the whole Aboitiz Group. He concurrently serves as Senior Advisor to Singapore's Central Provident Fund Board and to Corrupt Practices Investigation Bureau. He also sits as Independent Non-Executive Director for Auto & General Services - Southeast Asia; Data Analytics Advisory Board Member for Singapore Management University; Advisory Board Member for Sim Kee Boon Institute; Executive Education Fellow (Artificial Intelligence) for National University of Singapore; and Honorary Senior Research Associate for University College London. Prior to joining the Bank, he was Chief Data Officer for Monetary Authority of Singapore and subsequently as Special Advisor (Artificial Intelligence).

Mr. Hardoon brings with him years of experience in business and data analytics, artificial intelligence, and machine learning. He holds a PhD in Computer Science in the field of Machine Learning from the University of Southampton. He graduated from Royal Holloway, University of London with a Bachelor of Science degree in Computer Science with Artificial Intelligence.

**Vishal Kadian** holds the position of Credit Cards and Personal Loans Head of UnionBank. He previously served as the Head of Credit Cards and Unsecured Lending of Citibank Philippines. From August 2018 - July 2021, he was Unsecured Lending Head of Citibank Korea, Inc., and served as Cards Portfolio & Lending Head of Citibank Philippines from January 2014 to July 2018. He also worked with Cards Product in Citibank Australia and has held various roles in Citibank India such as Deputy Branch Manager, Regional Credit Card Manager - Unsecured Lending, and Operation Head - Automobile Loans.

Mr. Vishal is a graduate of BBA from EMPI Business School and holds a Masters' Degree in MBA from T.A. Pai Management Institute.

**Erwin Wiriadi** holds the position of Chief Risk Officer of UnionBank. Prior to this role, he was the Director and Head of Consumer Risk Management of Citibank N.A. Philippines from 2017 to 2022. He also held various capacities relating to risk management in Citibank N.A. Indonesia for over 20 years. He held Senior Credit Officer entitlement since 2005 during his stint in Citibank N.A. Indonesia and had international exposures through risk reviews/audits and short-term assignment. Mr. Wiriadi graduated from Ohio State University with a degree in MSc Industrial and Systems Engineering.



**CORPORATE SOCIAL**

**RESPONSIBILITY INITIATIVES**



**U**nionBank’s corporate social responsibility program is aligned with the Bank’s overall digital transformation strategy and is guided by our policies on sustainability and corporate social responsibility.

We see our CSR programs as contributors to the global movement on providing solutions to the Sustainable Development Goals of the United Nations.

Our CSR programs will focus on five goals: SDG 1 (No Poverty), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 13 (Climate Action, and SDG 9 (Industry, Innovation, and Infrastructure). Most importantly, we see our CSR initiatives as incubators of innovation where we both create a positive impact on the community.

In 2022, our CSR connected its thrust to the overall sustainability mission to “Tech Up” the Philippines. The Bank believes that it has a vital role and responsibility in building strong and resilient communities by leveraging on the successes of UnionBank in innovation and digital transformation. The Bank focused in the areas of e-commerce, education tech, and climate tech (community wellbeing and environment).

Driven by this, we pursued strategic CSR partnerships with organizations and institutions that align with our advocacy on innovation, which is geared towards bringing to life our Group Purpose of “co-creating innovations for a better world.”

## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES



We achieved more milestones in 2022, namely:

- CitySavings' Teacher Care Programs  
CitySavings is committed to providing capability-building opportunities and enabling educators to teach and touch the lives of learners nationwide. In 2022, CitySavings teacher training capabilities, and learning resources to promote financial education, build disaster resilient communities, and advocate health and wellness. They were able to help 580 beneficiary schools, and Department of Education division and regional office nationwide. There were 4,500 DepEd attendees nationwide on financial, health, and wellness programs. CitySavings' CSR programs last year included:
  - Brigada Eskwela  
This DepEd core program is actively supported by CitySavings to complement DepEd's Basic Education-Learning Continuity Plan. Various stakeholder engagement programs that focus on the health and safety of the school community for the opening of classes are constantly developed and needs per region, per division are targeted specifically to ensure quality education is provided to all.
  - Project Per@parasyon  
This is the Bank's advocacy on financial literacy and practical wealth management for public school teachers.
  - Project Pink  
A breast cancer awareness program for teaching and non-teaching staff, that provides an avenue for correct information on the prevention and early detection of breast cancer.
  - Project #BetterMe  
Mental wellness program for the education of our frontliners, in partnership with MentalHealthPH, that enables them to care for their mental wellbeing.
- Continued partnering with the Development Academy of the Philippines (DAP) to develop webinars and learning sessions on digital transformation designed to train a new batch of government executives and local government officials.





- Partnered with Pasig City in hosting the 3<sup>rd</sup> global Climathon, which allowed the bank to support participants in designing solutions to the wicked problems of our society. In 2022, UnionBank awarded innovation prizes to the most innovative solution on key socio-economic and environmental problems of the city.

Furthermore, GoBeyond Communities remains to be the Bank's main corporate social responsibility intervention. It is an employee engagement program where employees can promote their personal advocacies by conceptualizing, developing, and implementing community-enriching programs, with funding provided by the Bank. In 2022, the Bank's employees had recorded 2,428 volunteers, 83,162 beneficiaries, reaching a total of 1,326 communities. In implementing its People Tech initiatives, the Bank aims to help employees, partners, and other stakeholders develop digital literacy and build the skills to prepare them for the future.

The Bank is leveraging on its in-house centers of excellence in Data Science and Artificial Intelligence, as well as its UBPXcellerator program to equip internal and external talents with emerging capabilities. The Bank's UBPXcellerator program has been making an impact through developing digital talents, with the aim of building up the capabilities of Filipino workers and making them tech-ready for emergent digital landscapes. UBPXcellerator focuses on educational institutions by enabling education partners to increase talents that will bring about innovations and game-changing products.

UBPXcellerator had provided courses and educational programs on digital skills such as blockchain, data science, and artificial intelligence to 16,209 individuals as of December 31, 2022. As of the same date, UBPXcellerator has 136 modules offered to the public for free.

# SUSTAINABILITY

## AT A GLANCE

### Sustainability at a Glance

The UnionBank Sustainability Policy outlines commitments aligned with the Bank's purpose to co-create innovations for a better world and its mission to Tech Up Pilipinas by focusing on digital transformation, sustainable finance, and inclusive prosperity.

### Sustainability Policy

UnionBankers contribute to sustainability by pursuing digital transformation and investing in relevant social and environmental programs, which benefit all stakeholders. UnionBank powers the future of banking by co-creating innovations for a better world. UnionBank commits to:



Uphold, protect, and respect the environment, human rights, and labor standards.



Contribute to enhancing positive social and environmental impacts.



Provide products and services that contribute to the well-being of people, the environment, and the economy; reduce or avoid unsustainable practices; and demonstrate positive impacts to the most important issues of the business.



Implement inclusive business programs and initiatives.



Engage internal and external stakeholders for continuous improvement and to promote cooperation.



Foster the development of in-house learning, management capacity, and leadership on sustainability issues.



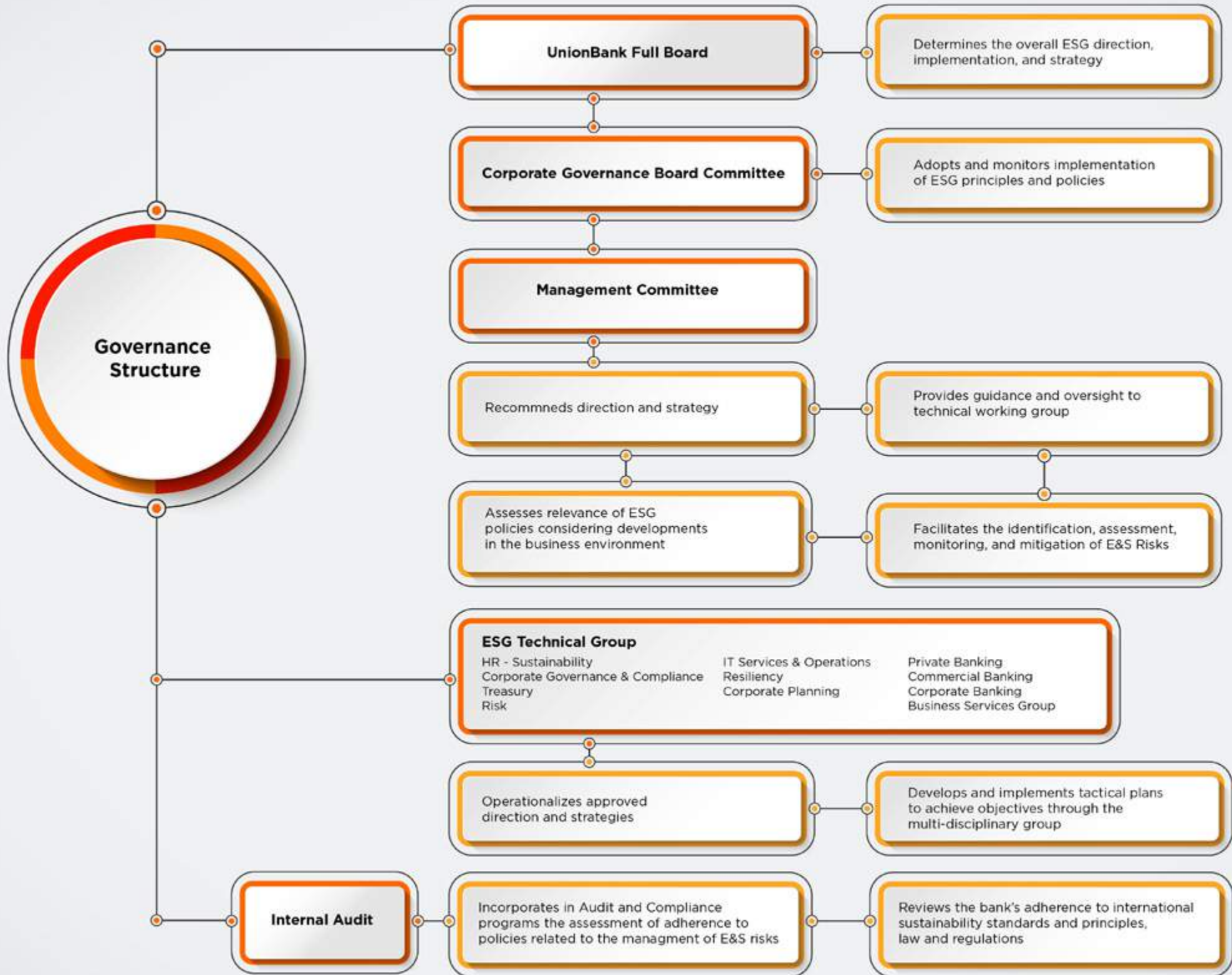
Comply with all national laws and regulations.



Communicate transparently about our sustainability performance.

### Sustainability Governance

Led by the Chairman and CEO, all UnionBankers are responsible for upholding the Sustainability Policy. The Sustainability Unit monitors all sustainability programs and reports to the Environmental, Social, and Governance (ESG) Technical Working Group and Management Committee for support and guidance. The Board Committee on Corporate Governance oversees all ESG matters.



## UnionBank Sustainability Framework

The Sustainability Framework complements the Sustainability Policy and provides guidance on how to identify, develop, implement, and pursue programs and initiatives that enhance the Bank's sustainability performance. The framework focuses on three pillars—People, Planet, and Purpose—to align the sustainability agenda with the Bank's strategy. Moreover, the ESG mission of 'Teching Up' the country is expressed in three focus areas: Digital Transformation, Sustainable Finance, and Inclusive Prosperity. All these distinguish UnionBank from other banks, enabling it to truly innovate and improve lives..

Our framework focuses on three pillars:

### PEOPLE



We ensure that our stakeholders are empowered to #OwnTheFuture, fueled by our culture to collaborate with like-minded partners to support sustainable communities.

We believe that UnionBank's employees form the lifeblood of the company. We invest in their personal and professional growth by ensuring the highest standards in talent attraction and retention, career development, health and wellness, providing meaningful volunteering opportunities, and building a culture of sustainability so that they become the Bank's ambassadors in the communities we serve.

### PLANET



We will push for innovative thinking in designing products and modeling programs that result to a sustainable way of life. We are committed to managing our environmental impact responsibly and delivering meaningful products and services.

We recognize the need to operate differently to address the threats of climate change and enable our stakeholders to pursue a sustainable lifestyle.

### PURPOSE



We are industry disruptors seeking to transform banking and financial services. Most importantly, we ensure that no one gets left behind in our sustainability and digital transformation journey.

We act according to our core values to cultivate long-term relationships with the people that we serve. We believe that we can only aim for enduring greatness if we can engage our customers and business partners with genuine empathy.

## Sustainability Scorecard

		2020	2021	2022
People	Employee Count	5,177	7,290	7,784
	Average Training (in hours)	22.79 (UBP) 25.38 (CSB)	27.57 (UBP) 61.64 (CSB)	16.69 (UBP) 15.89 (CSB)
	Employee Volunteerism (in Hours)	5,418	5,800	8,924
	Employee Engagement Score	4.39 for UBP 4.49 for CSB	4.41 for UBP 4.45 for CSB	4.41 (UBP) 4.52 (CSB)
Planet	Energy (in GJ)	39,978	57,632.90 (Restated)*	89,834.328**
	GHG (in TCOe)	8,387.62	12,823.96*	210,110.07**
	Water (in m3)	68,546	130,521	311,641.91
	LEED-Certified Branches	22	25	25
	Paper (in reams)	44,185	17,800	13,093
	Ink Toners (in cartridges)	5,131	2,896	3,483
	Recyclable Waste (Tonnes)	0.84	2.44	7.09**
	Biodegradable Waste (Tonnes)	1.01	2.36	7.00**
	Residual Waste (Tonnes)	1.05	2.63	6.94**
	Hazardous Waste (Tonnes)	-	0.04	0.78**

		2020	2021	2022
Purpose	Customer Service Satisfaction Rating (scale of 5 as the highest)	UB: 4.904 out of 5 New: CSB 90.80% using a 100 scale as the highest	UB: 4.91 out of 5 CSB: 91%	New: UBP's Net Promoter Score is at 90% CSB: 99%
	Number of customers served (cumulative recorded deposits and loan accounts)	UBP: 10.44 million New: CSB 9,637 customers	UBP: 11.61 million CSB: 871,680 (in loans and deposits)	UBP: 16.04 million CSB: 1.01 million
	CSR Beneficiaries (cumulative)	2,330,703	2,395,107	2,478,269

Note: UnionBank sources its water from a local water utility. The Bank does not recycle or reuse wastewater.

\*In 2021, data collection was improved to cover more branches nationwide. Increased electricity and water consumption for 2021 was due to branches going back to normal operations after the pandemic. Electricity consumption for 2021 was restated with a 21% increase due to clearer reassessment.

\*\*The increase in 2022 consumption was due to the change from remote working to hybrid operations for units in the head office.

\*\*\*Greater diesel oil consumption in 2021 was due to increased usage by motorcycle and other sales teams of CitySavings tasked with client visits to process loans during the pandemic. For 2022, diesel accounted for 263,644.50 L and gasoline for 40,261.08L.

### Tech Up Pilipinas Metrics

Tech Up Pilipinas embodies UnionBank's sustainability strategy. It ensures that ESG is embedded in the overall business strategy as an integral part of the Bank's digital transformation journey. It is about people, mindset, and culture, that allow the Bank to leverage its digital expertise and continuous innovation. The ESG mission of 'Teching Up' the country is expressed through digital transformation, sustainable finance and inclusive prosperity.

As Unionbank's sustainability ambition aligns with the FOCUS 2030 digital transformation strategy, this roadmap will be in lockstep with the overall business goal of "teching up" employees and fellow Filipinos to co-create innovations for a better world.

The roadmap aims to take sustainability from compliance to culture, ensuring that everyone is on board. The plan includes complying with the BSP Circular 1085 by defining the roles and responsibilities of the Board of Directors and integrating ESG in the organizational structure as the initial, yet vital, step.

This is followed by cascading the roadmap to the whole Bank; adopting an ESG Reporting standard; and updating policies involving Sustainability, Human Rights, Code of Conduct, Credit, Investment Policy, among others. The rollout also included sustainability learning and appreciation through the Bank's capability building programs and incorporating them in our culture program.



**Digital Transformation** – By developing innovative platforms, the Bank is able to contribute through investing in the future of the nation. This is fueled by initiatives in digital capability building through internal and external training as well as through innovation-driven for the communities we serve.



**Sustainable Finance** – The Bank understands its inherent responsibility of moving capital and taking an active role in mitigating environmental and social risks in all of its financing activities. By lending to an ecosystem engaged in commerce and local economies such as MSMEs and by investing in technologies that enable financial inclusion, it contributes to a higher purpose of co-creating innovations for a better world.



**Inclusive Prosperity** – This focus area translates to the overall impact of the Bank in terms of Sustainability. From employment generation to digitally enabled Filipinos and a number of communities empowered, this focus area monitors how effective the measures in place are in aligning the Bank's ESG agenda with its business strategy.

All these efforts will enable the embedding of ESG in the DNA of UnionBankers.

# TECH UP PILIPINAS HIGHLIGHTS



DIGITAL TRANSFORMATION

## Php 24.32 Million

Investment on employee development and training

▲ from 14.41 million in 2020



**1,326**  
Communities Served  
▲ from 29 in 2020



**11.34 Million**  
Paperless transactions  
▶ **82.19%** of branch transactions  
▲ from 4.72 million in 2020

## Php 4.42 Billion

Investment in innovation

▶ **more than 100** products and platforms offered to customers

▲ from 1.9 billion in 2020



**94 Programs**  
on digital learning  
▲ from 29 in 2020



**8,924**  
Volunteer Hours  
▲ from 1,353 in 2020



**136 Modules**  
offered to the public  
▲ from 70 in 2020



**83,162**  
Beneficiaries  
▲ from 81,610 in 2020



**5.46 Million**  
Digital platform users  
▶ **442,711** new digital accounts opened  
▲ from 3.1 million in 2020



**148.19 Million**  
Transactions  
▶ **119.49 million** UB Online  
▶ **17.36 million** SME APP  
▲ from 14.8 million in 2020



**Php 24.7 Million**  
Investment on LEED-certified branches and buildings



**27 LEED-certified**  
branches and buildings





### Php 2.70 Billion

Loans disbursed through online lending platform

▲ from 1.5 billion in 2020



### Php 93.68 Billion

Loans disbursed

▶ **Php 79.39 Billion**

teachers' loans disbursed

▶ **Php 5.28 Billion**

motorcycle loans disbursed

▶ **Php 1.56 Billion**

SME loans disbursed

▲ from 53.1 Billion in 2020

SUSTAINABLE FINANCE



### Php 47.08 Billion

Economic value plowed back to society

▲ from 32 Billion in 2020



### Php 45.78 Billion

investment in corporate social responsibility program



### 75,008 Business owners

who are active users of GlobalLinker business management tool

▲ from 48,000 in 2020



### 7,784 Employees

▲ from 5,177 in 2020



### 1,588 Outsourced personnel and contractors

employed by the Bank

▲ from 1,576 in 2020



### 120 Sign-ups

in Project i2i Financial institution

▼ from 181 in 2020



### 16,209 Filipinos

educated by the UBPXcellerator program

▲ from 2,159 in 2020



### 102 Rural banks

onboarded in the blockchain platform

▲ from 89 in 2020



### 90,000+ MSMEs

registered on SME Business Banking Platform (total number of micro and SME customers)

▲ from 38,000 in 2020

### SENTRO

### 36,564 Signups

online shop builder

▲ from 30,000 in 2020



Php 932 Million in deposits  
Php 4 Billion in loans



114,583 Signups  
payment gateway for e-sellers  
▲ from 98,000 in 2020

INCLUSIVE PROSPERITY

### ESG Risk Monitoring System

UnionBank continues to enhance its environmental and social risk policy in line with the Bangko Sentral ng Pilipinas (BSP) mandate to develop a sustainable finance framework (SFF).

From an Environmental standpoint, UnionBank adheres to BSP's SFF mandate, learning from Aboitiz Equity Ventures' climate value at risk methodology. Since the Philippines is not a big carbon emitter, environmental due diligence is aligned with basic environmental standards as national development goals transition to ESG. From a Social standpoint, the Bank uses technology for social good and builds capacity to promote inclusive prosperity. There is greater focus on establishing a sound and efficient credit scoring methodology to encourage entrepreneurial growth among customers and small businesses. In Governance, UnionBank highlights the importance of cybersecurity as a critical commodity sought by customers with direct impacts on the digital transformation strategy. UnionBank continuously benchmarks practices with global standards and adopts best practices to earn the trust of customers and suppliers.

UnionBank currently lends to a wide pool of companies and projects, including those that may have E&S risks, that contribute to the country's development plan. Understanding clients' approach to and improving their awareness of E&S issues is an important component of the risk management process. This allows the Bank to make informed decisions, provide borrowers with guidance as they transition to sustainable operations, and safeguard clients' long-term economic viability. The objective of the policy is to manage the Bank's lending business and its associated risks in a manner that balances the clients' interests and the Bank's safety and soundness.

### Transition Plan Progress

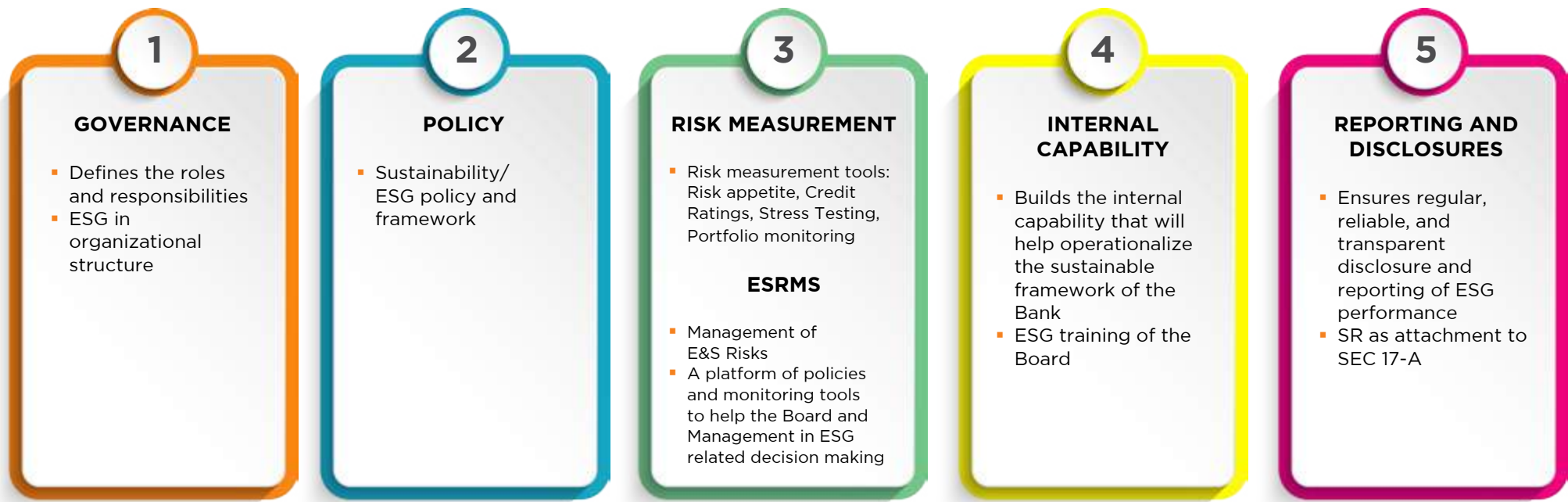
Consultations were conducted from May to October 2020 to develop the roadmap to transition to ESG. The ESG Technical Working Group (TWG) was established in May 2020 and consulted with Board of Directors, the Management Committee, Center Group Heads and Leaders, and ESG consultants to develop and implement UnionBank's Sustainable Finance Framework to comply with BSP Memorandum Circular 1085.

An enterprise-wide gap analysis was conducted, which provided baseline data for the roadmap. Through cadence meetings, the ESG TWG created the action items below:

- Corporate Governance and Compliance: Institutionalize the adoption of sustainability principles (inc. E&S Risk areas in the bank)
- Environment and Social Risk Management System: Develop an E&S risk management system or embed E&S risk management in existing documents.
- Building Capabilities for Stakeholders: Promote a culture that fosters and embeds environmentally and socially responsible business decisions
- Sustainable Finance: Financial product or services that integrate ESG criteria into business decisions
- Communication Plan: Ensure transparent, updated, and comprehensive disclosure of Bank's ESG performance
- Audit and Alignment: Audit and assess adherence to international sustainability standards and requirements of Circular No. 1085

The circular essentially aims to integrate environmental, social, and governance topics in the Bank's strategic pursuits consistent with its size, risk profile, and complexity of operations. The following diagram outlines the key requirements of the circular, which must be established within a three-year transitory period.





Since 2020, policies, processes, and tools were created and updated to align with the mandates of Circular 1085, and the Bank is on its way to completely embedding sustainability objectives in the organization.

**Environmental and Social Risk Policy and Strategic Objectives**

The E&S policy is based on a two-pronged strategy. First, **to mobilize finance for sustainable development** by promoting financial inclusion, providing capital for infrastructure, and providing finance for innovation and digital transformation. Second, **to develop a sustainable finance practice** by promoting market integrity, assessing risks, and proposing mitigation programs to address risks, analyze trade-offs, and build sustainable programs and transition plans for clients. This is UnionBank’s contribution as the Philippines transitions to a more circular economy as outlined in the Philippine Sustainable Finance Roadmap.

The Bank’s risk management approach is guided by the following principles:

- Understanding the characteristics of the E&S risks and their impacts on clients and the Bank
- Using a science-based approach in developing the risk severity scale, which captures the magnitude and frequency of risks
- Setting practical and actionable risk controls to assess clients
- Developing a due diligence tool that allows effective assessment and management of the risks without significantly affecting the transaction costs of the Bank

### Overview of E&S risk management system

The ESRMS Framework is anchored to the Bank's philosophy and is based on 1085, 1128, and BSP Memo 2022-042. A sector and geographic-specific risk approach were used to comply with BSP requirements and identify and characterize direct and indirect E&S risks that can pose financial threats to the Bank through its clients. These risks arise when E&S issues impact the creditworthiness of the client.

The E&S policy was continuously enhanced, and a third party vendor was engaged to review the ESRMS and address gaps in the E&S policy to fully comply with BSP requirements. The engagement concluded in January 2023 with a series of training sessions for all Bank staff directly handling E&S responsibilities. The enhanced E&S policy will be implemented starting April 1, 2023. The Bank is also integrating E&S risk into its Internal Credit Risk Rating System (ICRRS), which will be rolled out for the May 2023 portfolio.

E&S due diligence (ESDD) submission is currently monitored manually, and non-submission is a documentary deficiency subject to the guidelines of Credit and Operations Risk Control. The E&S assessment identifies and documents E&S issues in the client's business operations and suggests timebound actions to bridge gaps or mitigate E&S risks. E&S Risk Officers monitor progress of these action plans on a regular basis and report quarterly to the Risk Management Committee.

The Operational Risk Management (ORM) manual was updated to include and assess E&S operational risks. ORM included general risk statements for units directly involved in E&S activities for the Risk & Control Risk Assessment (RCSA). Creation of Key Risk Indicators (KRI) are also ongoing to conduct frequent monitoring of risk exposures. Incident Reports and Risk Treatment Action Plan are also in place. The ORM unit enhanced their capacities by attending E&S focused events and training the Unit Risk and Compliance Officers (URCOs) in the quarterly URCO meetings.

### UnionBank 2022 Social Bond Allocation and Impact Report

On July 23, 2021, UnionBank Issued a 7-year USD 150 million (P7.55 billion) Social Bond with the International Finance Corporation (IFC) as sole investor.

The proceeds of the Social Bond shall be allocated exclusively to qualified Micro, Small and Medium Enterprises (MSME) loans, screened against the IFC eligibility criteria and exclusion list.

In the Philippines, MSMEs accounted for over 90 percent of businesses and over 60 percent of jobs pre-COVID-19, but MSME loans only accounted for less than 5 percent of total bank loans in the country as of end-September 2022. Increased access to financing for MSMEs are critical to their continued recovery and inclusion, which in turn, can aid the economy in its path to recovery.

MSMEs have also been disproportionately impacted by COVID-19 and the Social Bond has helped UnionBank boost financing for MSMEs primarily through its supply chain financing platform, enabled using digital technologies.

As of December 31, 2022, the Social Bond Use of Proceeds Registry amounted to PHP 8.077 billion, representing 106.99% allocation to the gross proceeds of the Social Bond.

#### Allocation Reporting Statistics

- 76.76% represent refinancing of outstanding loans while 23.24% are financing of new loans
- With the use of proceeds being exclusively for MSME loans, 100% belong to the Employment Generation Social Project Category

#### Impact Reporting Statistics

- Proceeds of the social bond financed 4,221 MSME loans

Note: SGV performed a limited assurance engagement on the Use of Proceeds of the Social Bond as of and for the period from year ended December 31, 2022.

### Breakdown of E&S Risk Exposures of the Bank per industry or sector

Based on our E&S review, top industries in terms of outstanding balance are real estate development, holding companies, and roads & bridges. Complete breakdown is as follows.

Industry	O/S Balance (in PhpMM)	% O/S
Real Estate Development	18,713.9	18.9%
Holding Company	17,229.1	17.4%
Roads and Bridges	16,647.0	16.8%
Gaming and Leisure	12,872.4	13.0%
Telecommunications	11,780.9	11.9%
Energy	8,881.1	9.0%
Infrastructure	3,403.0	3.4%
Manufacturing	3,124.5	3.2%
Construction	2,020.1	2.0%
Wholesale and Retail Trade	1,755.2	1.8%
Air Transport	909.9	0.9%
Mining	539.9	0.5%
Meat Processing	325.6	0.3%
Oil and Gas	278.0	0.3%
Water Utility/Water Sale	181.1	0.2%
Funeral Services	148.0	0.1%
Transportation and Storage	99.1	0.1%
Wastewater Treatment	-	0.0%
<b>TOTAL</b>	<b>98,908.8</b>	<b>100.0%</b>

### Information on existing and emerging E&S risks and their impact on the bank

No critical E&S risks assessed in 2022 that were not mitigated from our existing pool of clients, hence, no impact to the Bank. Similarly, there were also no E&S operational risks highlighted in 2022.

### Other initiatives to promote adherence to internationally recognized sustainability standards and practices

UnionBank continuously reviews existing disclosures in the Annual and Sustainability Reports to ensure that the new ESG elements and metrics are communicated in a timely manner. It also assesses the relevance and effectiveness of ESG reporting standards like the reporting frameworks of the Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Taskforce on Climate-Related Disclosures (TCFD), and the recently developed reporting framework of the World Economic Forum (WEF).

UnionBank is also aware that international ESG Raters measure and monitor how the Bank adapts to changes in the regulatory landscape. Accordingly, UnionBank uses past ESG performance, gathered through disclosures and indicators, to manage Environmental and Social risks. As ESG Raters develop proprietary methodologies based on best ESG practices, various international ESG standards, and legislations, UnionBank aims to improve its ESG ratings by measuring and monitoring its sustainability performance.

### Sustainability Learning and Appreciation Courses

UnionBank prepares employees on ESG issues and sustainable finance by developing ESG courses and training programs and incorporating these into the bank-wide learning and development programs. Some of these courses include ESG 101, Introduction to Sustainable Finance, and targeted learning sessions for relevant units who will be implementing products and processes related to the ESRMS. The rollout and schedules of these trainings are based on priorities according to compliance, operation, and relevance to developments in the market.

## CASH MANAGEMENT SERVICES

### The Portal by UnionBank (Business Banking)

An online cash management platform for corporate and business users to facilitate all their banking activities: initiate fund transfers, pay bills, monitor balances, approve transactions with a single sign-on and many more. Accessible via web or the mobile app (iOS and Android).

### Disbursements

- **Business Check** – A standalone software that allows clients to prepare and print checks.
- **Checkwriter Self-Service** – A web-based facility that allows check preparation and printing and ensures security in issuing checks via online approvals.
- **Checkwriter Outsourced** – Outsourced check preparation and printing through UnionBank for corporate and Manager’s checks. UnionBank can deliver the checks back to client or have the checks released using our branch network.
- **Voucher Payout** – An online platform that allows quick and hassle-free disbursement of payouts through UnionBank branches with the use of vouchers.
- **Electronic Fund Transfers** – Transfer funds to local and international banks in bulk. Transfers may be made using the following facilities:
  - UB to UB – Real-time fund transfers to UnionBank accounts
  - PESONet – Peso transfers to local banks
  - InstaPay – Real-time peso transfers to Bancnet member-banks with Php 50,000.00 limit
  - Philippine Domestic Dollar Transfer System (PDDTS) – US Dollar transfers to local banks
  - Society for the Worldwide Interbank Financial Telecommunication (SWIFT) – Cross-border transfers to international banks

- **Sponsorship Arrangements** – Sponsoring Electronic Money Issuers (EMI) with a guaranteed limit so they can be direct participants in InstaPay and PESONet sending and receiving fund transfers.

### Collections

- **Bills Payment** – A service that allows clients to collect from their customers or business partners through UnionBank’s extensive multi-channel facility: UnionBank Online and Mobile Application, branches, ATM, and partner channels;
  - Batch Bills – A service for processing multiple payments as a batch transaction through UnionBank’s online portal that can be approved anytime, anywhere
  - Auto-Debit Arrangement (ADA) – A facility that enables billers to collect from corporate and individual UnionBank accountholders to be automatically debited for their utility payments on their specified due dates
  - PartnerPay – UnionBank’s expanded over-the-counter collection facility made possible to reach rural and unbanked areas through third-party branch networks
  - PCHC PayGate – a payment facility that utilizes the PESONet account-to-account fund transfer. It allows payment interoperability and facilitates acceptance of payments from customers’ other local bank accounts accredited with PCHC Payment Gateway.
- **Checkhouse** – Safekeep your Post-Dated Checks (PDCs) for timely deposits. Use UnionBank Checkhouse for your PDCs and leave the monitoring to us. We keep the checks secure and help you track your PDC receivables efficiently and electronically.

- **Expanded Check Collections** – Reduce cost, receive comprehensive collection reports, and effectively collect your customers’ check payments. UnionBank does all of these for you, giving you the time to focus on your core functions and activities.
- **Mobile Check Deposit** allows businesses to submit their check images online for deposit using The Portal mobile app.
- **Remote Check Deposit** allows businesses to submit their check images online and in bulk for deposit using The Portal website
- **Cash Mobilization** – Use our convenient cash collection and delivery service for a more efficient cash flow management.
- **Secure.Pay** – Currently a closed-loop payment facility for ICTSI brokers that provides secure and real-time payment confirmation via an online channel.
- **PSE Trade/Securities Clearing Corporation of the Philippines (SCCP)** – A fully automated system for the settlement of trade payables to SCCP monitored daily by a dedicated team.
- **Unified Payment and Collection Platform (UPAY)** – A platform that has several payment channels and offers a white-label page that billers/merchants can integrate in their own app or website to start collecting payments. Channels available include UnionBank Online, PCHC PayGate, InstaPay, VISA / MC Debit and Credit Cards, EMIs, and over-the-counter partners such as Cebuana Lhuillier, Palawan, and ECPAY counters.

### Payroll

- **Payroll Suite** – A one-stop shop for the convenient handling of corporate customers’ payroll needs: from account opening to account maintenance. Payroll Suite includes a VISA-enabled debit card with a customizable card design, digital account opening, and electronic crediting of payouts. Payees receive SMS alerts upon payroll credits and enjoy 24/7 online banking through UnionBank Online.
  - Executive Payroll – A business class payroll card for corporate executives.
  - Dollar Payroll – A dollar payroll card designed for frequently travelling employees to save on foreign exchange fees.
- **ePayroll** – UnionBank refers the client to an accredited ePayroll service provider. The service provider manages the client’s payroll computation requirements, inclusive of functionalities such as timekeeping and HRIS management (depending on service provider’s capabilities).

### Government Payments

- **Bureau of Internal Revenue (BIR)** – UnionBank accepts tax payments via EFPS and ePayments. Over-the-counter payments are also available.
- **Social Security System (SSS)** – Monthly contributions of SSS can be paid online or over-the-counter. Various loan payment types (i.e. salary, calamity, emergency and educational loans) may also be uploaded online or filed for payment at the branches.
- **Philippine Health Insurance Corporation (PhilHealth)** – UnionBank accepts payment of contributions via an online portal or over-the-counter.
- **Home Development Mutual Fund (HDMF) / Pag-IBIG Fund** – Payment for monthly contributions, short-term / multi-purpose loans, and calamity loans are accepted via bulk upload in an online portal.
- **Bureau of Customs (BOC)** – Customs duties and taxes may be paid online.

## Cards

- **Corporate Credit Cards** – A credit card facility where companies can charge expenses without using personal funds or going through the hassle of cash advances. Corporate credit cards are issued to employees who can charge company expenses while earning rewards points or rebates.
- **Government Service Insurance System Unified Multi-Purpose ID (GSIS UMID)/GSIS eCard** – A card for fast crediting of benefits and loans to GSIS members and pensioners. GSIS UMID also serves as a valid government ID.
- **Social Security System Unified Multi-Purpose ID (SSS UMID)/SSS Quickcard** – A card for fast crediting of benefits and loans to SSS members and pensioners. SSS UMID also serves as a valid government ID.
- **Pag-IBIG Loyalty Card Plus** – A loyalty card and savings account for the disbursement of Pag-IBIG proceeds. Pag-IBIG Loyalty Card Plus can be used for discounts in over 300 partner merchants nationwide.
- **Suy Sing Super Grocer Card** – a Visa debit card granted to Suy Sing grocers primarily used for purchasing Suy Sing grocery items wherein points can be earned and redeemed at any Suy Sing establishments, POS, and online.
- **Generic Corporate Prepaid Cards (GCPC)** – an INSTANT alternative card solution for our existing and potential Corporate Clients (“CC”) which can offer a means for processing various disbursements not requiring a full-service account

## Supply Chain Financing

A platform to support better cashflows for your business community through digital document presentation, receivables collection, payables settlement & instant financing options

- **FSC Collect** – An online facility that allows anchor suppliers to collect receivables digitally from buyers supported with Auto-debit, earmarking and self-service reporting functions
- **Dealer Financing** – A collection program for an anchor supplier with a community-based closed-loop lending program for buyers as payment option for their invoices.
- **Payable Discounting** – A disbursement program that allows the anchor buyer to host a discounting program for enrolled sellers to get access to funds earlier, in exchange of a discount

## Liquidity Management

- **Balance Viewing** – 24/7 balance viewing and account management for corporate customers through online banking.
- **Account Pooling** – A facility that allows corporate customers to transfer funds automatically between their UnionBank accounts at the beginning and/or end-of-day based on specified conditions.
- **Account Sweeping** – A facility that allows corporate customers to pool balances from their various UnionBank accounts for disbursement purposes.
- **SWIFT Reports** – The UnionBank MT940 is one of the few SWIFT Peso-Compliant statements in the Philippines. This completes the CMS collections facility as it provides detailed and customizable reports that can be automatically integrated with the client’s AP system.

## Merchant Platforms

### Merchant Payment Gateway

Our UB Payment gateway provides API connectivity via website and mobile applications enabling businesses to accept credit and debit cards on a fast, secure and reliable payment processing environment. The platform offers a wide range of integration complexity and check out page customizability.

### QRPH (P2P, P2M, P2B)

A QR code payment platform that allows merchants to accept payments (face to face and online) from various e-wallet and online banking applications.

## UNIONBANK ONLINE

This is more than just another banking app, it puts your bank in the palm of your hand. You don’t have to put your life on hold, as you can bank securely whenever you want to, from wherever you want. Get started by opening an account in-app, without ever having to step into a UnionBank branch. Easily manage your accounts, your cards, transfer funds, pay your bills and more, with just the tap of your finger.

### Open an account

- \* First Philippine bank that enables customers to open accounts through the app.
- \* No need to visit the branch.
- \* Choose between Personal Savings Account, PlayEveryday, Savings+, Lazada or Go Rewards.
- \* Get a Visa debit card delivered to your home/office.
- \* Immediately get a Lazada Virtual Debit card for online shopping.
- \* Deposit checks 24x7

- \* UnionBank checks clears after two hours – even during weekends and holidays
- \* Other banks’ checks, follows industry cut-off and clearing hours.

### Securely manage your accounts

- \* View all your accounts and credit card balances in one place.
- \* Real-time monitoring of your savings, checking or debit/ATM card activities
- \* View your credit card spend, points and statements.
- \* Lock/unlock, set limits and transactions controls on your Visa credit cards.
- \* Keep tabs on your loan repayments.
- \* Secured access enabled by OTP and biometrics.
- \* Self-service password reset and profile unblocking.



- \* Track your rank, view your points and access the leader boards with PlayEveryday.
- \* Create Goals and start saving up for that investment, emergency fund, or whichever you aspire to achieve.

### Easily Transfer Funds and Pay Bills

- \* Transfer funds to anyone, to any bank, any time, without any enrolment or going to the branch.
- \* Real-time crediting for transfers between your accounts or other UnionBank accounts.
- \* Transfer to anyone for free with PESONet. Same or next business day crediting.
- \* Transfer up to Php 50,000 to anyone with InstaPay. Real-time crediting for only Php 10.

Transfer your US Dollars to other local banks for only USD 1! Made possible through PDDTS.

- \* Pay your utility, phone, rent, school, and more. No need to enroll billers for payment.
- \* Save accounts you frequently transfer to and bills you regularly pay.
- \* Schedule recurring transfers and bills payments. No need to worry about due dates.
- \* Send money to our partner Remittance Centers - Palawan Express, Cebuana Lhuillier, LBC & PeraHub.

### Request for Payments or Split Bills

- \* Send payment requests to another UnionBank Online user with just their mobile number. No more sharing of account numbers.
- \* Split bills with your friends on UnionBank Online. No more worksheets to compute who owes who and how much.
- \* Generate your own QR code and have your friends scan the QR to pay.

### Schedule branch visit

- \* Get ahead of the queue by scheduling your branch visit in the app.
- \* Transact without any forms or signatures. Put all your transaction info on your scheduled visit.
- \* Find the closest branch or ATM with the built-in locator.

### Other Features

- \* Activate your new credit card.
- \* Redeem your Credit Card points.
- \* Check for promos and discounts in our

### Voucher Wallet

- \* Do USD/Php conversion and view real-time FX rates.

## LOANS

**Home Loan** - a financing facility available to clients for the purchase of residential properties where the security offered is the property being financed.

**Vehicle Financing** - a financing facility available to qualified retail and corporate clients for the purchase of vehicles either for personal or commercial use. The credit facilities are available for brand new, second-hand vehicles and premium motorcycle segments and are secured by chattel mortgages.

**Quick Loans** - an all-digital access credit facility that offers unsecured multipurpose loans to clients. These are granted to individuals on the basis of their regular salary or other fixed compensation.

**Personal Loan** - a product with a multiple loan installment feature moderated by Auto-Debit Arrangement (ADA), salary deduction or Post-Dated Checks (PDCs). This is a standby credit line which can be used to avail of multiple installment loans within the credit line for different loan purposes such as home renovation, vehicle/home/furniture purchase, emergency expense and others.

**Domestic Bills Purchase** - A facility that provides immediate or outright credit to the client for local checks deposited to its account for regular clearing.

**Foreign Bills Purchase** - A facility that provides immediate or outright credit to client for its foreign-denominated checks that are deposited to its account for regular clearing.

**Trade Check Discounting** - A facility offered to clients to finance working capital requirements through the purchase of accounts receivable via Post-Dated Checks (PDCs).

**Foreign Exchange Line** - A facility that is granted to cover the settlement risk or pre-settlement risk in the purchase or sale of foreign exchange.

**Working Capital Line** - A short-term credit facility to finance a company's receivables or inventory requirements. The line may be availed in peso or foreign currency.

**Term Loan** - A credit facility whose purpose is to finance the long-term financial requirements of a client for business expansion, such as construction of a building or warehouse, acquisition of a property, purchase of equipment or equity financing. The loan may be availed in peso or foreign currency.

**Project Finance Loan** - A financing facility granted to a special purpose entity which is created to operate physical assets and where the principal source of repayment is the income generated by the assets being financed. The loan is typically secured by a pledge on the borrower's shares, assignment of the borrower's assets and/or assignment of project revenues/accounts/or documents. The loan may be availed in peso or foreign currency.

**Special Funded Loan** - A credit facility that refers to the wholesale lending activities of government banks or loan programs funded by multi-lateral agencies, international or local banks that are granted to participating financial institutions for relending to end-users.

## SME BANKING SOLUTIONS

**Dealers Financing Line** - A revolving credit line for payment of inventory purchases designed for dealers and distributors via the Financial Supply Chain platform. With flexible payment terms, assured payment of goods with real time credits. Collateral-free based on the average volume of the dealer.

**Business Loan** - A digital loan product designed for SMEs for additional working capital with a loanable amount of up to Php 1 million.

**BusinessLine Classic** - a multi-purpose and fully secured loan that offers a revolving credit line facility. With loanable amount of up to Php 10 million

- Access funds via a regular checking account funded by BusinessLine
- No need for Promissory Notes per availment
- Available via Checkbook or Easy-access Debit Card (EADC)
- Accessible via UnionBank Online
- No fixed terms
- No minimum availment required
- Minimal principal payment
- One-time payment of documentary stamps
- Interest is based on the number of days used
- Pay only for the funds used

**Supplier BusinessLine** - a collateral-free working capital line for suppliers and contractors with checkbook and online access. Collateral-free line for up to Php 10 million

**BusinessLine for Medical Doctors** - a revolving credit line available for doctors and medical practitioners of accredited hospitals

**Payables Discounting Program** - a program available via the FSC Platform where the Bank buys the payable (invoice) of the Anchor/Buyer and pays the Supplier at a discount

### Mass Market/MSMEs

#### UPAY for MSMEs

UPAY is a payment feature inside the SME Business Banking app that allows business owners to collect payment from their customers through multiple payment channels (Instapay, Digital Wallets, Over-the-counter, credit cards) through a payment link.

The mobile application is available in both IOS and Android that allows MSME business owners to transact and manage their accounts wherever they may be.

### Merchant Acquiring - Payment Gateway

Our UB Payment gateway provides API connectivity via website and mobile applications enabling businesses to accept credit and debit cards on a fast, secure and reliable payment processing environment. The platform offers a wide range of integration complexity and check out page customizability.

### USHARE

USHARE is a digital collection solution powered by the UnionBank Payment Gateway to digitize foundations, non-profits, and faith-based organization segments.

### TRADE SERVICES AND PRODUCTS

- Import Financing
- Export Financing

#### Documentary Letter of Credit (LC) -

A product offered to clients to guaranty payment to a supplier upon the delivery of goods and upon presentation of complying documents.

**Stand-by Letter of Credit** - A product offered to clients to guaranty payment of an obligation in case of failure of the other party to comply with the terms and conditions as stipulated in a contract.

#### Bank Guaranty/Performance Bond -

A product offered to clients to guaranty the fulfillment of a contract to a third party.

#### Non-LC Transactions (Open Account, Documents against Payment, Document against Acceptance, Direct Remittance) -

A product that facilitates the payment and documentation of an importation other than through a Letter of Credit

**Export Packing Credit Line** - An export financing facility where loan advances are made available to clients for the production of export goods to fill in a purchase order, sales contract or Export Letter of Credit.

**Export Bills Purchase Line** - An export financing facility where the bank purchases outright sight/usance drafts/or bills presented by the client.

**Customs Duties Collection** - A product offered to importers and exporters to facilitate the online payment of their customs duties and taxes thru One-Hub, debit to their account or via Manager's Check.

### CREDIT CARDS

#### UnionBank Branded Cards

- UnionBank Classic
- UnionBank Gold
- UnionBank Platinum
- UnionBank Corporate Card

#### Co-Brand Cards

- Burgoo Visa
- Cebu Pacific Gold
- Cebu Pacific Platinum
- Cebu Parklane Visa
- First Life Visa
- Home Depot Visa
- Insular Life Visa
- Lazada Mastercard
- Mapfre Insular Visa
- Medicaard Visa
- Racks Visa
- Riviera Golf Visa
- Suy Sing Visa
- The North Face Visa

#### Affinity Cards

- Adamson University Visa
- Alpha Phi Omega Visa
- Assumption Alumnae Association Visa
- Ateneo Alumni Association Visa

- Ateneo de Manila High School '87 Visa
- Ateneo de Manila Law Alumni Association Visa
- Ateneo Graduate School of Business Alumni Association Visa
- Cebu Kian Kee Alumni Association Visa
- CEU Alumni Association Visa
- Colegio de San Juan de Letran Visa
- Couples for Christ Visa
- De La Salle Alumni Association Visa
- De La Salle College of Saint Benilde Visa
- De La Salle Dasmariñas Alumni Association Visa
- De La Salle Lipa Alumni Association Visa
- Don Bosco Alumni Visa
- Enderun Colleges Visa
- Free Masons of the Philippines Visa
- La Salle Green Hills Alumni Association Visa
- Lourdes School Alumni Association Visa
- People Management of the Philippines Visa
- Philippine Academy of Ophthalmology Visa
- Philippine Dental Association Visa
- Philippine Medical Association Visa
- Philippine Red Cross Visa
- Sacred Heart School-Ateneo de Cebu Alumni Association Visa
- San Beda College Alumni Association
- Silliman University Visa
- South Western University Alumni Foundation Visa
- St. Paul's College Pasig Visa
- Supreme Council Order of DeMolay Visa

- Team Energy Visa
- University of Santo Tomas Visa
- University of the East Alumni Association Visa
- University of the Philippines Alumni Association Visa
- World Wild Fund for Nature (WWF) Visa



## Cash Back

- **UnionBank CashBack Gold Mastercard**
- **UnionBank CashBack Platinum Mastercard**

## Specialty Cards

- **UnionBank Miles + Platinum**
- **UnionBank Miles +**
- **PlayEveryday Credit Card**

## Former Citi Cards

- **UnionBank Reserve Visa Infinite**
- **UnionBank Miles+ Visa Signature**
- **UnionBank Rewards Visa Platinum**
- **UnionBank Cash Back Visa Platinum**
- **UnionBank Z Visa Platinum**
- **UnionBank Shell Visa Platinum**
- **UnionBank Shell Visa Gold**
- **UnionBank Mercury Visa Gold**
- **UnionBank Reserve Mastercard World Elite**
- **UnionBank Miles + Mastercard World**
- **UnionBank Cash Back Mastercard Titanium**
- **UnionBank Rewards Mastercard Platinum**
- **UnionBank Z Mastercard Platinum**
- **UnionBank Grab Mastercard Platinum**
- **UnionBank “Skywalker”**

## DEBIT CARDS

- **Go Rewards Debit Card**
- **ePaycard**
- **E-Wallet Card**
- **Lazada Debit Card**
- **Platinum Debit Card**
- **PlayEveryday Debit Card**
- **Suy Sing Super Grocer Card**
- **USD Debit Card**

## VISA PRE-PAID CARDS

- **Club Balai Isabel**
- **DI BA Agents Card**
- **Go Rewards Pre-paid Card**
- **Go Rewards Pre-paid Virtual**
- **Semicon Loyalty Card**

## DEPOSIT PRODUCTS

**Business Check** – A check writing software which allows streamlining and simplification of the check disbursement process that comes with an initial and minimum ADB of Php 100,000.00 and a deposit insurance of up to Php 500,000.00 per depositor subject to 20% final withholding tax. A Php 500,000.00 ADB is required in order to earn interest of up to 0.10% p.a.

**CMS Corporate Checking Account** – Corporate cash management solution with a minimum of Php 50,000.00 initial deposit and ADB requirement that allows 0.10 % p.a. interest for at least Php 100,000.00. This account comes with a maximum of Php 500,000.00 deposit insurance per depositor and is subject to 20% final withholding tax.

**Corporate Executive Payroll Checking Account** – This account is for clients availing of the Cash Management Solutions Payroll Suite which is used for crediting salary to their executives with the flexibility to issue checks.

A Php 50,000.00 initial deposit and minimum ADB requirement with a tiered interest rate of 0.10% p.a. interest for deposits with at least Php 100,000.00 ADB subject to 20% final withholding tax.

### Corporate Payroll Checking Account –

This account is for clients availing of the Cash Management Solutions Payroll Suite which is used for crediting salary with the flexibility to issue checks. A Php 50,000.00 initial deposit and minimum ADB requirement with a 0.10% p.a. interest for deposits with at least Php 100,000.00 ADB subject to 20% final withholding tax.

### Corporate US Dollar Payroll Savings Account

– Savings account for Cash Management Solutions Payroll Suite clients used for dollar-denominated salary crediting with no initial deposit requirement and comes with a 0.10% interest p.a. for an ADB of at least USD 2,000.00, subject to 15% final withholding tax.

**Dollar Access Account** – With initial deposit and minimum deposit requirement of USD 10,000.00 and required ADB of USD 25,000.00 to earn 0.05% interest, this account provides online banking access, comes with a Dollar Debit Card, and has a maximum deposit insurance of Php 500,000.00 per depositor and subject to 15% withholding tax.

**ePaycard** – Payroll savings account opened for employees tagged under the umbrella account of a corporate customer. This account is used for disbursement of employees’ salary credits. Insured up to maximum deposit of Php 500,000.00 per depositor and is subject to a 20% final withholding tax and may include fees for ATM and OTC withdrawals. Php 100,000.00 ADB is required in order to earn 0.10% interest p.a.

**FleetCard** – Closed loopcard-based savings account for corporate clients used for the disbursement of their gas allowance. It has access to ATM balance inquiry and POS transactions in selected gas stations and is insured up to a maximum deposit of Php 500,000.00 per depositor with no initial deposit required.

**Go Rewards** – Internet-based deposit account that comes with a debit card and earns points for every peso spent which can be used for Cebu Pacific flights. This account can be opened without an initial deposit but will require

Php 10,000.00 ADB to earn 0.10% interest p.a. and a deposit insurance coverage of up to Php 500,000.00 per depositor, subject to 20% final withholding tax.

**GSIS-MemberAccount** – This account allows crediting of GSIS benefits to their members and access to ATM, POS, Internet banking & OTC transactions with a maximum deposit insurance of Php 500,000.00 per depositor. Subject to a 20% final withholding tax. With no initial deposit required, an account may earn 0.10% interest p.a. for a minimum ADB of Php 100,000.00.

**GSIS-Pensioner Account** – This account was designed to accept pension credits and other benefits such as loan availments and other cash claims for GSIS pensioners and access to ATM, POS, Internet Banking & OTC transactions with a maximum deposit insurance of Php 500,000.00 per depositor, subject to a 20% final withholding tax. With no initial deposit required, an account may earn 0.10% interest p.a. for a minimum ADB of Php 100,000.00.

**LTNCD (Long-Term Negotiable Certificate of TimeDeposit)** – Minimum investment of Php 250,000.00 in increments of Php 50,000.00 thereafter with original maturity of 5 years and six months with interest payments made every quarter. UnionBank LTNCD due 2023 carries a fixed coupon of 4.375% p.a. LTNCDs cannot be pre-terminated but can be sold in the secondary market, subject to prevailing market rates and transaction fees.

**First Savings** - A savings account designed for minors up to 17 years old. Initial deposit and maintaining balance required is Php 100.00. To earn interest, customers must maintain at least Php 5,000.00 in the account. Insured up to a maximum deposit of Php 500,000.00 per depositor and subject to 20% final withholding tax.

**Personal Savings Account** - With no initial deposit or maintaining balance required, this is the easiest way to get a savings account. It can be opened through UnionBank Online or in any branch. Balance to earn interest is Php 10,000.00, with an interest rate of 0.10% p.a. Insured up to a maximum deposit of Php 500,000.00 per depositor and subject to 20% final withholding tax.

**Peso Hi-Five** – Minimum of Php 50,000.00 long-term (5 years plus 1 day) placement with interest compounded annually wherein payment of interest is made at the end of term with principal deposit, tax-exempt (for individuals only) if maintained until maturity. If pre-terminated, final proceeds will be net of applicable withholding tax on the interest earned and penalty rate based on pre-determined rates.



**Peso Optimizer** – Minimum placement of Php 50,000.00 for 2, 3, 4, or 5 years plus 1 day with interest credited monthly to a UnionBank account net of withholding tax. Interest is subject to applicable withholding tax based on tenor, while documentary stamp tax on the deposit is at Php 1.50 for every Php 200.00 and every fraction thereof.

**Peso Time Deposit** – Minimum placement of Php 50,000.00 for 30-360 days with interest and principal payout at the end of the term. If pre-terminated, default interest rate to be applied is regular savings rate, currently at 0.10% p.a. Interest income is subject to 20% final withholding tax, while the deposit is subject to Php 1.50 for every

Php 200.00 and every fraction thereof multiplied by number of days for documentary stamp tax. Maximum deposit insurance of Php 500,000.00 per depositor. Peso time deposit for tenors between 7-29 days is also available for a minimum placement amount of Php 1,000,000.00.

**PlayEveryday** – The country's first and only gamified program that comes with a debit card and earns points thru savings, spending and other digital transactions. Rewards can be redeemed instantly thru the UnionBank Online app. This account requires no maintaining balance and earns 0.10% interest p.a. with at least Php 10,000.00 ADB.

It includes a deposit insurance coverage of up to Php 500,000.00 per depositor, subject to 20% final withholding tax.

**Power Checking Account** – With initial deposit and minimum ADB requirement of Php 100,000.00 to earn tiered interest up to 0.25% p.a., this account allows maximization of interest on extra funds and the flexibility to issue check payments. Account has a maximum Php 500,000.00 deposit insurance coverage per depositor with a 20% final withholding tax.

**Premium Deposit Account** – Initial deposit of Php 500,000 and ADB requirement of Php 3 million to earn tiered interest of up to 0.40% p.a., this account enables customers to manage their daily check disbursements while earning interest from their funds. Maximum of Php 500,000 deposit insurance coverage per depositor with a 20% final withholding tax.

**Regular Checking Account** – With an initial deposit and minimum ADB requirement of Php 10,000.00, our flagship checking account simplifies and facilitates daily disbursement needs. This deposit product is covered up to

Php 500,000.00 per depositor, and is not subject to withholding tax.

**Regular Savings Account** – With an initial deposit and minimum ADB requirement of Php 10,000.00. This can be opened in any UnionBank branch. Balance to earn 0.10% interest p.a. is Php 25,000.00. Insured up to a maximum deposit of Php 500,000.00 per depositor and subject to 20% withholding tax.

**Savings +** - Account that offers free group life insurance from Insular Life. Eligible customers can receive up to three times their last reported ADB, up to a maximum life insurance coverage of Php 3 million. Required average daily balance, and balance to receive the free life insurance, is Php 25,000.00. Balance to earn interest is Php 100,000.00. Interest rate is 0.10% p.a. A Visa debit card can be issued at the request of the customer. Insured up to a maximum deposit of Php 500,000.00 per depositor and subject to 20% final withholding tax.

**SSS-Member Account** – This account allows crediting of SSS benefits to their members and access to ATM, POS, Internet banking & OTC with a maximum deposit insurance of Php 500,000.00 per depositor, subject to a 20% final withholding tax. With no initial deposit required, an account may earn 0.10% interest p.a. for a minimum ADB of Php 100,000.00.

**SSS Pensioner Account** – Account designed to accept pension credits for SSS pensioners with no initial deposit and a Php 100.00 minimum ADB requirement. To earn 0.10% interest, an ADB of Php 100,000.00 is required.

**Third Currency Savings Account** – AUD, EUR, GBP or JPY- denominated savings account with varying initial deposit and minimum balance required to earn interest depending on the currency and applicable final withholding tax rate of 15% and a maximum deposit insurance of Php 500,000.00 per depositor.

**Third Currency Time Deposit** – AUD, EUR, GBP or JPY- denominated 30 to 360 days term placement with varying minimum placement amount depending on the currency and applicable final withholding tax rate of 15% and a maximum deposit insurance of Php 500,000.00 per depositor.

**USD Optimizer** – Minimum placement of USD 10,000.00 for 2, 3, 4, or 5 years with interest credited monthly to a UnionBank account net of 15% withholding tax. This account comes with a maximum deposit insurance of Php 500,000.00 per depositor.

**US Dollar Savings Account** – With an initial deposit of USD 500.00 and minimum ADB of USD 1,000.00 to earn 0.05% interest p.a., this account comes with a maximum of Php 500,000.00 insurance per depositor subject to 15% final withholding tax.

**USD Time Deposit** – Minimum placement of USD 1,000.00 for 30-360 days with interest and principal payout at the end of the term. If pre-terminated, default interest rate to be applied is regular savings rate, currently at 0.10% p.a. Interest income is subject to 15% final withholding tax. This account comes with a maximum deposit insurance of Php 500,000.00 per depositor.



## INVESTMENT PRODUCTS

### Peso Treasury Bills/Notes/Treasury Bonds -

Peso denominated fixed income securities issued by and which represent unconditional obligation of the Philippine National Government with tenors ranging from 3 months to 25 years.

**Peso Tier 2 Notes** - Peso denominated unsecured subordinated debt issued by banks.

**Peso Corporate Notes** - Peso denominated fixed income debt issued by large Philippine corporations.

**Peso LTNCD** - Long Term Negotiable Certificates of Time Deposit ("LTNCDs") are certificates of deposit which can be offered to investors looking for a relatively safe long-term investment with a higher interest rate compared to a regular savings or time deposit.

**US Dollar ROP Bonds** - US Dollar denominated fixed income securities issued by and which represent unconditional obligation of the Philippine National Government

**US Dollar Local Corporate Bonds/Notes** - US Dollar denominated fixed income debt issued by large Philippine corporations.

**Foreign Exchange - Spots and Forwards** - Converting one currency for another on either a spot (immediate) or forward (future date) basis.

**Asset swaps** - Instruments where the cashflows of an underlying asset are exchanged for cashflows in another currency.

**Cross currency swaps** - Instruments where the cashflows in one currency are exchanged for another currency.

## INVESTMENT AND TRADING PLATFORMS

**Bonds.PH** - A fully digital bond distribution platform that allows clients to create an account, cash in from any bank, debit card or electronic wallets like GCash or Paymaya.

Bonds.PH allows clients to invest in various bonds issued by the Bureau of the Treasury or BTr during the public offer period, without the need for a bank account. The Bonds.PH mobile app is available 24/7, and allows investors residing abroad to participate in a featured BTr issuance. As allowed by the terms and conditions of certain issuances, clients can also sell their investments purchased from Bonds.PH.

**U.FX** - A web-based foreign exchange (FX) dealing platform with live executable rates for the branches and mobile app. The platform allows for straight through processing of FX transactions with competitive and live rates not only for US Dollar to Philippines Peso, but also for most major currencies. The U.FX on the mobile application allows our clients to transact their FX needs anytime, anywhere.

## TRUST SERVICES

### Corporate & Institutional Investment Management

UnionBank Trust and Investment Services Group (TISG) acts as the Investment Manager authorized to manage a corporation or an institution's funds according to their investment objectives and risk parameters. TISG creates a structured and bespoke portfolio for the client by choosing from a wide array of investment outlets (i.e. Government Securities, Corporate Bonds, Common & Preferred Stocks, TDs, UITF, Global Funds, etc.)

### Unit Investment Trust Funds

A Unit Investment Trust Fund (UITF) is an open-ended pooled trust fund, operated and administered by TISG. A client invests by purchasing units of participation in the fund, and is allowed invest or redeem their investments at any time subject to guidelines set forth in the UITF Declaration of Trust. UITFs are managed by professional fund managers and are invested in a diversified set of financial instruments such as money market securities, bonds, stocks and global funds.

The following UITFs are available with UnionBank Trust and Investment Services Group (TISG): PHP & USD Short-Term Fixed

Income Funds, PHP & USD Fixed Income Funds, PHP Tax-Exempt Fund (for qualified tax-exempt investors), PHP Balanced Fund, PHP Equity Fund, PSE Index Tracker Fund, PHP & USD Capital Accumulation Global Fund of Funds.

### Retirement Fund Management

UnionBank Trust and Investment Services Group (TISG) helps institutional clients set up and manage retirement funds for the benefit of both the company and their employees. Pension and provident funds are cost-effective vehicles to fund, administer, and provide benefits committed to employees under company policy or by operation of law. These plans allow the company to enjoy tax benefits under the law, when managed by a Trust. TISG provides administrative convenience by delivering fund management and retirement plan administration services, considering the growth of the fund and the client's risk objectives.

### Personal Management Trust

UnionBank Trust and Investments Services Group (TISG) acts as Trustee in managing a portion of a client's wealth for the benefit of their designated beneficiaries. A Personal Management Trust (PMT) gives the client convenient access to a wide array of investment products, that is highly customizable. A PMT also allows TISG to distribute the proceeds, interests and/or principal of the client to their beneficiaries, within the terms and conditions established.

### Escrow Agency

UnionBank Trust and Investments Services Group (TISG) acts as an independent third party in an escrow arrangement. As an escrow agent, TISG is responsible for the management of the escrowed assets, and releases the latter according to the terms and conditions stated in the escrow agreement provided by the contracting parties. An escrow arrangement ensures the protection of the parties' interests while ensuring compliance with the contractual obligations. Assets held in an escrow may be in the form of cash, real estate properties, and securities, among others.

## PRIVATE BANKING

### Access to Global Funds & Investment Strategies

UnionBank Private Banking provides clients access to a wide array of Global Mutual Funds and Exchange Traded Funds, upon inquiry. These global funds are assessed and reviewed by our in-house investments team in terms of their Sharpe ratio and Morning Star rating, among other metrics. Our strategic alliance with Lombard Odier gives clients access to world-class investment strategies, with a core-satellite investment philosophy.

### Government Securities, Corporate Bonds, Money Market Securities, UITFs

UnionBank Private Banking gives clients direct access to local investment outlets such as Philippine Government Securities, US Treasuries, Corporate Bond Issuances, Common & Preferred Equities, UITFs, and special rates on Money Market Instruments.

### Asset Swaps

UnionBank Private Banking provides clients structured products that will enhance the yield of their plain vanilla investment holding, while taking into consideration credit, liquidity and other related risks that will impact the investment.

### Family Services

UnionBank Private Banking will help find the optimal solutions to clients' concerns on Family Wealth Structuring, Succession Planning, Inter-generational Wealth & Business Transition, Retirement & Estate Planning, and Philanthropy & Sustainability. We have legal, tax and cross-border expertise on wealth management matters. Our strategic ally, Lombard Odier, also assists by sharing their world-class family services expertise.

### Financial Advisory

UnionBank Private Banking will help structure an optimal investment portfolio for clients, taking into consideration their return objectives and risk profile. An open architecture investment philosophy ensures that clients will have the opportunity to invest in best-in-class investment outlets, even though they may not be UnionBank products.

## FINTECH BUSINESS GROUP

### Accounts

- Sandbox Account Information
- Sandbox Account Balance
- Sandbox Bank Account
- Customer Account Transaction History
- Partner Account Transaction History
- Online Bank Account Information

### Authentications

- UnionBank Customer Authentication
- UnionBank Partner Authentication
- One-Time Password Authentication
- Signature Verification

### Cards

- Credit Card Inquiry
- UnionBank Credit Card Application
- Go Rewards Debit Card Application
- UnionBank Prepaid Card
- Partner Go Rewards Prepaid Top Up Via I2C
- UnionBank Credit Card Perks
- UnionBank Debit Card Perks

### Inquiries

- Branch and ATM Location
- Foreign Exchange Rate
- Savings and Current Account Interest Rate
- Time Deposit Interest Rate
- Biller Information

### Loans

- Auto Loan Calculator
- Housing Loan Calculator
- Customer UnionBank Loan Application
- Partner UnionBank Loan Payment
- Overdraft Account
- UnionBank Partner Overdraft Account Loan Availment

### Partners

- Weather Data by WeatherPH
- Partner Paymaya Wallet Top Up
- Partner Coins.PH Wallet Top Up
- Partner EON Top Up
- Cash Payout by DragonPay
- eGifts by GiftAway
- Business Financing by First Circle
- eTreats by Share Treats
- Airtime Credits by DT One
- Bills Payment by Direct Agent 5
- Credit Scoring by FinScore
- Cryptocurrency Exchange by PDAX
- Salary Loan by Advance Tech Lending

### Payments

- Customer Bills Payment
- Partner Bills Payment
- Customer Globe Load Purchase
- Customer Smart Load Purchase
- Partner Smart Load Purchase
- Partner Globe Load Purchase
- Merchant Payment from UnionBank Account

### Transfers

- Customer UnionBank-to-UnionBank Fund Transfer
- Partner UnionBank-to-UnionBank Fund Transfer
- Customer InstaPay Fund Transfer
- Partner Instapay Fund Transfer
- Partner PESONet Fund Transfer
- Customer PESONet Fund Transfer API

### Visa Spend Clarity for Corporate Credit Card

The New Spend Clarity Feature within UnionBank's Corporate Credit card strengthens and elevates how corps can manage, control and analyze their spending through a digital platform, data and dashboarding. This will allow corporations to make better business decisions.

The New Spend Clarity Feature within UnionBank's Corporate Credit Cards will support businesses' rising needs towards growth:

1. Digitize their manual processes to remain competitive and efficient
2. Have more controls and management on corporate spending
3. Achieve greater insights on their spend to for better business decisions



Digital Business Solution Referral Partners

Category	Partner	Solution
<b>E-commerce Platform</b>	Sentro	Digital site for creation of E-commerce platform
<b>Business Loans</b>	SeekCapt	A financial merchant marketplace for capital financing or business loans
<b>Tax Filing</b>	Taxumo	Digital tax filing platform for individuals and businesses
<b>Insurance</b>	Igloo	Platform for non-life Insurance products
<b>PDAX</b>	Crypto	Cryptocurrency platform
<b>Mobile ATM Cash out</b>	I2i	Micro-ATM cashout and payments solution; merchants offering cash withdrawal and accept card
<b>Customized Tech Platforms</b>	UBX Tech Services	Creation of customized tech platforms from Apps, websites, etc.
<b>Payment Gateways</b>		Paymongo – end to end collection & disbursement solutions for MSMEs and fintechs
	Paymongo	Xendit – end to end collection & disbursement solutions for MSMEs and fintechs
	Xendit	Dragonpay – over the counter payment channels
	Dragonpay	Bux – end to end collection & disbursement solutions for MSMEs and fintechs
	Bux	
<b>Buy Now, Pay Later</b>	<b>Tendopay</b>	Instalment payment option for customers to purchase online without need to use debit or credit cards
<b>Supply Chain Enabler</b>	<b>Locad</b>	Logistics & warehouse management system
<b>Credit Scoring</b>	<b>Finscore</b>	Credit Scoring and Fraud Detection; assist large lenders in evaluating their borrowers

**BLOCKCHAIN AND API BUSINESS GROUP**

The Bank's early forays into API, blockchain, and digital assets enabled the bank to lay down the groundwork for the banking infrastructure of the future, making UnionBank the market leader in the digital age and the first and only future-ready and digital-to-core bank in the Philippines. After years of early research and experimentation, the bank now boasts of having the capabilities of the bank of the future, API-ready, Blockchain-ready, AI-equipped, and now prepared to take the next leap into the Metaverse.

From the initial cryptocurrency offering of the award winning UnionBank **Bitcoin ATM**, this has since been furthered by additional virtual asset capability as it opened up additional service offerings this year to pilot customers. Randomly selected UnionBank customers can **buy and sell Bitcoin through the UnionBank Online mobile app**. Moreover, Digital Asset Markets Unit provides customers a convenient way to enter the cryptocurrency and digital asset space safely and securely by offering a **virtual asset premium exchange and custody service via its OTC exchange service**, another first for a Philippine Bank.

**Current Virtual Assets Services:**

**Crypto ATM** - Allows existing clients to buy and sell Bitcoins for cash

**Virtual Asset Exchange and Wallet Service in UBO App**

- Allows randomly selected clients to activate UB crypto wallet, buy and sell Bitcoin directly debiting/crediting their UB Peso Savings account through the UB Online mobile app

**Virtual Asset Exchange Premium Service via OTC**

- Allows clients to buy and sell virtual assets (ie BTC, ETH, USDC) through the Digital Asset Markets Unit OTC exchange service

UnionBank's award-winning **API Marketplace** (developer.unionbankph.com), launched in 2018, empowers businesses to embed banking products and services into their own digital applications, allowing them to design

customized digital experiences for their own clients that is cheaper, faster and more secure. It also allows partners to share and publish their own digital services, alongside the bank's providing a single point of integration for APIs within the platform.

This bank-grade API platform has to date already provided more than 100 partners a secure and reliable collaborative workspace allowing them to incorporate banking services, and /or processes into their value propositions, empowering them to create solutions and accelerate meaningful innovations for their clients and consumers.

**Current API Marketplace Products:**

**I. ACCOUNT INFORMATION**

Customer Account Number and Name Verification - Provides verification of account number and account name of a UnionBank customer

Customer Account Status Verification - Provides verification of account status of a UnionBank customer

Customer Account Transaction History - Allows retrieval of account transaction history from an individual UnionBank customer

Customer Balance - Enables access to account balance of an individual UnionBank customer

Customer Birthdate Verification - Provides verification of birthdate of a UnionBank customer

Customer Cards - Allows retrieval of cards linked to a particular UnionBank account

Customer Gender Verification - Provides verification of gender of a UnionBank customer

Customer Verification - Provides verification of account name, account number, gender, birthdate and account status

Online Bank Account Information - Allows retrieval of the last 4 digits of the account of the UnionBank customer

Partner Account Transaction History - Allows retrieval of account transaction history from a corporate UnionBank customer

Open Banking - Enables access to account balance, transaction history and account information such as name, gender, birthdate

## II. AUTHENTICATION

UnionBank Customer Authentication - Authenticates an individual UnionBank customer for a particular transaction. This also allows linking and unlinking of a UnionBank account through short-lived or long-lived access tokens

UnionBank Partner Authentication - Authenticates request for access to a corporate UnionBank customer's account

One-Time Password Authentication - Allows partners to authenticate a UnionBank customer through a One-Time Password (OTP)

## III. COLLECTION OF FUNDS

Auto Debit Arrangement - Enables collection of recurring payments from a UnionBank customer

Customer Bills Payment - Facilitates bills payment from a UnionBank customer

Merchant Single Payment - Enables collection of payments from a UnionBank customer

Partner Bills Payment - Facilitates bills payment for partners through UnionBank's biller platform

Partner UBP Cash In - Facilitates cash in or top up from UnionBank customers

Payment Request via PESONet - Enables collection of payments thru PayGate

UPay by UnionBank - Enables collection of payments thru UPay that is embedded and customized to a partner's application or website

Pay to Merchant (P2M) / Pay to Biller (P2B) - Facilitates creation of a QR code (QRPH) linked to UnionBank corporate account, where merchants or billers can receive payments to. It also provides transaction reports to merchants or billers for monitoring purposes

Merchant Payment Refund - Facilitates refund or reversal of a payment made by a UnionBank customer

## IV. DISBURSEMENT OF FUNDS

Customer InstaPay Fund Transfer - Facilitates fund transfers via Instapay from UnionBank customers to other banks

Customer PESONet Fund Transfer - Facilitates fund transfers via Pesonet from UnionBank customers to other banks

Customer UnionBank-to-UnionBank Fund Transfer - Facilitates Peso fund transfers from one UnionBank customer to another UnionBank customer

Intrabank Fund Transfer - Facilitates Dollar fund transfers from one UnionBank customer to another UnionBank customer

Partner Disbursement by UnionBank - Facilitates fund transfer for partners, built with smart logic that identifies best transaction type to use between UB-UB, Instapay and Pesonet depending on the transaction details

Partner Instapay Fund Transfer - Enables partners to facilitate fund transfer via Instapay from their UnionBank corporate account to another bank

Partner PESONet Fund Transfer - Enables partners to facilitate fund transfer via Pesonet from their UnionBank corporate account to another bank

Partner UnionBank-to-UnionBank Fund Transfer - Enables partners to facilitate fund transfer from their UnionBank corporate account to another UnionBank account

PDDTS Transfer - Enables partners to facilitate fund transfer via PDDTS from their UnionBank corporate account to another bank

RTGS Transfer - Enables partners to facilitate fund transfer via RTGS from their UnionBank corporate account to another bank

## V. CARDS

UnionBank Credit Card Application - Facilitates submission of UnionBank credit card application

GetGo Debit Card Application - Facilitates submission of GetGo debit card application

Credit Card Inquiry - Enables access to credit card information such as outstanding balance and other relevant information

Prepaid Wallet by GetGo - Enables access to customer profile, account balance, card status, transaction history and limit of GetGo Prepaid card

Prepaid Wallet Transactions by GetGo - Facilitates GetGo Prepaid transactions such as fund transfer, bills payment and reversal

Partner Prepaid Top Up via I2C - Facilitates top up transaction to Getgo Prepaid card

UnionBank Prepaid Card - Facilitates top up transaction to Interblocks (IBL) prepaid card hosts



UnionBank Credit Card Perks - Provides list of current UnionBank Credit Card perks or promotions

UnionBank Debit Card Perks - Provides list of current UnionBank Debit Card perks or promotions

### VI. LOANS

Auto Loan Calculator - Generates amortization projections for a UnionBank Auto Loan

Housing Loan Calculator - Generates amortization projections for a UnionBank Housing Loan

Customer UnionBank Loan Application - Enables receipt and submission of personal loan applications

Partner Loan Availment - Enables partner to receive and submit personal loan applications

Partner Retail Loan Installment - Enables availment of quick loan as well as checking of loan status

Partner UnionBank Loan Payment - Enables partner to receive loan payments for both UnionBank Auto and Housing Loans

Overdraft Account - Enables creation of an overdraft account for loan applications

### VII. INQUIRIES

Branch and ATM Location - Retrieves list of current branches and ATM locations

Foreign Exchange Rate - Provides up-to-date foreign exchange rates that can be used for the sale of foreign currencies

Savings and Current Account Interest Rate - Provides up-to-date savings and current account interest rates

Time Deposit Interest Rate - Provides up-to-date time deposit account interest rates

Bill Information - Enables access to UnionBank biller list and corresponding information

### VIII. SUPPLY CHAIN FINANCE

Partner FSC Payment - Enables loan financing requests through blockchain

### IX. PHX STABLECOIN

Partner Stablecoin Account - Enables access to stablecoin account status and balance

Partner Stablecoin Generation - Facilitates minting/top-up of stablecoin

Partner Stablecoin Redemption - Facilitates burning/redemption of stablecoin

Partner Stablecoin Remittance - Facilitates off-chain remittance transaction of stablecoin

Partner Stablecoin Transactions - Provides status of stablecoin transaction

Partner Stablecoin Transfers - Facilitates wallet-to-wallet transfer transaction of stablecoin

### X. OTHERS

Scorecard Models - Generates scorecard using KNN model

Account Credit Notification - Notifies customer on specific credit transactions thru SMS or email

### XI. PARTNERS

Weather Data by WeatherPH - Provides current, historical and forecasted weather data

Partner Paymaya Wallet Top Up - Facilitates top up to Maya wallet through a UnionBank corporate account

Partner Coins.PH Wallet Top Up - Facilitates top up to Coins.ph wallet through a UnionBank corporate account

Cash Payout by DragonPay - Creates cash payout voucher to be claimed at DragonPay counters

eGifts by GiftAway - Grants Giftaway electronic gift cards

Business Financing by First Circle - Facilitates business financing requests for SME's extra capital

eTreats by Share Treats - Grants Share Treats electronic gift cards

Airtime Credits by DT One - Sends airtime credits for local and international numbers

Bills Payment by Direct Agent 5 - Facilitates bills payment transactions to Direct Agent 5 billers

Credit Scoring by FinScore - Provides applicant credibility insight through FinScore's credit scoring

Cryptocurrency Exchange by PDAX - Facilitates trading of cryptocurrencies thru PDAX

Salary Loan by Advance Tech Lending - Facilitates requests for salary loan from Advance Tech Lending

Digital Insurance Products by InLife - Allows purchasing of InLife digital insurance products

Digital Insurance by Igloo - Allows purchasing of Igloo digital insurance products

Grabpay Wallet Top Up - Facilitates top up to Grabpay wallet

Cash Payout by Direct Agent 5 - Creates cash payout voucher to be claimed at Western Union counters under Direct Agent 5

Bills Payment by Multisys Technologies - Facilitates bills payment transactions to Multisys billers

## UBX

Aboitiz-backed Union Bank of the Philippines spun-out UBX in 2018 to drive financial inclusion and business growth for underserved and unbanked communities by offering fintech capabilities and ecosystem investments. UBX started as a venture studio and fund. Now, UBX is the Philippines' leading Open Finance platform, offering the most extensive range of embedded financial services and solutions with a fully-onboarded network of the biggest and most reputable financial institutions and service providers, lenders, and payment channels in the country.

i2i is the Philippines' fastest-growing banking-as-a-service solution, bringing financial services to underserved communities through its network of financial services providers. i2i has grown its transactions to 132% (5.4x growth) over the past 3 years as it connects its customers to hundreds of financial institutions such as community focused rural banks, cooperatives, pawnshops, Money Service Business, and remittance centers with over 10,000 touchpoints, all over the country. i2i was launched commercially in 2019 – with product offerings such as money transfers via PESONet and Instapay, Bills Payment, mobile ATM services, API integration and more.

SeekCap is the Philippines' largest online lending marketplace made especially for micro, small, medium sized enterprises (MSMEs) who need additional funds to run and scale their businesses. SeekCap provides business loans with flexible terms, loanable amounts ranging from Php 5,000 to Php 20,000,000 with affordable monthly interest rates starting at 2%. At SeekCap, we work closely with legitimate lenders, credit bureaus, and channel partners that allow MSMEs to apply for a business loan from a wide variety of loan products in the fastest, easiest, and most automated way available.

**BUx** is an end-to-end payment gateway and fintech solutions provider for businesses of all sizes that aims to provide a seamless experience to companies and sellers. Businesses and their customers can take advantage of payment channels such as over-the-counter, e-wallet, online banking, and buy now, pay later. With over 100,000 sign-ups since its launch in 2019 and now with over one million transactions a month, BUx continues to make payments simple and easy.

**Assured** is the premier insurtech in the Philippines, dedicated to revolutionizing the insurance sector through its innovative suite of solutions. Assured's offerings, including InsurePay, Insure-Now-Pay-Later, ClaimAnywhere, and our Embedded Insurance Platform, prioritize customer satisfaction and provide unparalleled flexibility, convenience, and accessibility for premium payments and claim benefits.

**Xpanse** is the open finance platform of UBX. Xpanse enables banks, fintech, and startups to build new financial solutions through APIs and data sharing across thousands of member institutions. APIs allow mobile apps, websites, and external systems to share back-end functionality and business logic. This leverages UBX's leading-edge cloud and microservices technologies.

**UBX Digital Transformation Services** combines years of experience in digital transformation and leadership across Banking, Capital Markets, Energy, Telecommunications, Media and Manufacturing sectors complemented by a business and technology implementation team that can provide a single source partner to deliver the digital

transformation. The use of Agile practices, disciplines that are biased for speed, value delivery and sustainability are the key capabilities that differentiate UBX from traditional business consulting or technology services.

**AKIN** is a blockchain-based identity management system wherein verified digital identities are shared across the platform for smoother and frictionless transactions such as leasing, loaning, and banking. The next generation of UBX AKIN leverages the latest technologies and maturing self-sovereign identity standards to provide a compelling solution to UnionBank for authentication using SSI credentials while adding value to the group through its UBX fintech unit.

**Artifract** is the country's first tokenized non-fungible token (NFT) platform. Artifract helps art estates, museums, private collectors, and artists in the preservation of Fine Arts, ensuring copyright of every piece, and future-proofing collections. The platform allows the community of modern-day art collectors to mint, buy, sell, and collect exclusive Fractional NFTs by renowned fine artists. UBX partnered with art-tech startup Unit 256 Ventures Inc. to launch Artifract, in the 3rd quarter of 2022.

## DIGITAL BANKING SERVICES

**UnionBank Online** (Mobile and Web)  
**The Portal** (Mobile and Web)  
**UnionBank SME Banking** (Mobile and Web)  
**POW PH** (Mobile)  
**Payment Gateway** (Mobile and Web)

## PRIORITY BANKING

**Business Class** – A banking program for UnionBank's high-net worth clients that offers personalized service, exclusive privileges, relationship banking and smart solutions to eligible individuals

**Business Class Corporate** – A variant of the Business Class program where eligible corporate clients are given specialized service, relationship banking and preferential pricing

**Business Class for Doctors** – A variant of the Business Class program where doctors, via their HMO or hospital affiliation, are entitled to receive their professional fee credits through a UnionBank account.

## OTHER SERVICES

### Foreign/Domestic Collections and Remittances

- Fund Transfers
- Manager's Checks
- US Dollar Demand Draft
- Peso/US Dollar/Select 3rd Currencies Telegraphic Transfer
- PDDTS (Philippine Domestic Dollar Transfer System)

### Purchase and Sale of Foreign Exchange



## METRO MANILA / GREATER MANILA AREA

### MAKATI CITY

#### ANTEL RESIDENCES

G/F Antel Spa Suites  
7829 Makati Ave.  
Poblacion, Makati City  
(02) 7907-6756  
(02) 7623-8190  
(0917) 863-9637  
(0917) 827-6545

#### AYALA AVENUE

G/F Don Vicente  
Madrigal Bldg.  
6793 Ayala Ave.  
Makati City  
(02) 7968-8644  
(02) 7968-8747  
(02) 7500-8183  
(0917) 863-8792  
(0917) 863-8794  
(0917) 863-8791

#### AYALA-RUFINO

G/F Rufino Pacific Tower  
6784 Ayala Avenue corner  
V.A. Rufino Sts.  
Makati City  
(02) 7968-8763  
(0917) 863-8816

#### AYALA-SSS

SSS (Makati) Building  
Ayala Avenue corner  
V. Rufino St.  
Makati City  
(02) 8813-5992  
(02) 7503-1464  
(02) 7698-8516  
(0917) 863-8840  
(0917) 863-8878  
(0917) 827-0296

#### 6754 AYALA AVENUE

G/F PNB Makati Center  
6754 Ayala Ave.  
Brgy. San Lorenzo  
Makati City  
(0917) 827-1132  
(0917) 826-6905  
(02) 7215-7909  
(02) 7616-9974

#### DELA ROSA

G/F Insular Health Care Bldg.  
167 Dela Rosa corner  
Legaspi Sts., Legaspi Village  
Makati City  
(02) 8478-5509  
(02) 7968-8573  
(02) 7989-8260  
(0917) 863-8891  
(0917) 817-3235

#### GREENBELT

G/F Twin Cities  
Condominium  
110 Legaspi St.  
Legaspi Village  
Makati City  
(02) 7577-7631  
(02) 7585-0010  
(02) 8812-9601  
(0917) 863-9762  
(0917) 827-0376

#### H.V. DELA COSTA

138 Global Enterprise Bldg.  
H.V. Dela Costa St.  
Salcedo Village  
Makati City  
(02) 7585-0977  
(0917) 827-0380

#### INSULAR AYALA PASEO (The ARK)

G/F Insular Life Bldg.  
Ayala Avenue corner  
Paseo de Roxas  
Makati City  
(02) 7971-0052  
(02) 7971-0076  
(0917) 863-9893  
(0917) 811-7577

#### J P RIZAL

731 J.P. Rizal St.  
Makati City  
(02) 7503-8065  
(0917) 827-0353

#### MAGALLANES

G/F Maga Center Bldg.  
Paseo de Magallanes  
Makati City  
(02) 8851-3803  
(02) 7971-0106  
(0917) 864-0439

#### MAKATI AVENUE

7874 Makati Ave. corner  
Durban St., Poblacion  
Makati City  
(02) 7971-0316  
(0917) 864-1561

#### MULTINATIONAL BANCORP

G/F Multinational  
Bancorp. Centre  
6805 Ayala Avenue  
Makati City  
(02) 7971-0029  
(0917) 863-9804

#### PASAY ROAD

G/F Salud and  
Consuelo Bldg.  
912 Pasay Road  
San Lorenzo Village  
Makati City  
(02) 7624-1163  
(0917) 864-0163

#### PASEO DE ROXAS

G/F 111 Paseo de Roxas Bldg.  
Paseo de Roxas corner  
Legaspi St.  
Legaspi Village  
Makati City  
(02) 7796-9057  
(0917) 146-2813  
(0917) 859-9968  
(0917) 860-9753

#### PASONG TAMO-JTKC

G/F JTKC  
Centre Bldg.  
2155 Pasong Tamo St.  
Makati City  
(02) 7585-1044  
(02) 7971-0213  
(0917) 827-0373  
(0917) 864-1258

#### PASONG TAMO EXTENSION

G/F BCS Bldg.  
Don Chino Roces Ave.  
Pasong Tamo Extension  
Makati City  
(02) 7971-0221  
(0917) 864-1065

#### PEREA

G/F Greenbelt Mansion  
Perea St., Legaspi Village  
Makati City  
(02) 7219-1203  
(02) 7618-5983  
(0917) 846-3785  
(0917) 863-9821

#### RADA

Prince Bldg.  
117 Rada St.  
Legaspi Village  
Makati City  
(02) 7623-1487  
(0917) 863-9895  
(0917) 860-4611  
(0917) 820-3052

#### SALCEDO

Golden Rock Bldg.  
168 Salcedo St.  
Legaspi Village  
Makati City  
(02) 7618-5545  
(0917) 803-8622

#### SAN AGUSTIN DELA COSTA

Liberty Plaza  
102 HV dela Costa corner  
San Agustin St.  
Salcedo Village Bel Air  
Makati City  
(02) 7971-0005  
(0917) 847-2852

#### VALERO

Le Grand Condominium  
130 Valero St., Salcedo Village  
Makati City  
(02) 8819-5426  
(02) 7503-0522  
(0917) 864-0269

#### VITO CRUZ

Kingswood Arcade  
Vito Cruz corner  
Pasong Tamo Streets  
Makati City  
(02) 7585-0980  
(02) 8899-2772  
(0917) 827-0391

### CITY OF MANILA

#### CITYPLACE SQUARE

3/F Lucky Chinatown-  
Cityplace Square  
Calle Felipe corner  
La Chambre St.  
Binondo, Manila  
(02) 7261-4167  
(02) 7968-2434  
(02) 7211-3901  
(0917) 827-6546  
(0917) 814-0306  
(0917) 821-7692

#### DASMARIÑAS

UnionBank Centre  
Manila Bldg.  
Dasmariñas corner  
Q. Paredes Sts.  
Binondo, Manila  
(02) 7968-2462  
(02) 7968-3119  
(02) 7968-2517  
(0917) 821-8325  
(0917) 821-8533  
(0917) 822-9479

#### ESCOLTA

G/F Regina Bldg.  
Escolta, Manila  
(02) 7968-3324  
(02) 7968-3411  
(0917) 824-8609  
(0917) 849-7273

#### ICTSI

G/F ICTSI  
Administration Bldg.  
Manila International  
Container Terminal  
MICT South Access Road  
Port Area, Manila  
(02) 7585-1265  
(02) 8241-8303  
(0917) 827-0281

#### INTRAMUROS

409 G/F BF  
Condominium Bldg.  
A. Soriano Ave.  
Intramuros, Manila  
(02) 8404-1720  
(02) 7622-4467  
(0917) 827-0258

#### LOURDES HOSPITAL

G/F Main Bldg.  
Our Lady of  
Lourdes Hospital  
46 P. Sanchez St.  
Sta. Mesa, Manila  
(02) 8713-8546  
(02) 8968-6780  
(0917) 827-0879  
(0917) 863-8597

#### MALATE

G/F Marioco Bldg.  
1945 M. Adriatico St.  
Malate, Manila  
(02) 8525-2741  
(02) 7971-0099  
(0917) 822-6342

#### MASANGKAY

911-913 G. Masangkay St.  
Binondo, Manila  
(02) 8241-5364  
(02) 7968-3511  
(02) 7618-5520  
(0917) 860-9436  
(0917) 863-7987



#### MAYHALIGUE

G/F One Masangkay Place  
1420 Masangkay near corner  
Mayhaligue St., Sta. Cruz, Manila  
(02) 7586-3514  
(02) 8252-5457  
(0917) 863-8209

#### OTIS

(formerly PANDACAN)

1763 Paz M. Guazon St.  
Paco, Manila  
(02) 7971-0082  
(02) 8564-0537  
(02) 7585-9845  
(0917) 827-0355  
(0917) 864-0387

#### STO. CRISTO

LG01 and LG02 Burke Plaza  
Sto. Cristo St., Binondo, Manila  
(02) 8244-4284  
(02) 7616-2101  
(02) 7587-2980  
(0917) 827-0890  
(0917) 863-8235

#### TAFT AVENUE

2625 G/F Kassel  
Condominium  
Taft Ave. near corner  
P. Ocampo St.  
Vito Cruz St.  
Malate, Manila  
(02) 7971-0110  
(0917) 864-0432

#### T. ALONZO

625 T. Alonzo Street  
Sta. Cruz, Manila  
(02) 8736-9858  
(02) 7587-6251  
(0917) 836-7203

#### UNITED NATIONS AVENUE

UN Avenue corner  
M.H. del Pilar and  
M. Guerrero Streets  
Ermita, Manila  
(02) 7585-9864  
(02) 7971-0114  
(0917) 864-0477  
(0917) 827-0266

#### VERTEX ONE - SAN LAZARO

G/F Space 12 & 13  
Vertex One Bldg.  
San Lazaro, Manila  
(back of SM San Lazaro)  
(02) 7978-3602  
(0917) 827-0157

#### YUCHENGCO

Unit 2 and 3  
Escolta Parking Bldg.  
Escolta St. corner  
Yuchengco St.  
Binondo, Manila  
(02) 7586-7094  
(02) 7623-9584  
(0917) 827-0892  
(0917) 863-8226

#### CALOOCAN CITY

##### EDSA CALOOCAN

512 EDSA corner  
Urbano Plata St.  
Caloocan City  
(02) 7971-0277  
(02) 7585-0998  
(0917) 864-1574  
(0917) 827-0395

##### CALOOCAN

357 Rizal Ave. Extension  
Grace Park, Caloocan City  
(02) 7971-0222  
(02) 7971-0239  
(02) 7215-2281  
(0917) 864-1355  
(0917) 864-1098  
(0917) 825-0142

#### LAS PIÑAS

##### LAS PIÑAS - PAMPLONA

Alabang-Zapote Road corner  
Crispina Ave., Pamplona  
Las Piñas City  
(02) 7971-0244  
(02) 7585-0838  
(0917) 864-1404  
(0917) 864-1191  
(0917) 864-1431

#### MALABON

##### MALABON

31 Rivera Street corner  
Gov. Pascual Ave.  
Tinajeros, Malabon City  
(02) 7971-0199  
(02) 7971-0201  
(02) 7623-9571  
(0917) 864-0982  
(0917) 864-0998  
(0917) 827-0871

#### MANDALUYONG CITY

##### BONI AVENUE

655 Boni Ave. corner  
Ligaya St.  
Mandaluyong City  
(0917) 863-8517  
(0917) 827-0987

##### EDSA - PIONEER

UG7 Level 1  
Robinson's Cybergate Plaza  
EDSA corner Pioneer St.  
Mandaluyong City  
(02) 8586-5348  
(02) 7477-4163  
(0917) 838-1197  
(0917) 850-3263

#### GREENFIELD DISTRICT SOHO

Level 1, Unit 5  
Soho Central  
Greenfield District  
Shaw Boulevard  
Mandaluyong City  
(02) 8584-7538  
(02) 7968-6739  
(0917) 863-8592  
(0917) 827-0286

#### LIBERTAD - MANDALUYONG

Unit A2 Cluster El Dorado  
California Garden Square  
Libertad St.  
Mandaluyong City  
(02) 7470-2743  
(0917) 827-0765

#### SHAW MANDALUYONG

PICPA Bldg.  
700 Shaw Blvd.  
Mandaluyong City  
(02) 8724-2561  
(0917) 827-0994

#### ST. FRANCIS

##### SHANGRI-LA PLACE

Tower 1 G/F  
Retail Internal Road corner  
St. Francis St., Brgy. Wack-Wack  
Mandaluyong City  
(02) 7968-7429  
(0917) 808-7814  
(0917) 827-0156

#### WACK-WACK

6 Shaw Boulevard corner  
S. Laurel St., Mandaluyong City  
(02) 7906-9860  
(0917) 863-8748

#### MARIKINA CITY

##### MARIKINA

WRC 2 Bldg.  
No. 47 Gil Fernando Ave.  
Midtown Subdivision II  
Brgy. San Roque  
Marikina City  
(02) 7971-0006  
(0917) 846-6341

#### MUNTINLUPA CITY

##### ALABANG COUNTRY CLUB

G/F Alabang Country Club  
Acacia Drive  
Ayala Alabang Village  
Muntinlupa City  
(02) 7623-1960  
(02) 7216-9702  
(0917) 864-0894  
(0917) 800-7121

##### ALABANG TOWN CENTER

Makati Supermart Alabang  
Alabang Town Center  
Muntinlupa City  
(02) 7506-6689  
(02) 8842-0496  
(0917) 804-5785

##### AYALA ALABANG

G/F JD Tower  
Commerce corner  
Acacia Avenues  
Madrigal Business Park  
Ayala Alabang  
Muntinlupa City  
(02) 7585-1038  
(0917) 827-0361

##### MUNTINLUPA

12 Jayson's Bldg.  
National Road  
Putatan, Muntinlupa City  
(02) 7507-3068  
(02) 7623-2028  
(0917) 853-6378  
(0917) 827-0971

#### RICHVILLE

UGF Richville  
Corporate Tower  
Madrigal Business Park  
Alabang Zapote Road  
Alabang, Muntinlupa City  
(02) 7968-9615  
(0917) 859-9060

#### NAVOTAS

##### NAVOTAS

807-817 M. Naval St.  
Sipac Almacén  
Navotas City  
(02) 7971-0245  
(02) 7586-8269  
(02) 8282-7504  
(0917) 864-1165  
(0917) 827-1180

#### PARAÑAQUE CITY

##### BF HOMES

55 President's Ave.  
BF Homes Subd.  
Parañaque City  
(02) 7971-0192  
(0917) 864-0952

##### BICUTAN

28 Doña Soledad Ave.  
Better Living Subd.  
Parañaque City  
(02) 7971-0313  
(0917) 864-1576

##### DR. A. SANTOS

G/F MTF Bldg.  
Dr. A. Santos Ave. corner  
Kabesang Segundo St.  
San Isidro, Parañaque City  
(02) 7623-2026  
(02) 7506-6716  
(0917) 822-7644  
(0917) 827-0899

## PASCOR DRIVE

G/F Sky Freight Center  
Ninoy Aquino Ave. corner  
Pascor Drive, Parañaque City  
(02) 8855-7748  
(0917) 827-0544

## MEDICAL CENTER PARAÑAQUE

G/F MCP Bldg.  
Dr. Arcadio Santos Ave.  
Sucat, Parañaque City  
(02) 7586-7637  
(0917) 863-8216

## WEST SERVICE ROAD

Rodeo Bldg.  
Km. 18 West Service Road  
South Luzon Expressway  
Parañaque City  
(02) 7623-2029  
(02) 7971-0003  
(0917) 863-2307  
(0917) 827-0974

## PASAY CITY

### DOUBLE DRAGON MERIDIAN

G/F West Tower  
Double Dragon  
Meridian Park  
Macapagal Ave. corner  
EDSA Extension  
Pasay City  
(02) 8256-9611

### GSIS

GSIS Main Office  
Financial Center  
Pasay City  
(02) 7971-0024  
(02) 7503-3397  
(0917) 863-9785  
(0917) 863-9790

### MACAPAGAL

G/F Y Tower  
Macapagal Ave.  
Mall of Asia (MOA) Complex  
Pasay City  
(02) 8516-3473  
(0917) 833-4019

## NEWPORT CITY

G/F Horizon Centre  
Andrews Ave.  
Newport Boulevard  
Newport City  
Pasay City  
(02) 8556-8955  
(0917) 864-0349

## PASAY CITY

2528 ERL Bldg.  
Taft Ave., Pasay City  
(02) 8833-2959  
(0917) 864-0387

## PASIG CITY

### ADB AVENUE

G/F Burgundy Empire Tower  
ADB Ave. corner  
Sapphire & Garnet Roads  
Ortigas Center, Pasig City  
(02) 7622-1031  
(0917) 827-5992

### EMERALD AVENUE

G/F Wynsum Corporate  
Plaza Bldg., Emerald Ave.  
Ortigas Center, Pasig City  
(02) 7585-1008  
(0917) 827-0552

### FRONTERA VERDE

G/F Transcom Centre  
Frontera Verde  
Ortigas Avenue corner C5  
Pasig City  
(02) 7587-7981  
(0917) 823-2522

### JULIA VARGAS

G/F Centerpoint Bldg.  
J. Vargas Ave. corner  
Garnet Road  
Ortigas Center, Pasig City  
(02) 7975-8398  
(0917) 827-6165

## MEDICAL CITY

B1 The Medical Arts  
Tower Bldg.  
The Medical City Hospital  
Ortigas Avenue  
Pasig City  
(02) 7618-4458  
(0917) 864-0874

## ORTIGAS

G/F The Crescent  
Condominium  
29 San Miguel Ave.  
Ortigas Center, Pasig City  
(02) 7633-6443  
(0917) 827-0556

## RENAISSANCE TOWER

G/F Renaissance 1000  
Meralco Ave.  
Ortigas Center, Pasig City  
(02) 8584-8396  
(02) 7217-7210  
(0917) 827-0461

## SHAW BOULEVARD

131-133 Shaw Boulevard  
Pasig City  
(02) 7623-2126  
(0917) 827-0558

## SHAW-PASIG

G/F Chipeco Bldg.  
Shaw Boulevard corner  
Meralco Ave., Pasig City  
(02) 7502-2669  
(0917) 827-5832  
(0917) 831-0034

## TEKTITE

G/F West Tower  
Phil. Stock Exchange Center  
Exchange Road  
Ortigas Center, Pasig City  
(02) 8638-8746  
(0917) 863-8706

## UNIONBANK PLAZA

UnionBank Plaza Bldg.  
Meralco Ave. corner  
Onyx Road, Pasig City  
(02) 7211-8210  
(0917) 827-0559

## QUEZON CITY

### ACROPOLIS

G/F Bridgeview Bldg.  
171 E. Rodriguez Jr. Ave.  
Bagumbayan, Quezon City  
(02) 7968-8858  
(0917) 863-8798  
(0917) 827-0549

### ALI MALL

Level 2, Financial Center  
Ali Mall, Araneta Center  
Cubao, Quezon City  
(02) 7968-9010  
(0917) 863-8817

### AURORA - BALETE DRIVE

G/F Marsk Bldg.  
Aurora Blvd. corner  
Balete Drive, Quezon City  
(02) 7968- 7169  
(02) 8722-6327  
(0917) 863-8608

### AURORA BOULEVARD

677 Aurora Blvd.  
(near Broadway Centrum)  
New Manila, Quezon City  
(02) 8725-1951  
(0917) 863-8496

### BAESA

Dra. C. Pascual Bldg.  
142 Quirino Highway  
Baesa, Quezon City  
(02) 7618-9684  
(0917) 827-2511

## C-5 QC

184-B E. Rodriguez Jr. Ave.  
Bagumbayan, Quezon City  
(02) 8638-1689  
(02) 7968-8407  
(0917) 863-8830

## COMMONWEALTH AVENUE

12-13, Upper G/F  
Diliman Commercial Center  
Commonwealth Ave.  
Diliman, Quezon City  
(02) 7623-2616  
(0917) 812-7274

## COMMONWEALTH- LUZON AVENUE

UGF, Kayumanggi Center Bldg.  
Commonwealth corner  
Luzon Avenues  
Brgy. Matandang Balara  
Quezon City  
(02) 8936-3621  
(0917) 822-9949

## CUBAO

P. Tuazon St. corner  
7th Ave., Cubao, Quezon City  
(02) 7505-5824  
(02) 8912-1754 FAX  
(0917) 827-0292  
(0917) 842-7401

## DEL MONTE AVENUE

345 Del Monte Ave. corner  
Banawe St., Brgy. Manresa  
Quezon City  
(02) 7968-8941  
(02) 7968-9060  
(0917) 863-8825  
(0917) 863-8821

## EASTWOOD CITY

G/F Unit, LGRI-6  
Le Grand Tower 1  
Palm Tree Ave.  
Eastwood City  
Brgy. Bagumbayan  
Quezon City  
(0917) 866-7263

## E. RODRIGUEZ

1/F West Katipunan Bldg.  
95 E. Rodriguez Sr. Ave.  
Quezon City  
(02) 8712-1331  
(02) 7957-0117  
(0917) 827-0983  
(0917) 844-5314

## GMA-TIMOG

Unit 101 Cabrera Bldg. 1  
103 Timog Ave.  
Brgy. Sacred Heart  
Quezon City  
(02) 8294-3281  
(02) 7585-1669  
(0917) 864-0896

## KAMIAS

G/F TDS Bldg.  
72 Kamias Road  
Quezon City  
(02) 7617-7737  
(02) 7978-3636  
(0917) 844-7400  
(0917) 835-9075

## KATIPUNAN

335 AGCOR Bldg.  
Katipunan Ave.  
Loyola Heights  
Quezon City  
(02) 7971-0306  
(02) 8926-1768 FAX  
(0917) 827-0997  
(0917) 864-1533

**MAYON**

G/F ACI Bldg.  
178 Mayon St.  
Sta. Mesa Heights  
Brgy. Maharlika  
Quezon City  
(02) 7617-7224  
(02) 7211-5487  
(0917) 864-0835  
(0917) 827-0459

**MUÑOZ**

Muñoz Market  
EDSA corner  
Roosevelt Ave.  
Quezon City  
(02) 7623-1901  
(0917) 827-0986  
(0917) 864-0897

**NOVALICHES - GULOD**

854 Quirino Highway  
Gulod, Novaliches  
Quezon City  
(02) 7971-0266  
(0917) 864-1332

**ROOSEVELT**

244 Roosevelt Ave.  
San Francisco del Monte  
Quezon City  
(02) 7971-0279  
(0917) 864-1500  
(0917) 864-1153

**SANTO DOMINGO**

G/F Elements Bldg.  
560 Quezon Ave.  
Brgy. Tatalon  
Quezon City  
(02) 7623-2318  
(0917) 861-2596

**SOUTH TRIANGLE**

Quezon Ave. corner  
Scout Albano  
Quezon City  
(02) 7971-0091  
(0917) 864-0454

**SSS EAST AVENUE**

G/F SSS Main Bldg.  
East Ave.  
Quezon City  
(02) 7907-2329  
(02) 7980-1413  
(0917) 863-8432  
(0917) 827-6221

**TIMOG**

Cabrera Building II  
64 Timog Ave.  
Quezon City  
(02) 7623-9567  
(02) 8926-8636  
(0917) 827-1334

**TOMAS MORATO**

Tomas Morato near  
corner Scout Lozano St.  
Quezon City  
(02) 8928-5801  
(02) 7216-2774  
(0917) 804-9615

**VISAYAS - CONGRESSIONAL**

G/F WMG Building  
47 Visayas Ave.  
Brgy. Culiati  
Quezon City  
(02) 7504-4107  
(0917) 842-7292  
(0917) 805-2916

**WEST AVENUE - BALER**

No. 91 Brgy. Bungad  
West Ave., Quezon City  
(02) 7907-9408  
(02) 7971-0196  
(0917) 827-2501  
(0917) 864-0957

**CAINTA, RIZAL****CAINTA**

G/F CRV Bldg.  
F. Felix Ave. corner  
Karangalan Drive  
Cainta, Rizal  
(02) 8646-0295  
(02) 7968-9207  
(0917) 827-0991

**SAN JUAN****ANNAPOLIS**

G/F Unit 133  
Promenade Missouri  
Greenhills Shopping Center  
Missouri corner Annapolis Sts.  
Greenhills, San Juan City  
(02) 7968-3940  
(02) 8942-6282  
(0917) 863-8483  
(0917) 827-0547

**CARDINAL SANTOS**

G/F, Cardinal Santos  
Medical Center  
10 Wilson St.  
Greenhills West  
San Juan City  
(02) 8234-0718  
(0917) 863-8550  
(0917) 827-3092

**GREENHILLS**

Ortigas Ave. near corner  
Wilson St., Greenhills  
San Juan City  
(02) 7616-7108  
(0917) 863-8574  
(0917) 827-0992

**TAGUIG****2<sup>ND</sup> AVENUE - BGC**

G/F Blue Sapphire Bldg.  
2<sup>nd</sup> Ave. corner 30<sup>th</sup> St.  
Bonifacio Global City  
Taguig City  
(02) 8519-0324  
(0917) 827-0378

**3<sup>RD</sup> AVENUE - BGC**

G/F Shop B  
The Net Square Bldg.  
3<sup>rd</sup> Ave. corner 28<sup>th</sup> St.  
Bonifacio Global City  
Taguig City  
(02) 8810-1577  
(0917) 818-2493

**5<sup>TH</sup> AVENUE - GLOBAL CITY**

Unit 103, G/F One Global Place  
5<sup>th</sup> Ave. corner 25<sup>th</sup> St.  
Bonifacio Global City  
Taguig City  
(02) 8836-4872  
(0917) 827-2502

**BGC 7<sup>TH</sup> AVENUE**

G/F Twenty-Four  
Seven McKinley Bldg. corner  
7<sup>th</sup> Avenue, 24<sup>th</sup> Street  
McKinley Parkway  
Bonifacio Global City  
Taguig City  
(02) 8573-7281  
(0917) 863-8494

**BGC 32<sup>ND</sup> STREET**

G/F Trade and Financial Tower  
32<sup>nd</sup> St. corner 7<sup>th</sup> Ave.  
Bonifacio Global City  
Taguig City  
(02) 8478-5876  
(0917) 863-8342

**BGC 34<sup>TH</sup> STREET**

G/F Shop 2, Panorama Bldg.  
34<sup>th</sup> St. corner Lane A  
Bonifacio Global City  
Taguig City  
(02) 8833-211  
(0917) 827-9070

**BGC 38<sup>TH</sup> STREET**

G/F Orion Building  
11<sup>th</sup> Ave. corner 38<sup>th</sup> St.  
Bonifacio Global City  
Taguig City  
(02) 8624-4893  
(0917) 838-0421

**BGC MCKINLEY ROAD**

G/F Unit 1, Fairways Towers  
5<sup>th</sup> Ave., Bonifacio Global City  
Taguig City  
(02) 8968-6368  
(0917) 860-4713

**BGC THE LUXE RESIDENCES**

G/F Shop 3  
The Luxe Residences  
28<sup>th</sup> St. corner 4<sup>th</sup> Ave.  
Bonifacio Global City  
Taguig City  
(02) 8968-4403  
(0917) 309-4779

**BGC TRIANGLE DRIVE**

Shop 3, Philplans Building  
Corporate Center  
1012 North Triangle Drive  
Bonifacio Global City  
Taguig City  
(02) 8622-4313  
(0917) 863-8749

**BGC - UPTOWN PLACE MALL**

Unit B106, Lower G/F  
Uptown Place Mall  
9<sup>th</sup> Ave. corner 36<sup>th</sup> St.  
Bonifacio Global City  
Taguig City  
(02) 8968-8391  
(0917) 863-8761

**BONIFACIO HIGH STREET**

W Global Center corner  
30<sup>th</sup> and 9<sup>th</sup> Avenues  
Fort Bonifacio, Taguig City  
(02) 8808-1166  
(0917) 863-8499

**MCKINLEY HILL**

Units 1A& 1B Two World Square  
Upper McKinley Road  
McKinley Hill Drive  
Fort Bonifacio, Taguig City  
(02) 7968-4769  
(0917) 827-0366

**MCKINLEY WEST**

Lower G/F  
Robinsons Cyber Sigma Bldg.  
Lawton Ave., Bonifacio South  
Taguig City  
(02) 8824-8027  
(0917) 820-6845

**VALENZUELA****MALINTA**

292 Mirjan Bldg.  
Maysan Road  
Paso de Blas, Valenzuela City  
(02) 7500-3879  
(02) 7623-9570  
(0917) 800-5403  
(0917) 827-0870

**VALENZUELA**

Km. 12 MacArthur Highway  
corner Fatima Ave.  
Marulas, Valenzuela City  
(02) 7585-0997  
(02) 7971-0217  
(0917) 864-1242  
(0917) 827-0393

## CENTRAL / NORTH LUZON

### ANGELES

G/F Building 1, Unit 1 & 2  
Central Town Mall  
263 Fil-Am Friendship Highway  
Brgy. Cutcut, Angeles City  
Pampanga  
(0917) 827-3254

### BAGUIO

Units PF-7 & PF-7A  
PlazaFloor Cedar Bldg.  
Gen. Luna corner Mabini Sts.  
Brgy. Kabayanihan, Baguio City  
(074) 443-5658  
(0917) 863-9684

### BALIWAG

G/F Units 3&4  
3006 St. Augustine Square  
#17 Pinagbarilan St.  
Doña Remedios  
Trinidad Highway  
Baliwag, Bulacan  
(044) 766-2442  
(0917) 863-9692

### CABANATUAN

P. Burgos St.  
Brgy. Padre Burgos  
Cabanatuan City  
(044) 463-0490  
(0917) 863-9695

### CLARK

M. Roxas Highway  
Philexcel Business Park  
Clark Freeport Zone  
Pampanga  
(045) 499-5141  
(0917) 809-3519

### CAUAYAN, ISABELA

G/F Isabela Trade Center Bldg.  
National Highway  
Cauayan City, Isabela  
(078) 652-4401  
(0917) 863-9707

### DAGUPAN

G/F Insular Life Bldg.  
Arellano St., Brgy. Pantal  
Dagupan City, Pangasinan  
(075) 523-5575  
(0917) 863-9715

### LAOAG - SAN NICOLAS

G/F 365 Plaza Bldg.  
National Highway  
Brgy. 1 San Nicolas  
Ilocos Norte  
(077) 770-3771  
(0917) 863-9703

### MEYCAUAYAN

G/F Marian Bldg.  
MacArthur Highway, Calvario  
Meycauayan, Bulacan  
(044) 244-4566  
(044) 233-5753  
(0917) 825-0179  
(0917) 816-2712

### OLONGAPO

87 Magsaysay Drive  
Olongapo City  
(047) 602-2618  
(0917) 863-9710

### PAMPANGA

G/F Mel-V Bldg.  
Olongapo Gapan Road  
Dolores, San Fernando  
Pampanga  
(0917) 827-2875

### SAN FERNANDO, LA UNION

G/F, Nisce Business Center  
Quezon Ave., Brgy. Catbangan  
San Fernando, La Union  
(0917) 821-5285

### SAN FERNANDO, PAMPANGA

3M Bldg.  
MacArthur Highway  
San Agustin, San Fernando  
Pampanga  
(0917) 863-9742

### SANTIAGO

Maharlika Highway  
Santiago City, Isabela  
(0917) 864-7884

### SUBIC

19B Manila Ave. corner  
Canal St., Subic Bay  
Freeport Zone  
(047) 252-9326  
(0917) 864-0749

### TARLAC

Jaral Bldg., MacArthur Highway  
corner Juan Luna St.  
Tarlac City  
(045) 8982-6490  
(0917) 864-1348  
(0917) 864-1496

### TUGUEGARAO

Bagay Road corner  
Andrews St., Caritan Centro  
Tuguegarao City, Cagayan  
(078) 844-3170  
(0917) 864-0763

### VIGAN

AR Lahoz Bldg.  
Jose Singson St.  
Vigan, Ilocos Sur  
(077) 722-2046  
(0917) 864-0765

## SOUTHERN LUZON

### BACOR

Addio Bldg.  
Aguinaldo Highway  
Talaba, Bacoor, Cavite  
(046) 512-9432  
(0917) 864-0948

### BATANGAS CITY

G/F, University of Batangas Bldg.  
Highway Hills, Hilltop  
Batangas City  
(043) 722-1417  
(0917) 864-0934

### BIÑAN - CARMONA

National Highway  
Brgy. Maduya  
Carmona, Cavite  
(046) 521-7961  
(0917) 864-0950

### CALAMBA - PARIAN

G/F Andenson Bldg.  
Bgy. Parian, Calamba  
Laguna  
waiting for new number

### DASMARIÑAS - CAVITE

Gov. D. Mangubat Ave.  
Congressional Road  
Aguinaldo Highway  
Dasmariñas, Cavite  
(046) 521-7962  
(0917) 840-8102

### IMUS - CAVITE

G/F Melta Bldg. corner  
Sampaguita Village  
Aguinaldo Highway  
Imus, Cavite  
(046) 513-2155  
(0917) 864-0973

### LEGASPI

G/F Unit 1, SMC Bldg.  
Landco Business Park  
Capantawan, Legazpi City  
(0917) 864-0980

### LIMA

Unit GC-R04 and R05  
The Outlets  
LIMA Technological Center  
Special Economic Zone  
Malvar, Lipa City  
(043) 236 7935

### LIPA

B. Morada Ave.  
Lipa City, Batangas  
(043) 236-9159  
(0917) 864-1186

### LUCENA

One People Square  
M.L. Tagarao St. corner  
Granja St., Lucena City  
(042) 710-6538  
(0917) 864-0985

### NAGA

G/F Prime Days Hotel Bldg.  
Panganiban Drive  
Naga City  
(0917) 864-0986

### PUERTO PRINCESA

J.P. Rizal Ave.  
Brgy. Maningning  
Puerto Princesa City  
Palawan  
(048) 434-2007  
(0917) 864-1037

### SAN PEDRO

National Highway  
Brgy. Landayan  
San Pedro, Laguna  
(02) 506-5983  
(02) 868-8186  
(0917) 864-0937

### STA. ROSA

Rizal Boulevard corner  
Zavalla St., Brgy. Malusak  
Sta. Rosa, Laguna  
(049) 250-5227  
(0917) 864-1229

### PASEO DE STA. ROSA

G/F The Medical City  
South Luzon  
Greenfield City  
United Boulevard  
Brgy. San Jose  
Sta. Rosa, Laguna  
(049) 252-5834  
(0917) 864-1013

### TAGAYTAY

G/F Tagaytay  
Prime Residences  
Tagaytay-Calamba Road  
Prime Rotunda  
Brgy. San Jose  
Tagaytay City  
(0917) 702-3001  
(046) 513-2119

## METRO CEBU

### CEBU A.S. FORTUNA

G/F The Space  
A.S. Fortuna corner  
P. Remedio St., Banilad  
Mandaue City, Cebu  
(032) 353-4382  
(0917) 864-0539

### CEBU - BANILAD

Unit 114 Banilad Town Center  
Gov. M. Cuenco Ave.  
Banilad, Cebu City  
(032) 353-4387  
(0917) 864-0573

### CEBU - BORROMEIO

Door 8 Plaza Borromeo  
Borromeo St., Cebu City  
(032) 412-3401  
(0917) 864-0574

### CEBU INSULAR BRANCH (formerly CEBU BUSINESS PARK)

G/F Insular Life  
Cebu Business Centre  
Mindanao Ave. corner  
Biliran Road  
Cebu Business Park  
Cebu City  
(032) 353-4290  
(032) 353-4291  
(0917) 858-8573  
(0917) 863-7970

### CEBU BUSINESS PARK SUMILON ROAD

G/F Buildcomm Center  
Sumilon Road  
Cebu Business Park  
Cebu City  
(032) 350-8299  
(0917) 810-8519

**CEBU - EXCHANGE**

G/F Units D & E  
Cebu Exchange Tower  
Salinas Drive  
Lahug, Cebu City  
(0917) 874-9171

**CEBU - FUENTE**

G/F Rajah Park Place Hotel  
Fuente Osmeña Blvd.  
Cebu City  
(032) 353-4286  
(032) 412-5133  
(0917) 845-0852

**CEBU - I.T. PARK**

GF101 TGU Tower  
Salinas Drive  
Asiatown IT Park  
Lahug, Cebu City  
(032)324-7030  
(032) 316-5577  
(0917) 863-8173  
(0917) 863-8196

**CEBU - LAPU-LAPU  
MEPZ II**

Pueblo Verde, Basak  
Lapu-Lapu City, Cebu  
(032) 353-4293  
(0917) 863-8203

**CEBU LAPU-LAPU  
NATIONAL HIGHWAY**

M.L. Quezon St.  
Lapu-Lapu National Highway  
Pusok, Lapu-Lapu City, Cebu  
(032) 353-4305  
(0917) 863-8411

**CEBU MACTAN NEWTOWN**

G/F Retail 2&3  
Plaza Magellan Tower 1  
Mactan Newtown  
Lapu-Lapu City  
(032) 342-2091

**CEBU - MANDAUE**

Kentredder Bldg.  
A. Cortes St.  
Mandaue City, Cebu  
(032) 353-4295  
(032) 353-4297  
(0917) 863-8250  
(0917) 868-8276

**CEBU - MAXILOM**

G/F ONG TIAK Bldg.  
Gen. Maxilom Ave., Cebu City  
(032) 353-4298  
(032) 353-4299  
(0917) 863-8315  
(0917) 863-8331

**CEBU - MINGLANILLA**

G/F FCT Commercial Bldg.  
Poblacion Ward II  
Minglanilla, Cebu  
(032) 316-8763  
(0917) 805-4153

**CEBU NORTH DRIVE**

G/F North Drive Mall  
Ouano Ave., NRA  
Mandaue City, Cebu  
(032) 384-1927  
(0917) 863-8355

**CEBU NORTH ROAD**

G/F Khuz'ns Bldg.  
North Highway  
Estancia, Mandaue City  
(032) 353-4301  
(0917) 863-8367

**CEBU - PLARIDEL**

104 Plaridel St.  
Brgy. Sto. Niño, Cebu  
(032) 353-3129  
(032) 353-4302  
(032) 255-0084  
(0917) 863-8374  
(0917) 860-9987

**CEBU - SUBANGDAKU**

G/F Units 3&4  
A.D. Gothong I.T. Center  
Lopez Jaena St.  
Brgy. Subangdaku  
Mandaue City  
(032) 262-4616  
(032) 262-4621

**CEBU - TIMES SQUARE**

G/F Cebu Time Square 2 Bldg.  
Brgy. Tipolo  
North Reclamation Area  
Mandaue City, Cebu  
(032) 353-4307  
(0917) 853-9210

**BACOLOD - LACSON**

G/F Philamlife Bldg.  
Lacson corner Galo Sts.  
Bacolod City  
(0917) 841-5969  
(0917) 818-9624

**BACOLOD - NORTH  
MANDALAGAN**

G/F Unit 101  
CODECO Bldg.  
Lacson St. corner Consuelo Ave.  
Brgy. Bata, Bacolod City  
(034) 701-7899  
(034) 701-7900  
(0917) 864-0281  
(0917) 863-8645

**DUMAGUETE**

UnionBank Bldg.  
Ramon Pastor Sr. St. corner  
San Juan St., Dumaguete  
Negros Oriental  
(035) 404-2588  
(0917) 864-1244

**ILOILO - IZNART**

Villanueva Bldg.  
Iznart St., Iloilo City  
(033) 504-5827  
(033) 504-5829  
(0917) 864-0791  
(0917) 864-0849

**ILOILO - GENERAL LUNA**

Brgy. Villa Anita Village  
Gen. Luna St.  
Iloilo City  
(033) 504-5833  
(033) 504-5834  
(0917) 864-0852  
(0917) 864-0797

**TACLOBAN**

G/F Tacloban Plaza Bldg.  
Justice Romualdez St.  
Tacloban City  
(053) 589-3455  
(053) 522-7554  
(0917) 864-1304  
(0917) 827-5962

**TAGBILARAN**

0041 JS Torralba St.  
Brgy. POB II  
Tagbilaran City, Bohol  
(038) 510-8150  
(0917) 864-1340

**METRO DAVAO****DAVAO - CABAGUIO**

G/F Dmirie Bldg.  
JP Cabaguio Ave.  
Brgy. Paciano Bangoy  
Davao City  
(082) 324-3732  
(082) 324-5036  
(0917) 806-9916  
(0917) 827-4569

**DAVAO - MAGSAYSAY**

R. Magsaysay Ave. corner  
E. Jacinto St., Davao City  
(082) 326-1250  
(082) 326-1253  
(0917) 864-1459  
(0917) 864-1457

**DAVAO - MONTEVERDE**

G/F Mintrade Bldg.  
Monteverde Ave. corner  
Sales St., Davao City  
(082) 324-6570  
(082) 324-9321  
(0917) 864-0974  
(0917) 864-0970

**DAVAO QUIRINO**

Quirino Ave. corner  
San Pedro Extension St.  
Davao City  
(082) 324-4417  
(0917) 864-0898

**DAVAO - RIZAL**

G/F & 2/F  
Quibod Commercial Complex  
Rizal St., Davao City  
(082) 326-1149  
(082) 326-1181  
(0917) 864-1312  
(0917) 864-1352

**MINDANAO****BUTUAN**

G/F CAP Bldg.  
JC Aquino Ave. corner  
J. Rosales Ave.  
Butuan City  
(085) 304-6215  
(085) 304-6216  
(0917) 864-1520  
(0917) 864-1521

**CAGAYAN DE ORO - LAPASAN**

Lapasan National Highway  
Cagayan de Oro City  
(088) 316-6864  
(088) 316-6865  
(0917) 807-0789  
(0917) 863-5773

**GENERAL SANTOS - SOUTH**

G/F Sun City Suites  
Digos Makar Road  
National Highway  
General Santos City  
(083) 308-3487  
(083) 308-3776  
(0917) 861-4935  
(0917) 864-1260

**ILIGAN**

Quezon Ave. corner  
Brgy. Poblacion  
Iligan City  
(063) 302-2640  
(0917) 863-9835

**PAGADIAN**

Sabado Bldg.  
Rizal Ave., Pagadian City  
(062) 312-6798  
(062) 214-1841  
(0917) 863-9676

**ZAMBOANGA CITY**

G/F ZAEC Bldg.  
Mayor Jaldon St. corner  
Gov. Alvarez St.  
Zamboanga City  
(062) 312-5447  
(062) 312-9565  
(0917) 861-4653  
(0917) 843-0423

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Manoj Varma

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Mahalia A. Tecson  
Francis Albert B. Tionko  
Robertson B. Tolentino  
Lenikarr Maria B. Tud  
Kristine A. Ubaldo  
Aida T. Ungay  
Ysabel Jacqueline A. Urrutia  
Karina Aileen B. Valdezco  
Emmanuel Thomas Gerard O. Valeña  
Derrick M. Valenzuela  
Leilani D. Valle  
Kristine P. Valsadera  
Felix Martin S. Villanueva  
Melinda E. Villareal  
Rose Anne I. Viloria  
Joanna R. Wolf  
Dia Lareina Pauline G. Wong  
Nerissa A. Yap  
Jason Clein L. Yu  
Enrique Noel L. Yusingco  
Jaime Genaro L. Zulueta  
Ivy T. Zuñiga

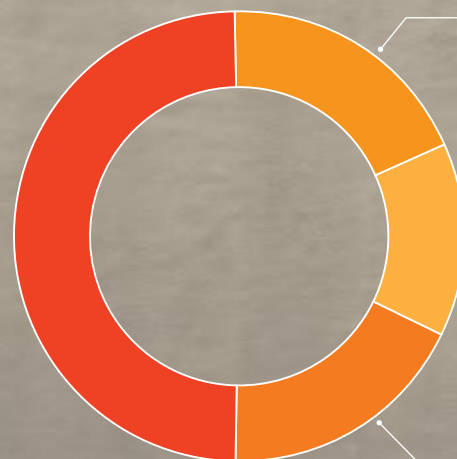
**Ownership Structure**

As of 31 March 2023, UnionBank’s major shareholders are Aboitiz Equity Ventures, Inc. (AEV), Social Security System (SSS) and Insular Life Assurance Company, Ltd. (Insular Life).

Note: Shareholdings are according to the Public Ownership Report

49.94% **aboitiz**

Filipino, Voting



19.47% Others

12.28% **InLife**

Filipino, Voting

18.31% **SOCIAL SECURITY SYSTEM**

Filipino, Voting

**Head Office**

UnionBank Plaza, Meralco Avenue  
corner Onyx and Sapphire Roads  
Ortigas Center, Pasig City 1605  
Fax: (02) 8636-5259  
SWIFT CODE: UBPHPHMM  
Web Site/Internet Bank: www.unionbankph.com

**Investor Relations**

**Carlo I. Eñanosa**  
Senior Vice President  
Head, Corporate Planning Group  
18/F UnionBank Plaza, Meralco Avenue  
corner Onyx and Sapphire Roads  
Ortigas Center, Pasig City 1605

**Stock Transfer Unit**

**Reymundo A. Mendoza**  
Quality Assurance and Allied Services Team Head  
Trust Operations Division  
23/F UnionBank Plaza, Meralco Avenue  
corner Onyx and Sapphire Roads,  
Ortigas Center, Pasig City 1605

**Customer Service**

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Platinum Cards Hotline: (02) 8631-7528

**Toll Free Numbers**

Domestic Calls (PLDT Landline): 1-800-1888-2277  
Universal Toll Free: (IAC)-800-8277-2273  
(Applicable in USA, Netherlands, Spain,  
Switzerland, Malaysia, Australia, Singapore,  
Japan, Korea-Koreatel, Korea-Onse, Israel)

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platinum@unionbankph.com

## CREDITS

The 2022 Annual Report is published by UnionBank Corporate Media and Reputation Management (CMRM) Customer Experience Group | CXG for stockholders, clients and friends.

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Writer: Heinz Bulos

Photography: Wig Tysmans

Photos of Directors Erramon Aboitiz, Sabin Aboitiz & Justo A. Ortiz, Progressive Bank executive Dollie Buenconsejo – courtesy of Aboitiz Equity Ventures, Inc. and subsidiary head, respectively

On the Cover: UnionBanker Claire L. Bernardo, Customer Experience QA Officer, Consumer Affairs Group

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Union Bank of the Philippines** (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, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud 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.

SyCip Gorres Velayo & Co., the independent auditors 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.



Erramon I. Aboitiz  
**Chairman of the Board**



Edwin R. Bautista  
**President and Chief Executive Officer**



Manuel R. Lozano  
**Executive Vice President  
Chief Financial Officer**



Francis B. Albalate  
**Senior Vice President  
Financial Controller**

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Union Bank of the Philippines

## Report on the Consolidated and Parent Bank Financial Statements

### Opinion

We have audited the consolidated financial statements of Union Bank of the Philippines and its subsidiaries (the Group) and the parent bank financial statements of Union Bank of the Philippines (the Parent Bank), which comprise the consolidated and parent bank statements of financial position as at December 31, 2022 and 2021, and the consolidated and parent bank statements of income, consolidated and parent bank statements of comprehensive income, consolidated and parent bank statements of changes in capital funds and consolidated and parent bank statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated and parent bank financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent bank financial statements present fairly, in all material respects, the financial position of the Group and the Parent Bank as at December 31, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

### 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 *Auditor's Responsibilities for the Audit of the Consolidated and Parent Bank Financial Statements* section of our report. We are independent of the Group and the Parent 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 consolidated and parent bank financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent bank financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent bank financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Bank Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent bank financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent bank financial statements.

### ***Applicable to the Audit of the Consolidated and Parent Bank Financial Statements***

#### *Allowance for expected credit loss (ECL)*

The Group's and the Parent Bank's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays

provided as a result of the coronavirus pandemic; determining assumptions used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Refer to Notes 4 and 20 of the consolidated and parent bank financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

#### *Audit Response*

We obtained an understanding of the methodologies and models used for the Group's and the Parent Bank's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments* (PFRS 9), to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of the model validation on the risk rating performed by management's specialist.

We (a) assessed the Group's and the Parent Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Bank's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of credit enhancements provided by any party; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Bank's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (g) tested the effective interest rate used in discounting the expected credit loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated and parent bank financial statements.

We involved our internal specialists in the performance of the above procedures.

#### *Accounting for business combination*

As disclosed in Note 1, in August 2022, the Group and the Parent Bank acquired the consumer banking business in the Philippines of another bank. As permitted by PFRS 3, *Business Combinations*, the Group and the Parent Bank determined the purchase price allocation on a provisional basis. We considered the accounting for this acquisition as a key audit matter because the amounts involved are material and required significant management judgment and estimates. Specifically, management exercised significant judgments and estimates in the determination of the fair value of loans and receivables using the discounted cash flow methodology and the fair value of properties using valuation techniques that consider recent transaction prices for similar properties and economic conditions prevailing at the time the valuations were made.

The Group's and the Parent Bank's disclosures about the fair value determination of the identifiable assets and liabilities acquired and the details of the business acquisition are included in Notes 1 and 3 to the consolidated and parent bank financial statements.

#### *Audit Response*

We obtained the Group's and the Parent Bank's provisional purchase price allocation and the related fair values of identifiable assets and liabilities of the acquired business. We obtained an understanding of the methodology and assumptions used in the determination of the fair value, particularly for the loans and receivables and properties. For loans and receivables, we checked the forecasted cash flows of selected loans against the contractual cash flows and the borrower's current financial condition and ability to pay the loan.

# INDEPENDENT AUDITOR'S REPORT

We tested the parameters used in the determination of the discount rate against market data and the Group's current incremental lending rate for similar type of loans and receivables. For the properties, we evaluated the competence, capabilities and qualifications of the external appraisers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in obtaining an understanding and evaluating the methodology and assumptions used in the valuation of the properties. We assessed the methodology adopted by referencing with common valuation models. We reviewed the relevant information supporting the sales and listings of comparable properties and the adjustments made to the sales price. We tested the mathematical accuracy of the provisional purchase price allocation and reviewed the presentation and disclosures in the consolidated and parent bank financial statements.

## *Impairment testing of goodwill*

Under PFRS, the Group and the Parent Bank perform testing of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The Group's and the Parent Bank's goodwill attributable to the various cash generating units (CGUs) is considered significant to the consolidated and parent bank financial statements. The Group's and the Parent Bank's impairment assessment requires significant judgement and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically on loan growth rate, deposit growth rate and discount rate. The disclosures in relation to the CGUs to which the goodwill is allocated and the Group's and the Parent Bank's impairment assessment are included in Notes 3 and 18 to the consolidated and parent bank financial statements.

## *Audit Response*

We involved our internal specialist in evaluating the methodologies and the assumptions used in calculating the value-in-use (VIU) of the CGUs. We compared the key assumptions used such as loan growth rate and deposit growth rate against the historical financial performance and the specific plans for the CGUs and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's and the Parent Bank's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

## **Other Information**

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated and parent bank financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent bank financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and parent bank financial statements, management is responsible for assessing the Group's and Parent 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 Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's and Parent Bank's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated and Parent Bank Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent bank financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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 consolidated and parent bank financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and parent bank 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 Group's and Parent 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 Group's and Parent 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 auditor's report to the related disclosures in the consolidated and parent bank 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 auditor's report. However, future events or conditions may cause the Group and the Parent Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent bank financial statements, including the disclosures, and whether the consolidated and parent bank financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

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

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



# INDEPENDENT AUDITOR'S REPORT

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

Our audit was 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 38 to the financial statements and Revenue Regulations 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the BSP and the 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 Union Bank of the Philippines. 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.

The engagement partner on the audit resulting in this independent auditor's report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 92305-SEC (Group A) Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A) Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369768, January 3, 2023, Makati City

February 27, 2023

# STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group		Parent Bank	
	December 31		December 31	
	2022	2021	2022	2021
<b>RESOURCES</b>				
<b>Cash and Other Cash Items</b> (Note 8)	<b>₱9,891,536</b>	₱8,904,903	<b>₱8,924,249</b>	₱7,988,517
<b>Due from Bangko Sentral ng Pilipinas</b> (Note 8)	<b>94,610,308</b>	103,407,946	<b>66,588,121</b>	67,478,389
<b>Due from Other Banks</b> (Note 9)	<b>46,239,964</b>	54,258,465	<b>42,263,529</b>	51,308,983
<b>Interbank Loans Receivable</b> (Note 10)	–	17,492,657	–	17,492,657
<b>Securities Purchased under Reverse Repurchase Agreements (SPURRA)</b> (Note 10)	<b>23,553,973</b>	23,420,742	<b>14,634,811</b>	15,541,296
<b>Trading and Investment Securities</b>				
At fair value through profit or loss (FVTPL) (Note 11)	<b>8,653,516</b>	5,640,005	<b>8,583,178</b>	5,571,270
At amortized cost (Note 12)	<b>244,627,904</b>	166,362,179	<b>235,400,671</b>	162,139,448
At fair value through other comprehensive income (FVOCI) (Note 13)	<b>79,761,762</b>	65,672,610	<b>79,467,678</b>	65,370,691
<b>Loans and Other Receivables - net</b> (Note 14)	<b>479,657,898</b>	336,353,889	<b>393,765,594</b>	275,576,906
<b>Investment in Subsidiaries and Associates</b> (Note 15)	<b>123,396</b>	142,355	<b>31,758,460</b>	23,082,955
<b>Bank Premises, Furniture, Fixtures and Equipment - net</b> (Note 16)	<b>8,706,619</b>	6,765,771	<b>7,236,034</b>	5,336,326
<b>Investment Properties – net</b> (Note 17)	<b>8,258,873</b>	8,673,344	<b>7,124,049</b>	7,435,877
<b>Goodwill</b> (Note 18)	<b>62,310,287</b>	14,818,932	<b>51,659,262</b>	7,886,898
<b>Other Resources - net</b> (Note 19)	<b>26,341,829</b>	19,181,663	<b>19,635,435</b>	15,308,078
<b>TOTAL RESOURCES</b>	<b>₱1,092,737,865</b>	₱831,095,461	<b>₱967,041,071</b>	₱727,518,291

# STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group		Parent Bank	
	December 31		December 31	
	2022	2021	2022	2021
<b>LIABILITIES AND CAPITAL FUNDS</b>				
<b>LIABILITIES</b>				
<b>Deposit Liabilities</b> (Note 21)				
Demand	<b>₱232,081,793</b>	₱204,560,986	<b>₱233,365,153</b>	₱206,254,190
Savings	<b>195,020,730</b>	136,430,021	<b>188,480,585</b>	132,074,831
Time	<b>281,201,419</b>	226,509,885	<b>199,075,294</b>	151,730,160
Long-term negotiable certificate of deposits	<b>3,000,000</b>	3,000,000	<b>3,000,000</b>	3,000,000
	<b>711,303,942</b>	570,500,892	<b>623,921,032</b>	493,059,181
<b>Bills Payable</b> (Note 22)	<b>132,846,789</b>	51,168,138	<b>99,309,124</b>	28,577,774
<b>Notes and Bonds Payable</b> (Note 23)	<b>51,644,325</b>	69,853,986	<b>51,644,325</b>	69,789,836
<b>Other Liabilities</b> (Note 24)	<b>48,800,486</b>	27,359,217	<b>44,646,216</b>	24,432,809
	<b>944,595,542</b>	718,882,233	<b>819,520,697</b>	615,859,600
<b>CAPITAL FUNDS</b>				
<b>Capital funds attributable to the Parent Bank's stockholders</b> (Note 25)				
Common stock	<b>21,421,068</b>	12,193,628	<b>21,421,068</b>	12,193,628
Additional paid-in capital	<b>47,949,927</b>	14,214,551	<b>47,949,927</b>	14,214,551
Stock dividend distributable	–	3,048,388	–	3,048,388
Surplus free	<b>90,727,927</b>	82,122,752	<b>91,307,820</b>	82,754,489
Surplus reserves	<b>2,452,975</b>	2,798,673	<b>2,030,080</b>	2,323,934
Net unrealized fair value losses on investment securities at FVOCI (Note 13)	<b>(14,057,609)</b>	(1,448,457)	<b>(14,059,469)</b>	(1,447,065)
Remeasurements of defined benefit plans (Note 29)	<b>(1,227,666)</b>	(1,507,361)	<b>(1,166,234)</b>	(1,449,181)
Other reserves	<b>30,989</b>	13,754	<b>37,182</b>	19,947
<b>Total capital funds attributable to the Parent Bank's stockholders</b>	<b>147,297,611</b>	111,435,928	<b>147,520,374</b>	111,658,691
<b>Non-controlling interests</b>	<b>844,712</b>	777,300	–	–
	<b>148,142,323</b>	112,213,228	<b>147,520,374</b>	111,658,691
<b>TOTAL LIABILITIES AND CAPITAL FUNDS</b>	<b>₱1,092,737,865</b>	₱831,095,461	<b>₱967,041,071</b>	₱727,518,291

See accompanying Notes to Financial Statements.

# STATEMENTS OF INCOME

## FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
<b>INTEREST INCOME ON</b>						
Loans and other receivables (Note 14)	<b>₱36,004,714</b>	₱27,372,449	₱28,406,664	<b>₱23,907,388</b>	₱17,497,261	₱19,802,696
Investment securities at amortized cost and FVOCI (Notes 12 and 13)	<b>12,489,741</b>	7,706,773	8,084,663	<b>12,083,622</b>	7,610,675	7,937,196
Cash and cash equivalents (Notes 8 and 9)	<b>1,000,188</b>	679,740	1,021,974	<b>584,977</b>	332,870	756,035
SPURRA (Note 10)	<b>566,019</b>	300,764	444,275	<b>393,663</b>	204,381	273,324
Interbank loans receivable (Note 10)	<b>260,343</b>	23,256	95,857	<b>259,183</b>	22,170	95,451
Trading securities at FVTPL (Note 11)	<b>203,766</b>	244,587	524,261	<b>203,766</b>	244,587	524,261
	<b>50,524,771</b>	36,327,569	38,577,694	<b>37,432,599</b>	25,911,944	29,388,963
<b>INTEREST EXPENSE ON</b>						
Deposit liabilities (Note 21)	<b>6,021,671</b>	2,967,692	5,616,821	<b>4,196,509</b>	1,805,424	4,256,480
Bills payable and other liabilities (Notes 22, 23, 24 and 29)	<b>5,601,709</b>	3,544,787	4,230,619	<b>4,183,835</b>	2,446,570	3,262,923
	<b>11,623,380</b>	6,512,479	9,847,440	<b>8,380,344</b>	4,251,994	7,519,403
<b>NET INTEREST INCOME</b>	<b>38,901,391</b>	29,815,090	28,730,254	<b>29,052,255</b>	21,659,950	21,869,560
<b>PROVISION FOR CREDIT LOSSES</b> (Note 20)	<b>4,068,449</b>	5,811,398	8,381,856	<b>2,571,143</b>	4,657,731	7,450,171
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>	<b>34,832,942</b>	24,003,692	20,348,398	<b>26,481,112</b>	17,002,219	14,419,389
<b>OTHER INCOME</b>						
Service charges, fees and commissions (Note 27)	<b>6,781,671</b>	3,773,311	2,346,639	<b>5,685,762</b>	2,492,356	1,723,620
Gains (losses) on trading and investment securities at FVTPL and FVOCI (Notes 11 and 13)	<b>(181,397)</b>	217,943	3,829,710	<b>(182,303)</b>	217,533	3,831,674
Gains on sale of investment securities at amortized cost (Note 12)	<b>100,223</b>	8,447,595	5,111,793	<b>100,223</b>	8,447,595	5,111,793
Miscellaneous (Note 28)	<b>6,598,584</b>	2,861,815	2,078,996	<b>7,497,855</b>	3,542,828	2,565,048
	<b>13,299,081</b>	15,300,664	13,367,138	<b>13,101,537</b>	14,700,312	13,232,135
<b>TOTAL OPERATING INCOME</b>	<b>48,132,023</b>	39,304,356	33,715,536	<b>39,582,649</b>	31,702,531	27,651,524

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
<b>OTHER EXPENSES</b>						
Salaries and employee benefits (Note 29)	<b>₱10,030,713</b>	₱8,646,702	₱7,809,204	<b>₱7,552,736</b>	₱6,591,420	₱5,910,981
Taxes and licenses (Note 17)	<b>4,110,188</b>	2,881,458	3,503,233	<b>2,738,837</b>	1,929,202	2,597,693
Depreciation and amortization (Note 16)	<b>1,607,873</b>	1,623,679	1,406,900	<b>1,167,564</b>	1,146,458	1,008,907
Occupancy (Note 16)	<b>1,026,889</b>	890,645	904,750	<b>764,356</b>	674,342	674,692
Miscellaneous (Note 28)	<b>14,751,697</b>	10,277,070	7,749,066	<b>11,901,915</b>	7,147,271	6,126,463
	<b>31,527,360</b>	24,319,554	21,373,153	<b>24,125,408</b>	17,488,693	16,318,736
<b>PROFIT BEFORE TAX</b>	<b>16,604,663</b>	14,984,802	12,342,383	<b>15,457,241</b>	14,213,838	11,332,788
<b>INCOME TAX EXPENSE</b> (Note 30)	<b>3,931,441</b>	2,407,069	781,380	<b>2,927,993</b>	1,688,462	69,365
<b>NET PROFIT</b>	<b>₱12,673,222</b>	₱12,577,733	₱11,561,003	<b>₱12,529,248</b>	₱12,525,376	₱11,263,423
<b>Attributable to:</b>						
Parent Bank's stockholders	<b>₱12,529,248</b>	₱12,525,376	₱11,553,430	<b>₱12,529,248</b>	₱12,525,376	₱11,263,423
Non-controlling interests	<b>143,974</b>	52,357	7,573	<b>—</b>	—	—
	<b>₱12,673,222</b>	₱12,577,733	₱11,561,003	<b>₱12,529,248</b>	₱12,525,376	₱11,263,423
<b>Basic/Diluted Earnings per Share</b> (Note 33)	<b>₱6.55</b>	₱8.22	₱7.58	<b>₱6.55</b>	₱8.22	₱7.39

See accompanying Notes to Financial Statements.

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
<b>NET PROFIT FOR THE YEAR</b>	<b>₱12,673,222</b>	<b>₱12,577,733</b>	<b>₱11,561,003</b>	<b>₱12,529,248</b>	<b>₱12,525,376</b>	<b>₱11,263,423</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>						
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>						
Unrealized mark-to-market gains (losses) on investment securities at FVOCI	(12,510,381)	(845,911)	2,997,404	(12,556,049)	(835,790)	2,989,316
Realized (gains) losses on sale of investment securities at FVOCI recognized in profit or loss (Note 13)	(99,466)	(657,987)	(3,020,457)	(100,162)	(657,987)	(3,020,457)
Cumulative translation adjustment	17,235	32,640	(15,337)	17,235	30,559	(10,612)
Share in unrealized mark-to-market gains (losses) on investment securities at FVOCI of subsidiaries (Note 15)	–	–	–	43,807	(133)	–
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Remeasurement gains (losses) on defined benefit plan (Note 29)	372,764	502,675	(634,623)	336,721	427,890	(588,767)
Income tax benefit (expense) (Note 30)	(93,191)	(193,286)	190,387	(84,180)	(174,589)	176,630
Share in changes in remeasurement gains (losses) of subsidiaries (Note 15)	–	–	–	30,406	38,907	(21,228)
<b>TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(12,313,039)</b>	<b>(1,161,869)</b>	<b>(482,626)</b>	<b>(12,312,222)</b>	<b>(1,171,143)</b>	<b>(475,118)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>₱360,183</b>	<b>₱11,415,864</b>	<b>₱11,078,377</b>	<b>₱217,026</b>	<b>₱11,354,233</b>	<b>₱10,788,305</b>
<b>Attributable to:</b>						
Parent Bank's stockholders	₱217,026	₱11,362,598	₱11,078,413	₱217,026	₱11,354,233	₱10,788,305
Non-controlling interests	143,157	53,266	(36)	–	–	–
	<b>₱360,183</b>	<b>₱11,415,864</b>	<b>₱11,078,377</b>	<b>₱217,026</b>	<b>₱11,354,233</b>	<b>₱10,788,305</b>

See accompanying Notes to Financial Statements.

# STATEMENTS OF CHANGES IN CAPITAL FUNDS

## FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts are presented in thousands of Philippine Pesos)

	Group										
	Equity Attributable to Equity Holders of the Parent Bank										Total Capital Funds
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non- controlling Interests	
<b>Balances as at January 1, 2022</b>	P12,193,628	P14,214,551	P3,048,388	P82,122,752	P2,798,673	(P1,448,457)	(P1,507,361)	P13,754	P111,435,928	P777,300	
Total comprehensive income (loss) for the year	-	-	-	12,529,248	-	(12,609,152)	279,695	17,235	217,026	143,157	360,183
Issuance of new shares (Note 25)	9,227,440	33,735,376	(3,048,388)	-	-	-	-	-	39,914,428	-	39,914,428
Cash dividends (Note 25)	-	-	-	(4,269,771)	-	-	-	-	(4,269,771)	-	(4,269,771)
Reversal of appropriations during the year – net (Note 25)	-	-	-	345,698	(345,698)	-	-	-	-	-	-
Dividends of subsidiaries to non-controlling interests (NCI)	-	-	-	-	-	-	-	-	-	(75,745)	(75,745)
<b>Balances as at December 31, 2022</b>	<b>P21,421,068</b>	<b>P47,949,927</b>	<b>P-</b>	<b>P90,727,927</b>	<b>P2,452,975</b>	<b>(P14,057,609)</b>	<b>(P1,227,666)</b>	<b>P30,989</b>	<b>P147,297,611</b>	<b>P844,712</b>	<b>P148,142,323</b>
Balances as at January 1, 2021	P12,184,715	P14,214,983	P-	P77,096,218	P2,645,080	P55,384	(P1,815,784)	(P18,886)	P104,361,710	P790,692	P105,152,402
Total comprehensive income (loss) for the year	-	-	-	12,525,376	-	(1,503,841)	308,423	32,640	11,362,598	53,266	11,415,864
Issuance of new shares (Note 25)	8,913	54,684	-	-	-	-	-	-	63,597	-	63,597
Stock dividends (Note 25)	-	(55,116)	3,048,388	(3,048,388)	-	-	-	-	(55,116)	-	(55,116)
Cash dividends (Note 25)	-	-	-	(4,267,770)	-	-	-	-	(4,267,770)	-	(4,267,770)
Appropriations during the year (Note 25)	-	-	-	(153,593)	153,593	-	-	-	-	-	-
Dividends of subsidiaries to NCI	-	-	-	-	-	-	-	-	-	(59,300)	(59,300)
Subscription of shares by NCI	-	-	-	-	-	-	-	-	-	10,000	10,000
Acquisition of NCI	-	-	-	(29,091)	-	-	-	-	(29,091)	(17,358)	(46,449)
<b>Balances as at December 31, 2021</b>	<b>P12,193,628</b>	<b>P14,214,551</b>	<b>P3,048,388</b>	<b>P82,122,752</b>	<b>P2,798,673</b>	<b>(P1,448,457)</b>	<b>(P1,507,361)</b>	<b>P13,754</b>	<b>P111,435,928</b>	<b>P777,300</b>	<b>P112,213,228</b>
Balances as at January 1, 2020	P12,176,096	P14,172,060	P-	P67,851,771	P4,600,747	P78,437	(P1,379,157)	(P3,549)	P97,496,405	P520,560	P98,016,965
Total comprehensive income (loss) for the year	-	-	-	11,553,430	-	(23,053)	(436,627)	(15,337)	11,078,413	(36)	11,078,377
Issuance of new shares (Note 25)	8,619	42,923	-	-	-	-	-	-	51,542	-	51,542
Cash dividends (Note 25)	-	-	-	(4,264,650)	-	-	-	-	(4,264,650)	-	(4,264,650)
Effect of business combination (Note 15)	-	-	-	-	-	-	-	-	-	270,168	270,168
Reversal of appropriations during the year – net (Note 25)	-	-	-	1,955,667	(1,955,667)	-	-	-	-	-	-
<b>Balances as at December 31, 2020</b>	<b>P12,184,715</b>	<b>P14,214,983</b>	<b>P-</b>	<b>P77,096,218</b>	<b>P2,645,080</b>	<b>P55,384</b>	<b>(P1,815,784)</b>	<b>(P18,886)</b>	<b>P104,361,710</b>	<b>P790,692</b>	<b>P105,152,402</b>

	Parent Bank								
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total Capital Funds
<b>Balances as at January 1, 2022</b>	<b>₱12,193,628</b>	<b>₱14,214,551</b>	<b>₱3,048,388</b>	<b>₱82,754,489</b>	<b>₱2,323,934</b>	<b>(₱1,447,065)</b>	<b>(₱1,449,181)</b>	<b>₱19,947</b>	<b>₱111,658,691</b>
Total comprehensive income (loss) for the year	–	–	–	12,529,248	–	(12,612,404)	282,947	17,235	217,026
Issuance of new shares (Note 25)	9,227,440	33,735,376	(3,048,388)	–	–	–	–	–	39,914,428
Cash dividends (Note 25)	–	–	–	(4,269,771)	–	–	–	–	(4,269,771)
Appropriations during the year – net (Note 25)	–	–	–	293,854	(293,854)	–	–	–	–
<b>Balances as at December 31, 2022</b>	<b>₱21,421,068</b>	<b>₱47,949,927</b>	<b>₱–</b>	<b>₱91,307,820</b>	<b>₱2,030,080</b>	<b>(₱14,059,469)</b>	<b>(₱1,166,234)</b>	<b>₱37,182</b>	<b>₱147,520,374</b>
Balances as at January 1, 2021	₱12,184,715	₱14,214,983	₱–	₱77,697,363	₱2,171,842	₱46,845	(₱1,741,389)	(₱10,612)	₱104,563,747
Total comprehensive income (loss) for the year	–	–	–	12,525,376	–	(1,493,910)	292,208	30,559	11,354,233
Issuance of new shares (Note 25)	8,913	54,684	–	–	–	–	–	–	63,597
Stock dividends (Note 25)	–	(55,116)	3,048,388	(3,048,388)	–	–	–	–	(55,116)
Cash dividends (Note 25)	–	–	–	(4,267,770)	–	–	–	–	(4,267,770)
Appropriations during the year – net (Note 25)	–	–	–	(152,092)	152,092	–	–	–	–
<b>Balances as at December 31, 2021</b>	<b>₱12,193,628</b>	<b>₱14,214,551</b>	<b>₱3,048,388</b>	<b>₱82,754,489</b>	<b>₱2,323,934</b>	<b>(₱1,447,065)</b>	<b>(₱1,449,181)</b>	<b>₱19,947</b>	<b>₱111,658,691</b>
Balances as at January 1, 2020	₱12,176,096	₱14,172,060	₱–	₱70,201,147	₱2,669,285	₱77,986	(₱1,308,024)	₱–	₱97,988,550
Total comprehensive income (loss) for the year	–	–	–	11,263,423	–	(31,141)	(433,365)	(10,612)	10,788,305
Issuance of new shares (Note 25)	8,619	42,923	–	–	–	–	–	–	51,542
Cash dividends (Note 25)	–	–	–	(4,264,650)	–	–	–	–	(4,264,650)
Reversals of appropriations during the year – net (Note 25)	–	–	–	497,443	(497,443)	–	–	–	–
<b>Balances as at December 31, 2020</b>	<b>₱12,184,715</b>	<b>₱14,214,983</b>	<b>₱–</b>	<b>₱77,697,363</b>	<b>₱2,171,842</b>	<b>₱46,845</b>	<b>(₱1,741,389)</b>	<b>(₱10,612)</b>	<b>₱104,563,747</b>

See accompanying Notes to Financial Statements.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts are presented in thousands of Philippine Pesos)

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before tax	<b>₱16,604,663</b>	₱14,984,802	₱12,342,383	<b>₱15,457,241</b>	₱14,213,838	₱11,332,788
Adjustments for:						
Provision for credit losses (Note 20)	<b>4,068,449</b>	5,811,398	8,381,856	<b>2,571,143</b>	4,657,731	7,450,171
Depreciation and amortization (Note 16)	<b>2,228,372</b>	2,221,316	1,928,421	<b>1,632,098</b>	1,557,053	1,447,218
Unrealized foreign exchange losses (gains) - net	<b>1,265,139</b>	(876,088)	45,873	<b>1,187,664</b>	(909,334)	45,882
Losses (gains) on sale of investment properties (Note 17)	<b>(1,224,045)</b>	43,689	(229,148)	<b>(1,193,004)</b>	(207,360)	(195,471)
Amortization of premium and discount of financial assets and liabilities	<b>1,168,740</b>	2,269,357	633,893	<b>1,272,967</b>	2,220,141	635,120
Gains on foreclosure of investment properties (Note 17)	<b>(466,388)</b>	(135,309)	(153,876)	<b>(466,388)</b>	(135,309)	(153,876)
Gains on sale of investment securities at amortized cost (Note 12)	<b>(100,223)</b>	(8,447,595)	(5,111,793)	<b>(100,223)</b>	(8,447,595)	(5,111,793)
Gains on sale of investment securities at FVOCI (Note 13)	<b>(99,466)</b>	(657,987)	(3,020,457)	<b>(100,162)</b>	(657,987)	(3,020,457)
Share in net loss (profit) of subsidiaries and associates (Notes 15 and 28)	<b>29,666</b>	4,135	3,665	<b>(1,712,086)</b>	(1,173,016)	(953,082)
Reversal of impairment on investment properties (Note 17)	<b>(24,695)</b>	(64,649)	–	<b>(24,722)</b>	(64,649)	–
Losses (gains) on disposal of property and equipment (Note 16)	<b>14,849</b>	(18,108)	8,641	<b>429</b>	(1,900)	(6,236)
Impairment of goodwill and investment in subsidiaries (Notes 15 and 18)	–	529,599	223,172	–	–	290,002
Gain on sale of investments in associates (Note 15)	–	(167,332)	–	–	–	–
Changes in operating assets and liabilities:						
Decreases (increases) in:						
Loans and other receivables	<b>(80,626,502)</b>	(19,355,679)	29,147,657	<b>(54,060,475)</b>	(17,497,222)	33,878,915
Trading securities at FVTPL	<b>(3,013,511)</b>	12,670,664	(10,582,248)	<b>(3,011,908)</b>	12,840,034	(10,593,749)
Other resources	<b>(9,594,421)</b>	(6,328,757)	(28,285)	<b>(5,535,753)</b>	(4,114,905)	(1,175,000)
Increases (decreases) in:						
Deposit liabilities	<b>75,537,858</b>	42,715,866	46,590,101	<b>65,596,659</b>	27,830,562	32,349,777
Other liabilities	<b>21,445,696</b>	2,905,804	(6,953,527)	<b>18,489,460</b>	1,533,845	(4,817,926)
Net cash provided by operations	<b>27,214,181</b>	48,105,126	73,226,328	<b>40,002,940</b>	31,643,927	61,402,283
Income taxes paid	<b>(3,519,486)</b>	(2,171,465)	(2,155,071)	<b>(1,920,223)</b>	(1,260,561)	(1,296,905)
Net cash provided by operating activities	<b>23,694,695</b>	45,933,661	71,071,257	<b>38,082,717</b>	30,383,366	60,105,378

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Acquisitions of:						
Investment securities at amortized cost	<b>(P118,551,429)</b>	(P125,796,399)	(P65,958,555)	<b>(P113,271,357)</b>	(P124,111,014)	(P63,475,137)
Investment securities at FVOCI	<b>(111,135,751)</b>	(78,214,061)	(97,655,465)	<b>(111,112,623)</b>	(78,214,061)	(97,655,465)
Bank premises, furniture, fixtures and equipment (Note 16)	<b>(551,592)</b>	(505,605)	(1,026,363)	<b>(308,016)</b>	(317,391)	(867,690)
Investments in subsidiaries and associates (Notes 1 and 15)	<b>(14,400)</b>	(109,608)	–	<b>(7,073,025)</b>	(1,500,000)	–
Proceeds from maturities/sale of:						
Investment securities at amortized cost	<b>42,109,410</b>	122,933,196	71,519,901	<b>41,846,113</b>	122,903,200	71,519,901
Investment securities at FVOCI	<b>87,266,386</b>	46,097,932	72,201,864	<b>87,191,082</b>	46,067,931	72,201,864
Investment properties (Note 17)	<b>620,286</b>	464,361	410,787	<b>575,169</b>	407,214	273,676
Bank premises, furniture, fixtures and equipment (Note 16)	<b>45,761</b>	52,920	12,418	<b>18,285</b>	15,543	18,138
Dividends received from a subsidiary	–	–	–	<b>188,000</b>	1,496,811	–
Investments in associates (Note 15)	–	313,012	–	–	–	–
Acquisition of business, net of cash acquired (Notes 1 and 15)	<b>(48,125,088)</b>	–	54,241	<b>(44,369,378)</b>	–	(702,502)
Dissolution of subsidiaries (Notes 1 and 15)	–	–	–	–	11	–
<b>Net cash used in investing activities</b>	<b>(148,336,417)</b>	(34,764,252)	(20,441,172)	<b>(146,315,750)</b>	(33,251,756)	(18,687,215)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payments of:						
Bills payable	<b>(225,725,630)</b>	(131,247,110)	(609,512,421)	<b>(177,520,637)</b>	(69,805,980)	(565,341,774)
Notes and bonds payable	<b>(38,183,199)</b>	(3,473,520)	(21,171,857)	<b>(35,112,500)</b>	–	(18,200,000)
Cash dividends (Note 25)	<b>(4,269,771)</b>	(4,267,770)	(4,264,650)	<b>(4,269,771)</b>	(4,267,770)	(4,264,650)
Lease liabilities (Note 24)	<b>(659,030)</b>	(579,064)	(613,498)	<b>(496,312)</b>	(446,112)	(477,197)
Dividends of subsidiaries to NCI	<b>(75,745)</b>	(59,300)	–	–	–	–
Cash for fractional shares related to stock dividends (Note 25)	–	(55,116)	–	–	(55,116)	–
Proceeds from:						
Bills payable	<b>306,504,535</b>	127,075,530	558,732,399	<b>247,352,242</b>	62,765,158	507,779,097
Issuance of new shares, net of issuance costs (Note 25)	<b>39,914,428</b>	63,597	51,542	<b>39,914,428</b>	63,597	51,542
Notes and bonds payable (Note 23)	<b>13,904,476</b>	11,057,895	33,135,900	<b>10,932,289</b>	7,650,000	30,206,900
Subscription of shares by NCI	–	10,000	–	–	–	–
<b>Net cash provided by (used in) financing activities</b>	<b>91,410,064</b>	(1,474,858)	(43,642,585)	<b>80,799,739</b>	(4,096,223)	(50,246,082)

# CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts are presented in thousands of Philippine Pesos)

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
<b>EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES</b>	<b>₱42,726</b>	(₱44,958)	(₱145,377)	<b>₱34,162</b>	(₱44,958)	(₱140,652)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(33,188,932)</b>	9,649,593	6,842,123	<b>(27,399,132)</b>	(7,009,571)	(8,968,571)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>						
Cash and other cash items	<b>8,904,903</b>	8,958,042	8,580,709	<b>7,988,517</b>	7,814,917	7,832,302
Due from Bangko Sentral ng Pilipinas (BSP)	<b>103,407,946</b>	103,869,770	73,749,813	<b>67,478,389</b>	83,867,434	67,798,418
Due from other banks	<b>54,258,465</b>	68,532,218	73,675,709	<b>51,308,983</b>	64,763,768	71,497,226
Interbank loans receivable	<b>17,492,657</b>	–	213,062	<b>17,492,657</b>	–	213,062
Securities purchased under reverse repurchase agreement (SPURRA)	<b>23,420,742</b>	16,475,090	34,773,704	<b>15,541,296</b>	10,373,294	28,446,976
	<b>207,484,713</b>	197,835,120	190,992,997	<b>159,809,842</b>	166,819,413	175,787,984
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>						
Cash and other cash items	<b>9,891,536</b>	8,904,903	8,958,042	<b>8,924,249</b>	7,988,517	7,814,917
Due from BSP	<b>94,610,308</b>	103,407,946	103,869,770	<b>66,588,121</b>	67,478,389	83,867,434
Due from other banks	<b>46,239,964</b>	54,258,465	68,532,218	<b>42,263,529</b>	51,308,983	64,763,768
Interbank loans receivable	–	17,492,657	–	–	17,492,657	–
SPURRA	<b>23,553,973</b>	23,420,742	16,475,090	<b>14,634,811</b>	15,541,296	10,373,294
	<b>₱174,295,781</b>	₱207,484,713	₱197,835,120	<b>₱132,410,710</b>	₱159,809,842	₱166,819,413
<b>OPERATIONAL CASH FLOWS FROM INTERESTS AND DIVIDENDS</b>						
Interest received	<b>₱47,786,261</b>	₱38,840,197	₱38,292,850	<b>₱36,762,893</b>	₱28,048,227	₱29,188,963
Interest paid	<b>10,608,914</b>	6,482,612	10,304,166	<b>7,588,579</b>	4,250,186	7,976,641
Dividends received	<b>6,076</b>	145,789	200,671	<b>2,768</b>	145,789	200,671

See accompanying Notes to Financial Statements.

# UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

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## NOTES TO FINANCIAL STATEMENTS

### 1. Corporate Information

#### Incorporation and Operations

Union Bank of the Philippines (the Bank, UnionBank or the Parent Bank) was incorporated in the Philippines on August 16, 1968 and operates as a universal bank through its universal banking license acquired in July 1992.

The Bank provides expanded commercial banking products and services such as loans and deposits, cash management, retail banking, foreign exchange, capital markets, corporate and consumer finance, investment management and trust banking. As of December 31, 2022, the Bank and its subsidiaries (collectively referred to as the “Group”) has 385 branches and 454 on-site and 131 off-site automated teller machines (ATMs), located nationwide.

The Bank’s common shares are listed in the Philippine Stock Exchange (PSE). The Bank is effectively 49.92% owned by Aboitiz Equity Ventures, Inc. (AEVI), a company incorporated and domiciled in the Philippines. AEVI is the holding and management company of the Aboitiz Group of Companies.

The Bank’s subsidiaries are all incorporated in the Philippines, except for UBX SG and UBX Remit, and the Bank’s effective percentage of ownership and the nature of the subsidiaries’ businesses as of December 31, 2022 and 2021 are as follows:

Name of Subsidiary	Percentage of ownership		Nature of Business
	2022	2021	
City Savings Bank, Inc. (CSB)	99.79%	99.79%	Thrift bank
PetNet, Inc. (PETNET) <sup>(a)</sup>	51.00%	51.00%	Foreign currency trader and remittance business
First-Agro Industrial Rural Bank, Inc. (FAIR Bank) <sup>(f)</sup>	100.00%	100.00%	Rural bank
UBP Investments Corporation (UIC)	100.00%	100.00%	Holding company
First Union Plans, Inc. (FUPI) <sup>(k)</sup>	100.00%	100.00%	Pre-need
First Union Direct Corporation (FUDC) <sup>(h)</sup>	100.00%	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) <sup>(b)</sup>	100.00%	100.00%	Agent for insurance and financial products
UBP Securities, Inc. (UBPSI) <sup>(h)</sup>	100.00%	100.00%	Securities brokerage
UnionBank Currency Brokers Corporation (UCBC) <sup>(i)</sup>	–	100.00%	Foreign currency brokerage
UnionDataCorp (UDC) <sup>(h)</sup>	100.00%	100.00%	Data processing
Interventure Capital Corporation (IVCC) <sup>(h)</sup>	60.00%	60.00%	Venture capital
UBX Philippines Corporation (UBX)	100.00%	100.00%	Investment holding and innovation company
UBX Private Ltd. (UBX SG) <sup>(c)</sup>	100.00%	100.00%	Holding company
UBX Remit Pte. Ltd. (UBX Remit) <sup>(d)</sup>	100.00%	100.00%	Remittance company
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) <sup>(e)</sup>	70.00%	70.00%	Private development bank
Progressive Bank, Inc. (PBI) <sup>(f)</sup>	100.00%	100.00%	Rural bank
UnionDigital Bank, Inc. (UnionDigital) <sup>(g)</sup>	100.00%	100.00%	Digital bank
Citicorp Financial Services and Insurance Brokerage Philippines, Inc. (CFSI) <sup>(i)</sup>	100.00%	–	Insurance and securities brokerage

(a) Subsidiary through CSB and UIC, with 40% and 11% share in ownership, respectively

(b) Wholly-owned subsidiaries of UIC

(c) Wholly owned subsidiary of UBX

(d) Wholly owned subsidiary of UBX SG

(e) Subsidiary through CSB and UIC, with 49% and 21% share in ownership, respectively

(f) Subsidiary through CSB and UIC, with 49% and 51% share in ownership, respectively

(g) Incorporated on November 25, 2021

(h) Non-operating subsidiaries, wholly-owned by UIC

(i) Dissolved as of April 8, 2022

(j) Acquired 100% ownership as part of the Parent Bank’s acquisition of Citigroup Inc.’s consumer business in the Philippines on August 1, 2022

(k) In October 2022, the stockholders of FUPI approved the voluntary cessation and withdrawal of its pre-need business



Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

- (a) In a special meeting held on December 23, 2021, the Bank's BOD approved the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction includes the acquisition of Citigroup's credit card, personal loans, wealth management, and retail deposit businesses, as well as the real estate interests in Citibank Square in Eastwood, Quezon City, 3 full-service bank branches, and 5 wealth centers in the Philippines.

Also on December 23, 2021, the BOD approved the raising of additional capital of up to ₱40.0 billion through the issuance of additional shares from the Bank's unissued authorized capital stock via a stock rights offering (SRO) to all existing shareholders. On May 16, 2022, the Bank issued approximately 617.2 million common shares priced at ₱64.81 per share. Proceeds from the SRO were deployed to partially fund the acquisition of Citigroup, Inc.'s Philippine consumer business.

On April 5, 2022, the Philippine Competition Commission (PCC) issued clearance on the Bank's proposed acquisition of assets and liabilities of Citibank N.A., Philippine Branch and Citi Square Building Corporation, and shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc. The PCC resolved to take no further action with respect to the proposed acquisition. On July 14, 2022, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 1017, approved the Bank's acquisition of Citigroup's consumer business in the Philippines.

On August 1, 2022, the Bank completed the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction is effected via (i) an asset and liability transfer of the consumer banking activities of Citibank N.A., Philippines Branch, (ii) the sale of the 100% shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and (iii) the sale of freehold and owned office premises and parking spaces in Citibank Square building in Eastwood, Quezon City. The total cash consideration amounted to ₱77.9 billion based on the net assets of the Citi Philippines consumer banking business as of July 31, 2022, plus an agreed premium.

As of December 31, 2022, the Bank is still in the process of completing the determination of fair values of the assets and liabilities acquired, including the identified intangible assets. As allowed by PFRS, the Group has provisionally assessed the fair values of the assets and liabilities recognized, except for Cash and other cash items and Due from other banks. The provisional fair values will be adjusted within one year from the acquisition date once relevant information has been obtained.



The provisional fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in millions):

	Provisional fair values recognized on acquisition date
<b>Assets</b>	
Cash and other cash items	₱1,598
Due from other banks	28,126
Loans and receivables	65,581
Bank premises, furniture and fixtures, and equipment	2,120
Other resources	2,694
<b>Total assets</b>	<b>100,119</b>
<b>Liabilities</b>	
Deposit liabilities	65,265
Other liabilities	4,496
<b>Total liabilities</b>	<b>69,761</b>
<b>Net assets acquired</b>	<b>₱30,358</b>

The provisional goodwill from the acquisition is determined as follows (amounts in millions):

Total Purchase price	₱77,849
Less: Provisional fair values of net assets acquired	30,358
<b>Provisional Goodwill</b>	<b>₱47,491</b>

The goodwill arising from the acquisition is attributed to the opportunities for future growth in the credit card business of the Group, and expected synergies in the consumer banking business of the combined Parent Bank and Citi acquired business.

The provisional fair value of the loans and receivables acquired as part of the business combination amounted to ₱65.58 billion, with gross contractual amount of ₱69.44 billion.

Had the acquisition occurred at the beginning of 2022, the consolidated total operating income would have increased by ₱8.21 billion and net income would have increased by ₱1.24 billion.

Cash outflow from Acquisition of business, net of cash acquired by the Group and the Parent Bank follows:

	Group	Parent Bank <sup>(1)</sup>
Purchase price	₱77,849	₱72,752
Less: Cash acquired from the acquisition of business	29,724	28,383
<b>Net cash outflow from the Acquisition</b>	<b>₱48,125</b>	<b>₱44,369</b>

(1) For purposes of the Parent Bank financial statements, the purchase price above excludes the purchase of shares in CFSI amounting to ₱5.10 billion, which is included in 'acquisition of an investment in subsidiaries and associates' in the statement of cash flows.



- (b) CSB was incorporated and registered with the SEC on December 9, 1965. It is a thrift bank specializing in granting teacher's loans under the Department of Education's Automatic Payroll Deduction System. CSB has 149 branches as of December 31, 2022.

On July 5, 2018 and July 10, 2018, the BOD and the stockholders, respectively, of CSB approved the plan of merger with PR Savings Bank, with CSB as the surviving entity. On December 20, 2018, the Monetary Board (MB) of the BSP approved the merger subject to certain conditions, including completion of the merger within one year from the date of receipt of the BSP approval and that the merger should be effective on the date the SEC issues the certificate of merger. On December 27, 2018 and February 28, 2019, the BSP and the SEC, respectively, approved the merger between CSB and PR Savings Bank, with CSB as the surviving entity.

PR Savings Bank was the 14th largest thrift bank in the country. Most of its 102 offices are located in Luzon offering motorcycle, agri-machinery, and salary loans to over 131,000 borrowers, mostly from the mass market segment. The transaction enabled CSB to expand its reach in Luzon, and enter into new market segments, such as motorcycle and agri-machinery financing.

On December 20, 2018, the MB of BSP granted certain merger incentives, including temporary relief from compliance with the minimum CAR of 10% on solo basis for both the CSB and PRSB from June 2018 until the effectivity of the merger, provided that the CSB's CAR shall not fall below 7%; ten-year amortization of the goodwill from July 2018 to June 2028, and staggered booking of loan impairment determined based on BSP's examination of PR Savings Bank as of June 30, 2018 over a period of 5 years to start on the year the merger becomes effective. Subsequently, CSB recognized the required loan impairment amount outright as part of the determination of the final fair value of assets acquired at the date of the business combination.

CSB's CAR, after the effectivity of the merger, increased from 8.9% in December 2018 to 11.9% in March 2019. For prudential reporting, the Bank is amortizing the goodwill approved by the BSP for the next 10 years. The required annual amortization of goodwill for prudential reporting purposes of CSB is ₱272.94 million. The difference between the final goodwill under PFRS and the BSP approved goodwill was reflected as a reduction in Retained Earnings for prudential reporting to the BSP.

- (c) PETNET, more widely-known by its retail brand name PERA HUB, has the largest network of Western Union outlets in the Philippines. PETNET has over 3,714 outlets nationwide. It offers a variety of cash-based services including remittance, currency exchange and bills payment.
- (d) FAIR Bank was registered with the SEC on September 15, 1998 primarily to engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises. FAIR Bank has one (1) banking office and ten (10) branches located all over Cebu and Negros Occidental areas.

In 2020, CSB and UIC further infused additional capital amounting to ₱41.45 million (equivalent to 414,543 common shares at ₱100 par value) and ₱43.15 million (equivalent to 431,157 common shares at ₱100 par value), respectively, or a total of ₱84.60 million. The aggregate additional infusion in 2020 resulted in UIC's ownership in FAIR Bank further increasing to 44.33%, while CSB's ownership remained the same at 49%.



On July 8, 2021, UIC acquired the remaining 199,998 shares held by the non-controlling interest of FAIR Bank for ₱50.15 per share (₱10.2 million), further increasing the percentage of ownership of UIC from 44.33% to 51%, while CSB's ownership interest stood at 49%.

- (e) UIC was incorporated and registered with the SEC on December 20, 1993. It is presently engaged in business as a holding company authorized to hold investments of real and personal properties, including shares of stocks, bonds, debentures, notes and other securities and obligations, without engaging in business of an investment company or broker or dealer in securities of stocks.

UIC holds investments of the Group's thrift banks, rural banks and remittance companies. In addition, through its wholly-owned subsidiaries, FUPI and FUIFAI, UIC is also engaged in the servicing of existing pre-need plans, and being an agent for life and non-life insurance products.

- (f) On February 11, 2019, the BSP approved the Parent Bank's incorporation of UBX Philippines Corporation (UBX). UBX was incorporated to invest in, hold, own, purchase, lease manage, sell or otherwise dispose of real and personal properties of every kind and description. It shall also engage in the development of financial technology innovations and engage in electronic commerce business.

In October 2018, UIC incorporated UBX SG. On March 21, 2019, UBX then entered into an SPA with UIC to purchase 100 ordinary shares of UBX SG, a Singapore-based entity incorporated by UIC in October 2018, for a total consideration amounting to SGD100. Similar to UBX, UBX SG is incorporated to engage in the development of financial technology innovations and engage in electronic commerce business.

On November 27, 2020, the Parent Bank's BOD approved the additional capital infusion of ₱500 million into UBX. The capital infusion was approved by the BSP on February 15, 2021. The additional capital is intended to grow UBX' business operations and venture platforms.

- (g) In February 2019, CSB and UIC acquired 70% ownership of Bangko Kabayan, with CSB owning 49% and UIC owning 21%. The transaction was approved by BSP and Philippine Competition Commission (PCC) on September 19, 2019 and January 9, 2020, respectively. On March 12, 2020, the parties executed the Deed of Absolute Sale, which is determined to be the Group's acquisition date. On the same date, CSB and UIC paid 70% of the total purchase price, bringing the total payment to 90% of the purchase price. The remaining 10% deposited as a retention amount in an escrow account has been released to the sellers in November 2021.

Bangko Kabayan is authorized to engage in the business of extending financial services to farmers, employees, entrepreneurs, commercial, manufacturing and industrial enterprises and to such other persons or entities that require financial intermediation, and to have and to exercise all authority and powers, and to do and perform all acts, and to transact all business which may legally be done by thrift banks organized under and in accordance with the existing New Thrift Banks Act of 1995 (Republic Act No. 7906). It converted its existing microfinance banking office to a branch-lite unit and has 23 branches, including the head office, in the areas of Batangas, Laguna and Quezon (Southern Luzon), and one branch-lite in Lobo, Batangas.





- (h) On January 5, 2018, CSB and UIC executed an SPA to acquire 75% ownership interest of PBI through a combination of (a) subscription to 18,000,000 new shares and (b) purchase of 11,980,916 common shares from the major stockholders. On February 24, 2020, the BSP approved the application of CSB and UIC to acquire 75% ownership of PBI.

On July 13, 2020, BSP noted a clarification made by the PCC in its acknowledgement letter indicating that PCC does not categorically declare that the acquisition does not breach the thresholds prescribed by PCC and its IRR, leaving the parties involved with the responsibility to ensure that they fully comply with the notification requirement. The PCC issued a Letter of Non-Coverage declaring that the transaction is not subject to compulsory notification on August 5, 2020. For convenience purposes, the Group used July 31, 2020 as the date of business combination.

On October 7, 2021, UIC acquired the remaining 19,993,640 shares held by the non-controlling interest of PBI for ₱1.80 per share (₱36.0 million), further increasing the percentage of ownership of UIC from 26% to 51%, while CSB's ownership interest stood at 49%.

PBI is authorized to engage in the business of extending credit to farmers, tenants, and rural industries or enterprises, and to transact all business that may be legally done by rural banks formed under and in accordance with the existing Rural Banks Act (Republic Act No. 7353). The principal office address of PBI is located at Del Rosario St., Poblacion, Balasan, Iloilo, and operates an extension office in Pototan, Iloilo, for the purpose of providing microfinance loans along with its primary banking services, and a branch at No. 243 E. Lopez St., Brgy. Lourdes, Jaro, Iloilo City.

- (i) In its letter dated July 15, 2021, the BSP approved the application for authority to establish a digital bank, to be known as UnionDigital Bank, Inc. (UnionDigital), a wholly-owned subsidiary of the Bank, subject to regulatory conditions. The BSP subsequently granted the Authority to Register with the SEC. On November 25, 2021, the SEC approved UnionDigital's Articles of Incorporation and its By-Laws and issued its Certificate of Incorporation. The Parent Bank subscribed to 100,000,000 new common shares of UnionDigital at par value ₱10 per share totaling ₱1.0 billion.

On June 24, 2022, the BOD of the Parent Bank approved to infuse additional capital to UnionDigital of up to ₱2.0 billion.

On July 12, 2022, UnionDigital was granted the Certificate of Authority to Operate as a digital bank. Accordingly, UnionDigital started its operations on July 18, 2022. On the same date, the Parent Bank infused ₱1.0 billion to UnionDigital.

In its letter dated October 27, 2022, the BSP approved the Parent Bank's request for additional equity investment of up to ₱2.0 billion in UnionDigital. The Parent Bank then infused additional capital to UnionDigital in tranches for a total amount of ₱1.0 billion. As of December 31, 2022, the Parent Bank's total equity investment in UnionDigital amounted to ₱3.0 billion.



UnionDigital was organized to engage in, and carry on, the general business of a digital bank, including such other expanded services as may be approved by the MB of the BSP such as creating, developing, owning, maintaining, distributing, and marketing a digital platform that allows the bank to offer digital services, and issues mortgage and chattel mortgage certificates, buys and sells them or accept them in to such terms and conditions as may be prescribed by the MB of BSP.

- (j) Bangko Kabayan, FAIR Bank and PBI are in the process of seeking regulatory approvals to merge, with Bangko Kabayan as the surviving entity. On March 21, 2022, the Philippine Competition Commission (PCC) acknowledged that the proposed merger does not breach the thresholds for compulsory notification. The PDIC consent and BSP approval were obtained on June 17, 2022 and September 12, 2022, respectively. The Group is waiting approval of the merger from the SEC.

#### Non-operating subsidiaries

- (a) The BOD of FUDC authorized to temporarily suspend its business operations effective June 1, 2021 and until such time that management, with the approval of the BOD of FUDC, deems it appropriate to resume operations.
- (b) UBPSI was incorporated and registered with the SEC on March 2, 1993. It was organized to engage in the business of buying, selling or dealing in stocks and other securities. In January 1995, as approved by UBPSI's stockholders and BOD, UBPSI sold its stock exchange seat in the PSE. Accordingly, UBPSI ceased its stock brokerage activities.
- (c) UCBC was registered in the SEC on June 14, 1994. It was organized to engage in the foreign currency brokerage business. On March 23, 2001, the BOD of UCBC approved the cessation of its business operations effective on April 16, 2001. Since then, UCBC's activities were significantly limited to the settlement of its liabilities. The BOD and the stockholders of UCBC have approved to shorten UCBC's corporate term to December 31, 2016. UCBC has secured a tax clearance from the Bureau of Internal Revenue (BIR) in 2018. UCBC has secured certificate from the SEC last April 8, 2022 amending the Article IV shortening the term of existence thereby dissolving the corporation.
- (d) UDC was registered with the SEC on September 8, 1998. It was organized to handle the centralized branch accounting services as well as the processing of credit card application forms of the Parent Bank and the entire backroom operations of FUPI. On July 1, 2003, the BOD of UDC approved the cessation of its business operations effective on August 30, 2003, and subsequently shortened its corporate term to December 31, 2017 by amending its Articles of Incorporation. The services previously handled by UDC are now undertaken by the Financial Services Group of the Parent Bank. UDC is still in process of securing the tax clearance from the BIR.



- (e) IVCC was incorporated and registered with the SEC on October 10, 1980. It was organized to develop, promote, aid and assist financially any small or medium scale enterprises and to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law. IVCC has ceased operations since 1992.

The total assets, liabilities and capital funds of these non-operating subsidiaries amounted to ₱12,436, ₱3,341 and ₱9,095, respectively, as of December 31, 2022 and ₱5,011, ₱3,158 and ₱1,853, respectively, as of December 31, 2021.

The Bank's registered address, which is also its principal place of business, is at UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City. AEVI's registered address is located at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

#### Approval of Financial Statements

The consolidated financial statements of UnionBank and Subsidiaries (the Group) and the financial statements of the Parent Bank as of and for each of the three years in the period ended December 31, 2022 were authorized for issue by the Bank's BOD on February 27, 2023.

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## **2. Summary of Significant Accounting Policies**

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of Preparation of Financial Statements

##### *(a) Statement of Compliance with Philippine Financial Reporting Standards*

The consolidated financial statements of the Group and the financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense.

The measurement bases are more fully described in the accounting policies that follow.

##### *(b) Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standards (PAS 1), *Presentation of Financial Statements*. The Group presents statement of comprehensive income separate from the statement of income.



(c) *Functional and Presentation Currency*

The financial statements of the Group include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is 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 accounting policy on Foreign Currency Translation).

The financial statements of these units are combined after eliminating inter-unit accounts. These are presented in Philippine pesos, and all values are presented in thousands of Philippine Pesos except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except that the Bank has adopted the following new accounting pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Bank's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

Basis of Consolidated Financial Statements

The Group's financial statements comprise the accounts of the Parent Bank and its subsidiaries, as enumerated in Note 1 and as disclosed under Note 15, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, and expenses and cash flows relating to transactions with subsidiaries are eliminated in full.



Unrealized profits and losses from intercompany transactions that are recognized in the separate financial statements are also eliminated in full. Intercompany losses that indicate impairment are recognized in the Group's financial statements.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Bank using consistent accounting policies.

#### Non-controlling Interests

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Bank.

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in capital funds. Disposals of equity investments to non-controlling interests may result in gains and losses for the Group that are also recognized in capital funds.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related resources or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

#### Investment in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity, it is exposed, or has rights to, variable returns from its involvement with the entity, and it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

In the Parent Bank's separate financial statements, investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method (see Note 15).

All subsequent changes to the share in the equity of the subsidiaries are recognized in the carrying amount of the Parent Bank's investment. Changes resulting from the profit or loss generated by the subsidiaries are reported as Share in net profit of subsidiaries under Miscellaneous income account in the Parent Bank's separate statement of income.

Changes resulting from other comprehensive income of the subsidiaries are recognized in other comprehensive income of the Parent Bank. Any distributions received from the subsidiaries (e.g., dividends) are recognized as reduction in the carrying amount of investment in subsidiaries. However, when the Parent Bank's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Parent Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the subsidiary. If



the subsidiary subsequently reports profits, the Parent Bank recognizes its share on those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing the Parent Bank's share in net profit or loss of subsidiaries, unrealized gains or losses on transactions between the Parent Bank and its subsidiaries are eliminated to the extent of the Parent Bank's interest in the subsidiaries. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a group perspective.

The Parent Bank holds interests in various subsidiaries as presented in Notes 1 and 15.

#### Investment in Associates

Associates pertain to all entities over which the Group and the Parent Bank have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

#### Business Combinations and Goodwill

Business acquisitions are accounted for using the acquisition method of accounting. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in the statement of income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed.

Gain on bargain purchase which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to profit.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.



If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the statement of income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in the statement of income or as a charge to other comprehensive income. Contingent consideration that is classified as capital funds is not remeasured, and its subsequent settlement is accounted for within capital funds.

#### Fair Value Measurement

The Group measures financial instruments such as financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. The fair value measurement of a nonfinancial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 7, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



### Financial Instruments - Initial Recognition and Subsequent Measurement

#### *Date of recognition*

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial-assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

#### *Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below. Financial instruments are initially measured at their fair value; except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

#### *'Day 1' difference*

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

### Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured either at amortized cost, at FVOCI or at FVTPL.

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

### Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

#### *(a) Classification, Measurement and Reclassification of Financial Assets*

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.





As part of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- the expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Group's measurement categories are described below:

#### *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.



Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the statement of financial position as Due from BSP, Due from other banks, Interbank loans receivable, Financial assets at amortized cost under Trading and investment securities, Loans and other receivables and certain accounts under Other resources.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including Cash and other cash items, non-restricted balances of Due from BSP, Due from other banks, Interbank loans receivable and Securities purchased under repurchase agreements included in Loans and other receivables. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

#### *Financial Assets at FVTPL*

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in the statement of income. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in Gains (losses) on trading and investment securities at FVTPL and FVOCI account in the statement of income.

Interest earned on these investments is reported in the statement of income under Interest income account while dividend income is reported in the statement of income under Miscellaneous income account when the right of payment has been established.

#### *Financial Assets at FVOCI - Equity Investments*

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is



not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Equity financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in Net unrealized fair value gains (losses) on investment securities in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on investment securities account is not reclassified to profit or loss, but is reclassified directly to Surplus free account.

Any dividends earned on holding these equity instruments are recognized in the statement of income under Miscellaneous income account.

#### *Financial Assets at FVOCI - Debt Instruments*

The Group classifies debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. The Expected Credit Loss (ECL) calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the statement of income.

#### *Reclassification of financial assets*

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

#### *(b) Impairment of Financial Assets*

The Group recognizes the allowance for expected credit losses for all loans and other debt financial assets carried at amortized cost, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

ECL represent possible credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of



money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

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

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes more than 90 days past due on its contractual payments. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e., consecutive payments from the borrowers for 180 days).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. Days past due are determined by counting the number of days since the earliest elapsed due date in



respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. All exposures are therefore provided with ECLs, in the context of SICR status.

ECL is a function of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

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

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

(c) *Derecognition of Financial Assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

In certain circumstances, the Group 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.

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



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

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI). Distressed restructuring with indications of unlikelihood to pay are categorized as impaired accounts and are moved to Stage 3.

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

#### Derivative Financial Instruments

The Group is a counterparty to derivatives contracts, such as forwards, swaps and warrants. These contracts are entered into as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as those of its customers.

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as resources when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument. When such evidence exists, which indicates a fair value different from the transaction price, the Group recognizes a gain or loss at initial recognition.

Changes in the fair value of derivatives are recognized in the statement of income.

#### Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, notes and bonds payable, and other liabilities (except tax-related payables, pre-need reserves and post-employment defined benefit obligation) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of income under Interest expense.



Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

Bills payable and Notes and bonds payable are recognized initially at fair value, which is the issue proceeds (fair value of consideration received) less any issuance costs. These are subsequently measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Derivative liabilities, which are included as part of Other Liabilities, are recognized initially and subsequently measured at fair value with changes in fair value recognized in the statement of income.

Other liabilities, apart from derivative liabilities, are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

#### Offsetting Financial Instruments

Financial resources and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

#### Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization, and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

Buildings	25 - 50 years
Furniture, fixtures and equipment	5 - 10 years



Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements of five to ten years, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

If a change in use requires an item of bank premises, furniture, fixtures and equipment to be reclassified to investment properties, the difference between the carrying amount of such asset and its fair value as of the date of change in use is recognized in other comprehensive income and accumulated in equity under the Other reserves account. If the asset is subsequently retired or disposed of, the related revaluation surplus is transferred directly to Surplus free account.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

The Group classifies ROU assets as part of property and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

#### Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include parcels of land and buildings and related improvements acquired by the Group from defaulting borrowers.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is initially measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under Investment properties from foreclosure date. Gain or loss from foreclosure is included as part of Gain or loss on foreclosure account under Miscellaneous Income section of the statement of income.





Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and amortization and impairment. Depreciation is computed using the straight line method over the useful life of 50 years and 10 years for building held for lease and other foreclosed properties, respectively. Land is carried at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs and real estate taxes, are normally charged against income in the period in which 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, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

#### Intangible Assets

Intangible assets include goodwill and acquired computer software. Goodwill represents the excess of the acquisition cost over the fair value of the net identifiable assets arising from the acquisition of a business. Goodwill has indefinite useful life and, thus, not subject to amortization but requires an annual test for impairment. Goodwill is subsequently carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill sometimes cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to groups of cash-generating units. As a result, the lowest level within the Group at which goodwill is monitored for internal management purposes sometimes comprises a number of cash-generating units. The Group's cash-generating unit represents major business segments of the Parent Bank and the subsidiaries of the Group.

Computer software used in administration is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production.

Computer software are capitalized on the basis of the costs incurred to acquire, develop, and install the specific software. These costs are amortized on a straight-line basis over the expected useful lives ranging from five to ten years, as the lives of these intangible assets are considered finite. These costs are recognized as part of Depreciation and amortization in the statement of income. Costs associated with maintaining computer software are expensed as incurred. In addition, intangible assets are subject to impairment testing.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the statement of income.

#### Other Resources

Other resources pertain to resources controlled by the Group as a result of past events. These are recognized in the financial statements only if recognition of that asset and of any resulting



income or expenses is a faithful representation of the resources and provides relevant information about the resources.

#### Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position under 'Bills payable' and is considered as a loan to the Group, reflecting the economic substance of such transaction. For purposes of business model assessment, the Group considers the economic substance of the transaction when analyzing whether sales within a portfolio provide evidence related to how cash flows are realized.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

#### Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

#### Pre-Need Reserves and Insurance Premium Reserves

##### *(a) Pre-need Reserves*

In the Group's consolidated financial statements, pre-need reserves (PNR), presented as part of Other liabilities in the consolidated statement of financial position, are recognized for all pre-need benefits guaranteed and payable by FUPI as defined in the pre-need pension plan contracts.



PNR for pension plans are determined using the requirements on provisioning of PAS 37 and the specific method of computation required by the Insurance Commission (IC) as described below.

The amount recognized as a provision to cover the PNR is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances were taken into account in reaching the best estimate of a provision.

PNR is computed based on the following considerations:

- On actively paying plans, provision is equivalent to the present value of future plan benefits reduced by the present value of future trust fund contributions required per product model discounted using the transitory discount rate which does not exceed the lower of the attainable rate as certified by the Trustee, and the discount rate prescribed by the IC in accordance with IC Circular Letter No. 23-2012, *Valuation of Transitory Pre-need Reserves*, for old basket of plans previously approved by the SEC.
- On lapsed plans, provision is equivalent to the present value of future plan benefits reduced by the present value of future trust fund contributions at lapse date, multiplied by the reinstatement rate.
- On fully paid plans, provision is equivalent to the present value of future plan benefits discounted using the transitory discount rate.
- Future events that may affect the foregoing amounts are reflected in the amount of the provision for PNR where there is sufficient objective evidence that they will occur.
- The rates of surrender, cancellation, reinstatement, utilization and inflation, when applied, represent the actual experience of FUPI in the last three years, or the industry, in the absence of a reliable experience.
- The probability of pre-termination or surrender of fully paid plans are considered in determining the PNR of fully paid plans. A pre-termination experience on fully paid plans of 5% and below are considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date.

The computation of the foregoing assumptions is validated by the IC-accredited actuary of FUPI.

Any excess in the amount of the trust fund as a result of the revised reserving requirement shall neither be released from the fund nor be credited/set-off to future required contributions.

(b) *Insurance Premium Reserves*

Insurance premium reserves for pension plans represents FUPI's actuarially-determined liability in accordance with PAS 37 to guarantee the benefits provided in the plan in consideration of the insurance premium funds assigned for this purpose as determined and certified by the IC-accredited actuary.



### Capital Funds

Common stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of common stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Surplus free includes all current and prior period results as reported in the statement of income and which are available and not restricted for use by the Group, reduced by the amounts of dividend declared, if any.

Surplus reserves pertains to the following:

- (a) Portion of the Group's income from trust operations set-up on a yearly basis in compliance with BSP regulations. The surplus set-up is equal to 10% of the net profit accruing from the trust business until the surplus shall amount to 20% of authorized capital stock. The reserve shall not be paid out as dividends, but losses accruing in the course of the trust business may be charged against this account.
- (b) Accumulated trust fund income of FUPI that is automatically restricted to payments of benefits of planholders and releases from appropriation representing the amounts of trust fund income that pertains to the matured and pre-terminated plans of planholders which have been withdrawn from the trust fund during the year, in accordance with the amended Pre-need Uniform Chart of Accounts (PNUCA).
- (c) The difference of the 1% required General Loan Loss Provision on Stage 1 on-balance sheet loans over the computed allowance for credit losses on Stage 1 accounts as required by the BSP Circular No. 1011 - *Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments*.

Net unrealized fair value gains (losses) on investment securities pertains to cumulative mark-to-market valuation of financial assets at FVOCI.

Remeasurements of defined benefit plan refer to accumulated actuarial losses, net of gains, as a result of remeasurements of post-employment defined benefit plan and return on plan assets (excluding amount included in net interest).

Other reserves pertains to exchange differences arising from the translation of the Parent Bank's Foreign Currency Deposit Unit (FCDU) operations and UBX SG, which is taken to the statement of comprehensive income.

Non-controlling interests represent the portion of the net resources and profit or loss not attributable to the Group which are presented separately in the Group's statement of income and within the capital funds in the Group's statements of financial position and changes in capital funds.

### Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Expenses are recognized in the statement of income upon utilization of the resources or services or at the date these are incurred.



All finance costs are reported on an accrual basis. The following specific recognition criteria of income and expenses must also be met before income or expense is recognized:

- (a) *Interest income recognized using the effective interest rate method* - Interest income is recognized in the statement of income for all instruments measured at amortized cost and debt instruments classified as financial assets at FVOCI using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

- (b) *Other interest income* - Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate and is included under Interest Income on financial assets at fair value through profit or loss.
- (c) *Service charges, fees and commissions* - Service charges, fees and commissions are generally recognized when the service has been provided. Loan commitment fees are earned as services are provided, recognized as other income on a time proportion basis over the commitment period.

The Group has a loyalty points programme as part of its credit cards business which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the interchange fee is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

- (d) *Gain (loss) on trading and investment securities* - Gain (loss) on trading and investment securities is recognized when the contractual rights on the securities is transferred to the buyer (at an amount equal to the difference of the selling price and the carrying amount of securities) and as a result of the mark-to market valuation of outstanding securities classified as FVTPL at year-end.
- (e) *Miscellaneous income* includes the following accounts:
- *Commissions earned on credit cards* - Commissions earned on credit cards are recognized as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments. Purchases by the credit cardholders, collectible on installment basis, are recorded at the cost of the items purchased. Interest income is recognized on every term of installment billed to the cardholders and computed using the effective interest method.



- *Gain (loss) from assets sold or exchanged* - Profit or loss from assets sold or exchanged is recognized when the control of the assets is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured.
- *Rental* - Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases.
- *Income from bancassurance business* - Exclusive access fee (EAF) related to the bancassurance partnership is recognized as revenue by reference to the completion rate of the target cumulative annualized premium earned.
- *Dividend* - Dividend income is recognized when the Group's right to receive payment is established.
- *Income from trust operations* - Trust fees related to investment funds are recognized in reference to the net asset value of the funds. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

#### Leases

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

The Group as Lessee accounts for its leases as follows:

#### *Group as Lessor*

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the statement of income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

#### *i. Right-of-use assets*

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

#### *ii. Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments



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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases for some branches and the related parking spaces, stalls used for specific events and several office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM offsite locations, signages and several items of office equipment that are considered of low value (i.e., ₱250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term as is recognized as part of 'Occupancy' in the statement of income.

Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos except for the FCDU of the Parent Bank which are maintained in United States (U.S.) dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the Philippine Dealing System closing rates (PDSCR) prevailing at the end of the period (for resources and liabilities) and at the average PDSCR for the period (for income and expenses).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Changes in the fair value of monetary financial assets denominated in foreign currency are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in the statement of income, and other changes in the carrying amount are recognized in other comprehensive income.



### Impairment of Non-financial Assets

The Group's intangible assets (consisting of goodwill and computer software recorded as part of Other resources), bank premises, furniture, fixtures and equipment, investment properties, investments in subsidiaries (for Parent Bank only) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in the statement of income for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss, except for goodwill.

### Employee Benefits

The Group's employment benefits to employees are as follows:

#### *(a) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan (included as part of Other Liabilities) is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows arising from expected benefit payments using a discount rate derived from the interest rates of a zero-coupon government bond as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding





amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is included as part of Interest expense or Interest income in the statement of income.

Past-service costs are recognized immediately in the statement of income in the period of a plan amendment or curtailment.

*(b) Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

*(c) Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

*(d) Profit-Sharing and Bonus Plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Parent Bank's shareholders, as indicated in the statement of income, after certain regulatory adjustments. The Group recognizes a provision where it is contractually obliged to pay the bonus plans. The Group also recognizes a provision for profit-sharing and bonus plans where there is a past practice that has created a constructive obligation, whether paid in cash or in the form of shares of the Parent Bank to be issued under the Employee Stock Plan.

*(e) Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting date.

They are included as part of Accrued taxes and other expenses under the Other liabilities account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Income Taxes

Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in capital funds, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax



assets or liabilities are recognized as a component of tax expense in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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 end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in capital funds. In this case, the tax is also recognized in other comprehensive income or directly in capital funds, respectively.

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

#### Related Party Relationships and Transactions

Related Party Transactions are transactions or dealings with related parties, regardless of whether a price is charged. These covers all types of transactions both on and off-balance sheet and regardless of which side of the transaction/deal of the bank is acting.

Parties are said to be related if one has direct or indirect control as well as significant influence over the other. Related Parties of the Bank include, but is not limited to: (a) DOSRI, subsidiaries, affiliates, and any party that directly or indirectly has control over or is subjected to the control of the Bank as well as those with direct and indirect linkages to it, (b) the Bank's and its affiliated companies' directors, officers, stockholders, and their related interests and close family members, and (c) other persons and juridical entities whose interests may pose potential conflict with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.



Earnings Per Share

Basic earnings per share are determined by dividing the net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, after retroactive effect to any stock dividends declared in the current year.

Diluted earnings per common share are also computed by dividing net profit by the weighted average number of common shares subscribed and outstanding at the end of the reporting period, after making adjustments to reflect the effects of any potentially dilutive preferred shares, stock options and warrants.

Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These resources and the related income arising thereon are excluded from these financial statements, as they are neither resources nor income of the Group.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services as disclosed in Note 6, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these services require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a particular segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group's operations are organized according to the nature of the products and services provided. Financial information on business segments is presented in Note 6.

Events After the End of the Reporting Period

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



### 3. Summary of Accounting Judgments and Estimates

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Unless otherwise stated, below significant judgments and estimates apply as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022.

#### Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

##### *Evaluation of business model in managing financial instruments*

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument under PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

In December 2020, the BOD of the Parent Bank approved to sell a third of the securities from HTC FCDU subportfolio. The BOD also approved for the Parent Bank to be ready to sell the remaining securities under this HTC subportfolio to strengthen the financial position of the Parent Bank for the expected effects of the Covid 19 pandemic and increase capital allocation to client based business i.e., lending business. The Parent Bank assessed that these changes represent change in intention for the securities under the HTC FCDU subportfolio as a response to the current and expected changes in market conditions and did not constitute a change in the business model under PFRS 9.



In view of the above mentioned change in intention for the FCDU securities subportfolio and in response to changes in market conditions, the Parent Bank sold investment securities in 2022 and 2021.

In 2022 and 2021, the Parent Bank sold investment securities under the HTC FCDU sub portfolio with carrying amount of ₱1.7 billion and ₱47.4 billion, respectively, resulting in Gain on sale of investment securities at amortized cost totaling ₱100.2 million and ₱8.5 billion, respectively.

The Parent Bank has assessed that the above sales do not reflect a change in the business model of the Group. Accordingly, the remaining investment securities in the affected hold-to-collect subportfolio are continued to be measured at amortized cost. As of December 31, 2022 and 2021, the carrying amounts of the remaining Investment securities at amortized cost in the FCDU subportfolio amounted to ₱33.4 billion and ₱32.5 billion, respectively, while fair values amounted to ₱28.5 billion and ₱33.5 billion, respectively.

#### *Testing the cash flow characteristics of financial assets*

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met.

In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument

#### *Determining the lease term of contracts with renewal and termination options - Group as lessee*

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

The Group has several lease contracts that include extension and termination options. The Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

#### Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:



*Estimation of impairment losses on Loans and other receivables, Financial assets at amortized cost and Financial assets at FVOCI*

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Significant factors affecting the estimates on the ECL model include:

- The Group's internal grading model, which assigns PDs to individual grades. Scorecards have been updated to consider how clients are being affected by and are responding to COVID-19-related challenges. Sensitivities were applied, during risk rating, to consider uncertainties on available economic forecasts.
- The Group's criteria for assessing if there has been a SICR which is the basis for measuring allowances for financial assets on a Lifetime Expected Credit Loss (LTECL) basis. There are also qualitative assessments to consider significant increase in credit risk based on the identified risk profiles of their accounts and portfolios. In 2022, the Parent Bank updated the stage assessment to include the additional considerations related to movements in the borrower's credit rating when determining the significant increase in credit risk, which include rating threshold triggers.
- The Group's definition of default. The Bank considers the regulatory requirement and the Bank's indicators of loss events.
- Development of ECL models, including the various formulas and the choice of inputs. Similar to prior years, in 2022, models have been reviewed and revised as appropriate based on latest reviews, economic outlook and studies from external sources. In 2022, the Group updated the PD models for wholesale and certain retail portfolios, the LGD model for home loan, and the EAD for credit cards considering the credit conversion factor (CCF).
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels, level of government spending, and collateral values, and their effect on PDs, EADs and LGDs. As the economy progresses to post-pandemic scenario, analyses and forecasts were reviewed and updated if needed as the economic conditions evolved. The quantitative overlays were complemented by experience-based expert judgment inputs through management overlays considered integral to the systematic process.

The carrying amount of loans and other receivables and the related allowance are disclosed in Notes 14 and 20, while the carrying amount of debt financial assets classified under amortized cost and fair value through other comprehensive income and the related allowances are disclosed in Notes 12 and 20.

*Fair value of derivatives*

Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active markets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.



Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of derivatives as of December 31, 2022 and 2021 are presented and grouped into the fair value hierarchy in Note 7.

#### *Recognition of deferred tax assets*

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future 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 income together with future tax planning strategies.

In the 2022 taxable year, the Parent Bank applied its NOLCO and MCIT amounting to ₱2.24 billion and ₱221.52 million, respectively. The Parent Bank expects to continue to be in taxable position in the succeeding years. Accordingly, the Parent Bank has fully recognized its deferred tax assets, including its unapplied NOLCO and MCIT as of December 31, 2022 and 2021.

The carrying value of recognized deferred tax assets is disclosed in Note 30.

#### *Impairment of goodwill*

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount of the related CGU is insufficient to support its carrying value. The Group determines the recoverable value of goodwill by discounting the estimated excess earnings using the weighted-average cost of capital (WACC) as the discount rate. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. Financial budget for the immediately succeeding year is approved by senior management and BOD of the Parent Bank, while the financial budgets for the other years of cash flow projections are determined by corporate planning group and the relevant business units. In 2022, the key assumptions used in the calculation of value-in-use, including loan and deposit growth rates, net interest margin, have been updated to consider the effect of the pandemic. The discount rates used for the computation of the value in use for various CGUs (see Note 18) are based on the pre-tax discount rates ranging from 11.63% to 34.81% and from 9.12% to 11.91% as of December 31, 2022 and 2021, respectively. The long-term growth rates used range from nil to 11.2% as of December 31, 2022 and 2021. Bank's sources of goodwill and its carrying amount are disclosed in Note 18.

As a result of the ongoing economic uncertainty brought about by the COVID-19 pandemic, the results of the motorcycle lending business as a separate CGU identified from the acquisition of PR Savings Bank was lower than expected. The volume of loan releases was lower and the motorcycle loans reported higher NPLs, indicating a potential impairment of goodwill. This setback on the business plans for motorcycle lending business resulted in the recognition of impairment of goodwill on CSB's motorcycle loan business amounting to ₱529.60 million and ₱223.17 million in 2021 and 2020, respectively.



The Group assessed that the other remaining CGUs remain unimpaired. The impairment charge is recorded under Miscellaneous expenses in the statement of income.

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The carrying amount of goodwill is disclosed in Note 18.

*Valuation of post-employment and other benefits*

The determination of the Group's obligation and cost of pension and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rates of salary increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

The Group also estimates other employee benefit obligations and expenses, including the cost of paid leaves based on historical leave availments of employees, subject to the Group and the Parent Bank policies. These estimates may vary depending on future changes in salaries and actual experiences during the year.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation, as well as significant assumptions such as salary rate increase, discount rates, and turnover rates used in estimating such obligation are presented in Note 29.

*Fair value determination of assets acquired and liabilities assumed from business combinations*

As discussed in Note 1, on August 1, 2022, the Bank completed the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The Group sought an independent valuation for certain assets and liabilities acquired, including any identifiable intangible assets from the acquisition. The valuation had not been completed by the date the financial statements were approved for issue by the BOD. Pending the valuation, the Group provisionally determined the fair values of the assets acquired and liabilities assumed from the acquisition.

In 2021, the Group finalized the determination of the fair values of the assets acquired and liabilities assumed from the acquisitions of Bangko Kabayan and PBI (see Note 15).

The Group determines the acquisition-date fair values of identifiable assets acquired and liabilities assumed from the acquiree without quoted market prices based on the following:

- For assets and liabilities that are short term in nature, carrying values approximate fair values;
- For financial assets and liabilities that are long-term in nature, fair values are estimated through the discounted cash flow methodology, using the appropriate market rates (e.g., current lending rates); and
- For nonfinancial assets such as property and equipment and investment properties, fair values are determined based on an appraisal which follows sales comparison approach and depreciated replacement cost approach depending on the highest and best use of the assets.





#### 4. Risk Management Objectives and Policies

Risks are inherent in the business activities of the Group. Among its identified risks are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, information security risk, legal risk, and regulatory risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Group identifies its key risks, collects consistent and understandable risk measures, decides which risks to take on or reduce and establishes procedures for monitoring the resulting risk positions. The objective of risk management is to ensure that the Group conducts its business within the risk levels set by the BOD while business units pursue their objective of maximizing returns.

##### Risk Management Structure

The BOD of the Parent Bank exercises oversight over the Parent Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Parent Bank has established independent Risk Management Units (RMUs) that objectively review and ensure compliance with the risk parameters set by the BOD. The RMUs are responsible for the monitoring and reporting of risks to senior management and the various committees of the Parent Bank.

On the other hand, the risk management processes of its subsidiaries are handled separately by their respective BODs.

The Parent Bank's BOD is primarily responsible for setting the risk appetite, approving risk parameters, proposed credit policies, and investment guidelines, as well as establishing the overall risk-taking capacity of the Parent Bank. To fulfill its responsibilities in risk management, the BOD has established the following committees, whose functions are described below.

- (a) The Executive Committee (EXCOM), composed of seven (7) members of the BOD, exercises certain functions as delegated by the BOD including, among others, the approval of credit proposals, asset recovery and real and other properties acquired (ROPA) sales, and such other transactions as may be initiated by the Bank units within the EXCOM's delegated limits.
- (b) The Risk Management Committee (RMC) is composed of seven (7) non-executive directors of the BOD, majority of whom are independent directors, including the Chairman. The RMC advises the BOD regarding the Parent Bank's overall current and future risk appetite, oversees Senior Management's adherence to the risk appetite statement, and reports on the state of risk culture of the Parent Bank. The RMC oversees the Parent Bank's risk management framework and the risk management function. The RMC also provides oversight, direction, and guidance to the other risk committees, specifically the Market Risk Committee (MRC) and the Operations Risk Management Committee (ORMC).
- (c) The MRC is composed of nine (9) members of the BOD, majority of whom are independent directors, including the Chairman. The MRC is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.



- (d) The ORMC is composed of at least three (3) members of the BOD, with a majority of the ORMC's membership comprised of independent directors, including the Chairman. The ORMC reviews various operational risk policies and practices and approves the operational risk management framework which forms part of the Bank's enterprise risk management system and covers all business lines and functions of the Bank, including outsourced services and services provided to external parties. The ORMC also provides oversight on the implementation of a sound business continuity management framework.
- (e) The Audit Committee is composed of seven (7) members, all non-executive and majority of whom are independent, including the Chairman, most of whom are with accounting, auditing, or related financial management expertise or experience. The skills, qualifications, and experience of the committee members are appropriate for them to perform their duties as laid down by the BOD.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Parent Bank's external auditors and the internal audit function. It also oversees the Parent Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

To effectively perform these functions, the Audit Committee has a good understanding of the Parent Bank's business including the following: Parent Bank's structure, businesses, controls, and the types of transactions or other financial reporting matters applicable to the Parent Bank as well as to determine whether the controls are adequate, functioning as designed, and operating effectively. It also considers the potential effects of emerging business risks and their impact on the Parent Bank's financial position and results of operations.

Among the responsibilities of the Audit Committee are:

- *Oversight of the financial reporting process.* The Audit Committee ensures that the Parent Bank has a high-quality reporting process that provides transparent, consistent, and comparable financial statements. In this regard, the Audit Committee works closely with management especially the Office of the Financial Controller, the Internal Audit Group (IAG), as well as the external auditors, to effectively monitor the financial reporting process.
- *Monitoring and evaluation of internal control.* The Audit Committee, through the IAG, monitors and evaluates the adequacy and effectiveness of the Parent Bank's internal control framework, integrity of financial reporting, and security of physical assets. The Audit Committee ensures that a proactive and forward-looking approach on evaluation of risks and controls is taken. The Audit Committee also ensures that periodic assessment of the internal control system is conducted to identify weaknesses and evaluates its robustness considering the risk profile and strategic direction of the Parent Bank.
- *Oversight of the audit process.* The Audit Committee is knowledgeable on audit function and the audit process. The Audit Committee maintains supportive, trusting, and inquisitive relationships with both internal and external auditors to enhance its effectiveness.



- *Oversight of the outsourced internal audit activities.* The Audit Committee oversees the performance of the internal audit service provider and ensures that they comply with sound internal auditing standards and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.
- *Oversees the implementation of Group Internal Audit Policy.* The Audit Committee oversees the implementation of the policy through the periodic reports on oversight of the Group Internal Audit and takes appropriate action on any group internal oversight issues identified. The Audit Committee reviews and evaluates the group internal audit policy, and any amendments thereto, and endorses the same to the BOD for approval.
- *Oversight of the whistle-blowing mechanism.* The Audit Committee oversees the establishment of a whistle-blowing mechanism in the Parent Bank by which officers and staff shall in confidence raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It also ensures that independent investigation, appropriate follow-up, action, and subsequent resolution of complaints are in place.

In the performance of these functions, the Audit Committee is supported by the IAG. The Chief Audit Executive derives authority from and is directly accountable to the Audit Committee. However, administratively, the Chief Audit Executive reports to the President of the Parent Bank.

The IAG is entirely independent from all the other organizational units of the Parent Bank, as well as from the personnel and work that are to be audited. It operates under the direct control of the Audit Committee and is given an appropriate standing within the Parent Bank to be free from bias and interference. The IAG is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

The IAG is authorized by the Audit Committee to have unrestricted access to all functions, records, property, and personnel of the Bank subject to existing mandate and applicable laws. This includes the authority to allocate resources, set audit frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the audit engagement objectives.

The IAG is also authorized to obtain the necessary assistance from personnel within the Parent Bank units where they perform audits, as well as other specialized services within or outside the Parent Bank.

The IAG presents its risk-based rolling 1-year audit plan that is forward-looking and consistent with the Parent Bank's strategic plans and priorities every quarter for approval by the Audit Committee.

At least once a month, the Audit Committee meets to discuss the results of the assurance and consulting engagements, and case investigations by IAG. Financial reporting and Controllershship related topics are also included as needed. The results of these meetings are regularly reported by the Audit Committee Chairman to the BOD in its monthly meetings.



As the Bank continuously evolves towards its digitization strategy, IAG has undertaken initiatives to adapt and expand its processes, and to provide relevant and timely recommendations to the Bank. IAG has implemented continuous auditing process that aims to provide assurance on high-risk, high-volume areas/process, on a real time, or near-real time basis.

IAG adopted the Governance, Risk & Compliance (GRC) system which aims to integrate the operational risk management across the Parent Bank. IAG also uses it as an audit management system to aid in ensuring quality and completeness of documentation across its different engagements. IAG also implemented remote auditing and leveraged on the document management system of the Bank.

- (f) The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance and compliance responsibilities. It is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and of oversight over the compliance risk management. It assists in the establishment of a compliance program that facilitates the escalation and resolution of compliance issues expeditiously.

The CGC is composed of nine (9) members of the BOD, all non-executive, majority of whom, including its Chairman, are independent directors. Its specific duties include, among others, making recommendations to the BOD regarding continuing education of directors, overseeing the periodic performance evaluation of the 1) Board; 2) Board Committees; 3) Individual Directors; 4) Management-level Committees (through the Compliance and Corporate Governance Office; and 5) Chief Compliance and Corporate Governance Officer (CCO).

The CGC also performs oversight functions over the Compliance and Corporate Governance Office (CCGO) and the following management-level committees: 1) Anti-Money Laundering Committee and 2) Discipline Committee.

Senior management, through the CCO, periodically reports to the CGC the status of regulatory audit and compliance testing findings until their closure. Any material breaches of the compliance program are reported to and promptly addressed by the CCO within the mechanisms defined by the Compliance Manual.

The Parent Bank's CCO defines the Group's minimum governance and compliance requirements and works closely with the subsidiaries' and affiliates' Chief Compliance Officers in the execution of these standards.

The CGC assumed the functions of the Nominations Committee (NomCom) and the Compensation and Remuneration Committee (CompRem) upon the latter Committees' dissolution. The NomCom review the qualifications of and screens candidates for the board including nominees for independent directors and key officers of the Parent Bank. As part of its added function, it also reviews the implementation of programs for identifying, retaining and developing critical officers and the succession plan for various units in the organization.

The functions of the CompRem include overseeing implementation of the programs for salaries and benefits of directors and senior management, and monitoring that the performance scorecards for the Parent Bank and its officers are comprehensive and balanced, and assessing the adequacy, effectiveness for driving performance and consistency of the Parent Bank's total compensation program vis-à-vis corporate philosophy and strategy.



The Parent Bank's CCO assists the CGC in fulfilling its functions by apprising the same of (1) pertinent regulations and other issuances relating to compliance or corporate governance, (2) related regulatory issues and compliance initiatives affecting the various units and the status of the corrective action plans, and (3) continuously giving updates thereon. In addition, the CCO keeps the CGC abreast of best governance practices and discusses issues being brought up among private organizations and individuals advocating good governance philosophy.

- (g) The Related Party Transaction Committee is a board-level committee composed of three (3) members, all of whom are independent directors, including its Chairman. The Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring that these are transacted on arm's length terms. The Committee reviews and endorses the related party transactions to the BOD for approval or confirmation, depending on the amounts involved.

The major risk types identified by the Group are discussed in the following sections:

#### Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD and/or Credit Committee of the various companies within the Group. With respect to the Parent Bank, it has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The Enterprise Risk Management (ERM) undertakes several functions with respect to credit risk management. The ERM independently performs credit risk assessment, evaluation and review for its retail, commercial and corporate financial products to ensure consistency in the Parent Bank's risk assessment process. It also ensures that the Parent Bank's credit policies and procedures are adequate and are constantly updated to meet the changing demands or risk profiles of the business units, the COVID-19-related overlays as well as their impact on credit impairment and credit portfolio's credit risk profiles. The ERM also reported to the Board's Risk Management Committee.

The ERM's portfolio management function involves the review of the Parent Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and the development of a strategy for the Parent Bank to achieve its desired portfolio mix and risk profile. The ERM reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. 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. Concentrations indicate the relative sensitivity of the Parent Bank's performance to developments affecting a particular industry or geographical location.

The Group and the Parent Bank consider concentration risk to be present when the total exposure to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of December 31, 2022 and 2021, the Group and the Parent Bank did not exceed the limit in any of its industry concentration.



In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The ERM also monitors compliance to the BSP's limit on exposures.

The table below shows the breakdown of the Group's and the Parent Bank's exposure on receivable from customers and investments and placements as of December 31, 2022 and 2021:

	2022	
	Group	Parent Bank
Corporate loans	₱130,499,972	₱130,499,972
Consumer products*	99,202,486	99,202,486
Commercial loans	75,232,498	75,232,498
Home loans	65,659,469	65,659,469
CSB salary loans	64,029,282	—
Other receivables from customers**	45,871,855	20,002,091
Total receivables from customers	480,495,562	390,596,516
Investments and placements	492,852,118	442,454,859
	₱973,347,680	₱833,051,375

\*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

\*\*Comprised of HR loans, quick loans and Home Credit receivables

	2021	
	Group	Parent Bank
Corporate loans	₱118,674,586	₱118,674,586
Consumer products*	18,119,653	18,119,653
Commercial loans	69,942,747	69,942,747
Home loans	58,214,670	58,214,670
CSB salary loans	45,625,092	—
Other receivables from customers**	29,311,418	14,022,203
Total receivables from customers	339,888,166	278,973,859
Investments and placements	410,298,448	366,933,320
	₱750,186,614	₱645,907,179

\*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

\*\*Comprised of HR loans, quick loans and Home Credit receivables

Investments and placements include financial assets at amortized cost, debt securities classified as financial assets at FVOCI, due from other banks, due from BSP and interbank loans receivable and the related accrued interest receivable amounting to ₱3.83 billion and ₱2.91 billion as of December 31, 2022 and 2021, respectively.

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposure according to portfolios:

#### *Credit risk management practices and credit quality disclosures*

##### Corporate Loans

Corporate lending activities are undertaken by the Parent Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies.



The Parent Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its obligor risk rating master scale.

The Parent Bank currently utilizes the same single rating system for both Corporate and Commercial accounts. In addition, the result on the latter is further refined through a second model to take more careful account of the nuances between the commercial bank portfolio with that of the corporate loan book.

The rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Significant changes in the credit risk considering movements in credit rating, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards. In 2022, the Parent Bank updated the stage assessment to enhance the considerations related to movements in the borrower's credit rating when determining significant increase in credit risk, which include rating threshold triggers.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), from AAA to D. In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which consists of a Facility Tenor Rating (FTR) and a Security Risk Rating (SRR). The FTR measures the maturity risk based on the length of loan exposure, while the SRR measures the quality of the collateral and risk of its potential deterioration over the term of the loan. The FTR and the SRR, each a 100-point scoring system, are given equal weight in determining the LER.

Once the BRR and the LER have been determined, the credit limit to a borrower is determined under the Risk Asset Acceptance Criteria (RAAC) which is a range of acceptable combinations of the BRR and the LER. Under the RAAC system, a borrower with a high BRR will have a broader range of acceptable LERs.

The credit rating for each borrower is reviewed annually or earlier when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy such as the COVID-19 pandemic. Any major change in the credit scoring system, the RAAC range and/or the risk-adjusted pricing system is presented to and approved by the RMC.

The description of each credit quality grouping for the credit scores is explained further as follows:

*High Quality Grade* - These accounts are of the highest quality and are likely to meet financial obligations.

*Standard Grade* - These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.

*Substandard Grade* - These accounts are vulnerable to non-payment but for which default has not yet occurred.

*Non-Performing* - These refer to accounts which are in default or those that demonstrate objective evidence of impairment.



Below is the breakdown of the Group and Parent Bank's corporate loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2022 and 2021:

Credit Score	Masterscale	December 31, 2022			Total
		Stage 1	Stage 2	Stage 3	
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	4,702,187	-	-	4,702,187
BBB	3	-	-	-	-
BBB- to BB+	4	42,470,009	30,021	-	42,500,030
<i>Standard Grade</i>					
BB to BB-	5	26,794,965	40,651	-	26,835,616
B+	6	4,983,374	-	-	4,983,374
B to B-	7	30,739,257	10,649,085	-	41,388,342
CCC+ to CCC	8	9,776,060	76,577	-	9,852,637
<i>Substandard Grade</i>					
Lower than CCC	9	77,012	7,816	-	84,828
<i>Non-Performing</i>					
Default	10	-	-	152,958	152,958
		<b>₱119,542,864</b>	<b>₱10,804,150</b>	<b>₱152,958</b>	<b>₱130,499,972</b>

Credit Score	Masterscale	December 31, 2021			Total
		Stage 1	Stage 2	Stage 3	
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	5,273,588	-	-	5,273,588
BBB	3	1,500,229	-	-	1,500,229
BBB- to BB+	4	37,128,851	-	-	37,128,851
<i>Standard Grade</i>					
BB to BB-	5	22,818,612	25,040	-	22,843,652
B+	6	9,550,333	8,824,869	-	18,375,202
B to B-	7	13,085,912	12,160,653	-	25,246,565
CCC+ to CCC	8	5,326,535	-	-	5,326,535
<i>Substandard Grade</i>					
Lower than CCC	9	1,516,904	12,866	-	1,529,770
<i>Non-Performing</i>					
Default	10	-	-	1,450,194	1,450,194
		<b>₱96,200,964</b>	<b>₱21,023,428</b>	<b>₱1,450,194</b>	<b>₱118,674,586</b>

#### Commercial Loans

The Group and Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly middle market companies. These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.





The non-financial ComBank accounts use an adjusted obligor rating scale derived from the one applied for corporate loans, and follows the same RAAC framework, while ComBank accounts classified as banks and non-bank financial institutions are still rated using the 2018 rating scale.

Below is the breakdown of the Group and Parent Bank's commercial loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2022 and 2021 for financial and non-financial institutions:

*Financial Institutions*

		December 31, 2022			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	-	-	-	-
BBB-	3	-	-	-	-
BBB- to BB+	4	250,218	-	-	250,218
<i>Standard Grade</i>					
BB to BB-	5	1,974,404	-	-	1,974,404
B+	6	1,151,668	-	-	1,151,668
B to B-	7	8,393,725	-	-	8,393,725
CCC+ to CCC	8	7,809,630	-	-	7,809,630
<i>Substandard Grade</i>					
Lower than CCC	9	135,453	-	-	135,453
<i>Non-Performing</i>					
Default	10	-	-	28,430	28,430
		<b>₱19,715,098</b>	<b>₱-</b>	<b>₱28,430</b>	<b>₱19,743,528</b>

		December 31, 2021			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	-	-	-	-
BBB-	3	-	-	-	-
BBB- to BB+	4	2,123,845	-	-	2,123,845
<i>Standard Grade</i>					
BB to BB-	5	1,124,053	-	-	1,124,053
B+	6	1,274,683	-	-	1,274,683
B to B-	7	11,449,999	-	-	11,449,999
CCC+ to CCC	8	4,675,900	-	-	4,675,900
<i>Substandard Grade</i>					
Lower than CCC	9	133,301	-	-	133,301
<i>Non-Performing</i>					
Default	10	-	-	-	-
		<b>₱20,781,781</b>	<b>₱-</b>	<b>₱-</b>	<b>₱20,781,781</b>



*Non-financial Institutions*

Masterscale	December 31, 2022			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱-	₱-	₱-	₱-
2	-	-	-	-
3	1,377,275	-	-	1,377,275
4	3,056,524	-	-	3,056,524
5	10,820,105	504,744	-	11,324,849
6	14,048,050	4,112,895	-	18,160,945
7	13,655,655	51,023	-	13,706,678
8	1,020,102	1,050,094	-	2,070,196
9	604,258	1,166,003	-	1,770,261
10	30,909	85,377	3,905,956	4,022,242
	<b>₱44,612,878</b>	<b>₱6,970,136</b>	<b>₱3,905,956</b>	<b>₱55,488,970</b>

Masterscale	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱-	₱-	₱-	₱-
2	10,006	-	-	10,006
3	1,414,153	-	-	1,414,153
4	2,863,325	-	-	2,863,325
5	8,886,779	389,130	-	9,275,909
6	8,909,247	557,834	-	9,467,081
7	17,654,256	1,024,579	-	18,678,835
8	2,057,062	232,643	-	2,289,705
9	323,119	1,465,013	-	1,788,132
10	-	-	3,373,820	3,373,820
	<b>₱42,117,947</b>	<b>₱3,669,199</b>	<b>₱3,373,820</b>	<b>₱49,160,966</b>

Small and Medium Enterprise (SME) Financial Products

SME portfolio is composed of Business Line Loans and a small portion from emerging products. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses. Credit models are constantly revised and updated as necessary while data analytics have been enhanced to improve portfolio quality and product offers.

SME products use rating scale 1 to 5.

Consumer Loans

The Consumer loan portfolio of the Parent Bank is composed of three main product lines, namely: Home Loans, Auto Loans, and Credit Cards. Starting August 2022, the newly acquired Citibank Consumer loans of Credit Cards and Personal Loans were added in the product offering of the Parent Bank. Since the acquisition of the Citibank Consumer loan portfolios, there has been ongoing system builds, alignment of credit policies, processes and strategies to prepare for a seamless integration of the customers and products.



For the subsidiary, CSB, an accredited lending institution of the Department of Education (DepEd), provides salary loans to teachers under an agreement with DepEd for payroll deductions. CSB also provides motorcycle loans as a result of its acquisition and subsequent merger with PR Savings Bank.

Exposure to credit risk is managed through diligent assessment upon onboarding and regular portfolio and segment analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate.

The Consumer products' respective masterscale is defined by the credit scoring models, which consider demographic variables and behavioral performance, to segment the portfolio according to risk masterscale per product. The stages are defined by the approved SICR for Consumer which takes into account the following: NPL status, months on books, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance). In 2020, the Parent Bank implemented additional credit risk assessment for clients affected by and are responding to COVID-19-related challenges, as consideration in determining the SICR of the account. Subsequently in 2022, PD models for Credit Cards, Home Loan, Auto Loan and SME products have been updated, with incorporation of data points that consider the effect of the pandemic. With the update of scores of borrowers reflecting the effects of pandemic, the observable improvement of product portfolio performance as economic activities restarted that were input to the model in 2022, the Parent Bank removed the additional credit risk assessment overlay implemented in 2020 in its SICR determination.

Both Home Loans (except Contract to Sell - CTS) and Credit Cards use rating scale 1 to 6. CTS utilizes the Corporate ratings ranging from 1 to 9. Meanwhile, Auto Loans and SME products use rating scale 1 to 5.

For the acquired Credit card and Personal loan portfolio from Citibank, pending the completion of the integration and alignment of models with the Parent Bank, the Group measures the expected credit loss under the general approach based on historical experience of charge offs and recoveries, and adjusted for the effect of forward looking information. The Parent Bank monitors the credit quality of the portfolio based on days past due information, as follows:

Delinquency buckets	Days past due
0	Current
1	0 – 30 days
2	30 – 59 days
3	60 – 89 days
4 (default)	90 – 119 days
5	120 – 149 days
6	150 – 179 days

Below is the breakdown of the Group's and the Parent Bank's major consumer portfolio loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2022 and 2021:



*Home Loans*

December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱7,640,551	₱–	₱–	₱7,640,551
2	10,467,797	–	–	10,467,797
3	10,920,928	39,841	–	10,960,769
4	8,489,749	313,319	–	8,803,068
5	7,357,469	544,792	–	7,902,261
6	1,878,642	682,064	–	2,560,706
7	11,511,153	–	–	11,511,153
Default	–	–	5,813,164	5,813,164
	<b>₱58,266,289</b>	<b>₱1,580,016</b>	<b>₱5,813,164</b>	<b>₱65,659,469</b>

December 31, 2021				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱–	₱–	₱–	₱–
2	6,332,609	–	–	6,332,609
3	9,820,451	–	–	9,820,451
4	6,032,565	–	–	6,032,565
5	9,361,213	–	–	9,361,213
6	9,798,388	26,515	–	9,824,903
7	8,680,489	1,318,139	–	9,998,628
Default	–	–	6,844,301	6,844,301
	<b>₱50,025,715</b>	<b>₱1,344,654</b>	<b>₱6,844,301</b>	<b>₱58,214,670</b>

*Consumer Products (Acquired Credit card and Personal loan portfolio from Citibank)*

December 31, 2022				
Amounts				
Delinquency Bucket	Stage 1	Stage 2	Stage 3	Total
0	₱73,051,126	₱192,070	₱27,577	₱73,270,773
1	1,569,678	60,467	2,266	1,632,411
2	–	413,390	3,383	416,773
3	–	300,022	9,945	309,967
4	–	–	185,255	185,255
5	–	–	154,904	154,904
6	–	–	120,610	120,610
	<b>₱74,620,804</b>	<b>₱965,949</b>	<b>₱503,940</b>	<b>₱76,090,693</b>

*Consumer Products (SME Financial Products, Credit Cards and Auto Loans)*

December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱2,804,812	₱182,287	₱–	₱2,987,099
2	2,451,709	–	–	2,451,709
3	4,238,197	483,315	–	4,721,512
4	3,534,179	2,596	–	3,536,775
5	3,762,453	41,294	–	3,803,747
6	2,614,899	147,808	–	2,762,707
7	–	–	–	–
Default	–	–	2,848,244	2,848,244
	<b>₱19,406,249</b>	<b>₱857,300</b>	<b>₱2,848,244</b>	<b>₱23,111,793</b>



December 31, 2021				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱-	₱-	₱-	₱-
2	506,863	1,758	-	508,621
3	848,950	1,263	-	850,213
4	2,422,892	4,235	5,488	2,432,615
5	3,578,278	19,584	335,136	3,932,998
6	5,188,727	14,986	80	5,203,793
7	2,636,174	112,085	-	2,748,259
Default	-	-	2,443,154	2,443,154
	<b>₱15,181,884</b>	<b>₱153,911</b>	<b>₱2,783,858</b>	<b>₱18,119,653</b>

#### CSB Salary Loans

For CSB salary loans, which relates to the DepEd loans of CSB, each borrower is assigned a credit score with E as minimal risk, D as low risk, C as moderate risk, B as average risk and A as high risk.

The description of each credit quality grouping for the credit scores is explained further as follows:

*High grade (minimal to low risk)* - These are receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable.

*Standard grade (moderate to average risk)* - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

*Substandard (high risk)* - Accounts classified as "Substandard" are individual credits or portions thereof which appear to involve a substantial and unreasonable degree of risk to CSB because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to CSB unless given closer supervision. Those classified as "Substandard" must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

Below is the breakdown of CSB's salary loans exposure (outstanding balance and accrued interest receivable) by credit score as of December 31, 2022 and 2021:

December 31, 2022				
Amounts				
Credit Score	Stage 1	Stage 2	Stage 3	Total
D to E	<b>₱11,204,266</b>	₱-	₱-	<b>₱11,204,266</b>
B to C	<b>46,106,634</b>	<b>1,096,789</b>	-	<b>47,203,423</b>
A	<b>247,694</b>	<b>188,085</b>	-	<b>435,779</b>
Default	-	-	<b>5,185,814</b>	<b>5,185,814</b>
	<b>₱57,558,594</b>	<b>₱1,284,874</b>	<b>₱5,185,814</b>	<b>₱64,029,282</b>



Credit Score	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
D to E	₱11,280,004	₱—	₱1,532	₱11,281,536
B to C	29,110,475	743,633	16,337	29,870,445
A	411,034	723,386	19,766	1,154,186
Default	—	—	3,318,925	3,318,925
	₱40,801,513	₱1,467,019	₱3,356,560	₱45,625,092

*Other receivables from customers*

Other receivables from customers of the Group and the Parent Bank include small portfolios such as, with respect to the Parent Bank, (i) personal loans, (ii) HR loans, (iii) bills purchase and (iv) customer liabilities under acceptance, (v) home credit receivables, (vi) teacher's loans acquired from CSB and, with respect to the subsidiaries, (i) personal loans, and (ii) motorcycle loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate.

Each product was risk rated using techniques appropriate to the Group's and Parent Bank's credit experience. Such methods consider the payment history that are reflected in aging, delinquency, and/or change in rating. These provide the bases for the ECL stage determination.

The description of each groupings according to stage is explained further as follows:

*Stage 1* - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, does not demonstrate significant increase in credit risk.

*Stage 2* - those that are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date, and, based on change in rating, delinquencies and payment history, demonstrates significant increase in credit risk.

*Stage 3* - Those that are considered default of more than 90 days past due or demonstrates objective evidence of impairment as of reporting date.

Below is a summary as of December 31, 2022 and 2021 of the Group's and Parent Bank's other receivables from customers.

	December 31, 2022			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
Group	₱37,691,857	₱2,674,618	₱5,505,380	₱45,871,855
Parent Bank	18,883,459	261,453	857,179	20,002,091

	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
Group	₱24,383,986	₱695,966	₱4,231,466	₱29,311,418
Parent Bank	13,074,318	137,222	810,663	14,022,203



Investments and Placements

Investments and placements include financial assets at amortized cost, debt financial assets through other comprehensive income, due from BSP, interbank loans receivable, and due from other banks. Each has established credit risk guidelines and systems for managing credit risk across all businesses.

Below is the breakdown of the Group's and the Parent Bank's investments and placements (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2022 and 2021:

*Sovereign - Group*

December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P16,316,140	P-	P-	P16,316,140
2	-	-	-	-
3	-	-	-	-
4	279,717	-	-	279,717
5	-	-	-	-
6	1,513,995	-	-	1,513,995
7	-	-	-	-
8	-	-	-	-
9	266,666,218	-	-	266,666,218
10	-	-	-	-
11	1,315,359	789,534	-	2,104,893
12	2,014,319	-	-	2,014,319
13	-	-	-	-
14	-	2,247,582	-	2,247,582
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	P288,105,748	P3,037,116	P-	P291,142,864

December 31, 2021				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P6,027,263	P-	P-	P6,027,263
2	-	-	-	-
3	-	-	-	-
4	255,911	-	-	255,911
5	35,929,557	-	-	35,929,557
6	1,585,739	-	-	1,585,739
7	-	-	-	-
8	2,409,655	-	-	2,409,655
9	179,529,674	-	-	179,529,674
10	-	-	-	-
11	3,747,351	-	-	3,747,351
12	1,855,068	723,018	-	2,578,086
13	-	-	-	-
14	-	2,055,879	-	2,055,879
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	P231,340,218	P2,778,897	P-	P234,119,115



## Corporate – Group

December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱37,191,682	₱–	₱–	₱37,191,682
2	4,473,290	–	–	4,473,290
3	632,707	–	–	632,707
4	124,625,859	–	–	124,625,859
5	5,469,752	–	–	5,469,752
6	11,206,441	–	–	11,206,441
7	1,943,576	–	–	1,943,576
8	2,776,528	–	–	2,776,528
9	9,624,269	–	–	9,624,269
10	1,693,417	–	–	1,693,417
11	2,071,733	–	–	2,071,733
12	–	–	–	–
13	–	–	–	–
Default	–	–	–	–
	<b>₱201,709,254</b>	<b>₱–</b>	<b>₱–</b>	<b>₱201,709,254</b>

December 31, 2021				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱1,738,518	₱–	₱–	₱1,738,518
2	54,117,106	–	–	54,117,106
3	15,510,463	–	–	15,510,463
4	997,706	–	–	997,706
5	76,243,614	–	–	76,243,614
6	6,904,179	–	–	6,904,179
7	5,365,779	–	–	5,365,779
8	3,456,594	–	–	3,456,594
9	9,072,351	–	–	9,072,351
10	–	–	–	–
11	2,732,528	–	–	2,732,528
12	40,495	–	–	40,495
13	–	–	–	–
Default	–	–	–	–
	<b>₱176,179,333</b>	<b>₱–</b>	<b>₱–</b>	<b>₱176,179,333</b>

## Sovereign – Parent Bank

December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱16,316,140	₱–	₱–	₱16,316,140
2	–	–	–	–
3	–	–	–	–
4	279,717	–	–	279,717
5	–	–	–	–
6	1,513,995	–	–	1,513,995
7	–	–	–	–
8	–	–	–	–
9	257,339,212	–	–	257,339,212
10	–	–	–	–





December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
11	₱1,315,359	₱789,534	₱-	₱2,104,893
12	2,014,319	-	-	2,014,319
13	-	-	-	-
14	-	2,247,582	-	2,247,582
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	<b>₱278,778,742</b>	<b>₱3,037,116</b>	<b>₱-</b>	<b>₱281,815,858</b>

December 31, 2021				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱6,027,263	₱-	₱-	₱6,027,263
2	-	-	-	-
3	-	-	-	-
4	255,911	-	-	255,911
5	-	-	-	-
6	1,585,739	-	-	1,585,739
7	-	-	-	-
8	2,409,655	-	-	2,409,655
9	175,346,683	-	-	175,346,683
10	-	-	-	-
11	3,747,351	-	-	3,747,351
12	1,855,068	723,018	-	2,578,086
13	-	-	-	-
14	-	2,055,879	-	2,055,879
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	<b>₱191,227,670</b>	<b>₱2,778,897</b>	<b>₱-</b>	<b>₱194,006,567</b>

*Corporate – Parent Bank*

December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱37,191,682	₱-	₱-	₱37,191,682
2	4,473,290	-	-	4,473,290
3	632,707	-	-	632,707
4	83,703,956	-	-	83,703,956
5	5,469,751	-	-	5,469,751
6	11,206,441	-	-	11,206,441
7	1,884,024	-	-	1,884,024
8	2,736,528	-	-	2,736,528
9	9,624,269	-	-	9,624,269
10	1,693,417	-	-	1,693,417
11	2,022,936	-	-	2,022,936
12	-	-	-	-
13	-	-	-	-
Default	-	-	-	-
	<b>₱160,639,001</b>	<b>₱-</b>	<b>₱-</b>	<b>₱160,639,001</b>



December 31, 2021				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P1,738,518	P-	P-	P1,738,518
2	54,117,106	-	-	54,117,106
3	15,510,463	-	-	15,510,463
4	997,706	-	-	997,706
5	73,176,780	-	-	73,176,780
6	6,904,179	-	-	6,904,179
7	5,305,511	-	-	5,305,511
8	3,400,537	-	-	3,400,537
9	9,072,351	-	-	9,072,351
10	-	-	-	-
11	2,703,602	-	-	2,703,602
12	-	-	-	-
13	-	-	-	-
Default	-	-	-	-
	<b>P172,926,753</b>	<b>P-</b>	<b>P-</b>	<b>P172,926,753</b>

#### Analysis of movements of gross carrying amounts

Movements in 2022 and 2021 for total receivables from customers follow. The balances presented include the related accrued interest receivables:

#### Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	P282,953,118	P34,964,422	P21,970,626	P339,888,166
Newly originated assets that remained in Stage 1 as at December 31, 2022	204,366,140	-	-	204,366,140
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	-	10,994,810	4,132,300	15,127,110
Movements in receivable balance (excluding write-offs)	(127,828,623)	(12,871,190)	(640,456)	(141,340,269)
Transfers to Stage 1	16,082,298	(11,938,827)	(4,143,471)	-
Transfers to Stage 2	(4,345,040)	4,870,309	(525,269)	-
Transfers to Stage 3	(4,737,502)	(1,260,552)	5,998,054	-
Amounts written-off	(16,778)	(4,394)	(3,090,214)	(3,111,386)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
Balance at end of year	<b>P431,414,633</b>	<b>P25,137,043</b>	<b>P23,943,886</b>	<b>P480,495,562</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	P290,689,261	P15,147,350	P20,305,489	P326,142,100
Newly originated assets that remained in Stage 1 as at December 31, 2021	140,224,284	-	-	140,224,284
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	1,809,525	3,181,392	4,990,917
Movements in receivable balance (excluding write-offs)	(133,921,880)	3,174,859	937,243	(129,809,778)
Transfers to Stage 1	5,909,599	(1,495,971)	(4,413,628)	-
Transfers to Stage 2	(16,053,691)	17,125,223	(1,071,532)	-
Transfers to Stage 3	(3,894,455)	(796,564)	4,691,019	-
Amounts written-off	-	-	(1,659,357)	(1,659,357)
Balance at end of year	<b>P282,953,118</b>	<b>P34,964,422</b>	<b>P21,970,626</b>	<b>P339,888,166</b>



Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱230,841,937	₱32,938,659	₱15,193,263	₱278,973,859
Newly originated assets that remained in Stage 1 as at December 31, 2022	137,123,696	–	–	137,123,696
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	8,466,219	1,814,489	10,280,708
Movements in receivable balance (excluding write-offs)	(86,987,037)	(11,371,851)	(254,062)	(98,612,950)
Transfers to Stage 1	15,939,588	(11,814,113)	(4,125,475)	–
Transfers to Stage 2	(4,102,795)	4,622,984	(520,189)	–
Transfers to Stage 3	(3,089,579)	(912,042)	4,001,621	–
Amounts written-off	–	–	(2,734,598)	(2,734,598)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
<b>Balance at end of year</b>	<b>₱354,666,830</b>	<b>₱22,312,321</b>	<b>₱13,617,365</b>	<b>₱390,596,516</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱235,931,730	₱13,525,006	₱15,990,549	₱265,447,285
Newly originated assets that remained in Stage 1 as at December 31, 2021	102,781,134	–	–	102,781,134
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	248,257	1,925,154	2,173,411
Movements in receivable balance (excluding write-offs)	(92,124,823)	4,603,341	(2,372,790)	(89,894,272)
Transfers to Stage 1	4,018,364	(1,111,321)	(2,907,043)	–
Transfers to Stage 2	(15,967,686)	16,424,625	(456,939)	–
Transfers to Stage 3	(3,796,782)	(751,249)	4,548,031	–
Amounts written-off	–	–	(1,533,699)	(1,533,699)
<b>Balance at end of year</b>	<b>₱230,841,937</b>	<b>₱32,938,659</b>	<b>₱15,193,263</b>	<b>₱278,973,859</b>

The breakdown of movements in 2022 and 2021 for total receivables from customers follow:

Corporate Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱89,626,427	₱27,629,390	₱1,418,769	₱118,674,586
Newly originated assets that remained in Stage 1 as at December 31, 2022	35,366,827	–	–	35,366,827
Movements in receivable balance (excluding write-offs)	(13,458,919)	(8,816,711)	(239,909)	(22,515,539)
Transfers to Stage 1	10,532,896	(10,532,896)	–	–
Transfers to Stage 2	(2,524,367)	2,524,367	–	–
Transfers to Stage 3	–	–	–	–
Amounts written off	–	–	(1,025,902)	(1,025,902)
<b>Balance at end of year</b>	<b>₱119,542,864</b>	<b>₱10,804,150</b>	<b>₱152,958</b>	<b>₱130,499,972</b>



	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱106,335,108	₱9,233,847	₱1,167,482	₱116,736,437
Newly originated assets that remained in Stage 1 as at December 31, 2021	23,115,419	–	–	23,115,419
Movements in receivable balance (excluding write-offs)	(25,511,459)	4,051,477	282,712	(21,177,270)
Transfers to Stage 2	(14,312,641)	14,344,066	(31,425)	–
Transfers to Stage 3	–	–	–	–
Amounts written off	–	–	–	–
<b>Balance at end of year</b>	<b>₱89,626,427</b>	<b>₱27,629,390</b>	<b>₱1,418,769</b>	<b>₱118,674,586</b>

Commercial Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱62,899,728	₱3,669,199	₱3,373,820	₱69,942,747
Newly originated assets that remained in Stage 1 as at December 31, 2022	57,610,451	–	–	57,610,451
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022		6,434,907	307,023	6,741,930
Movements in receivable balance (excluding write-offs)	(55,891,527)	(2,963,017)	(208,086)	(59,062,630)
Transfers to Stage 1	204,121	(36,891)	(167,230)	–
Transfers to Stage 2	(11,662)	101,750	(90,088)	–
Transfers to Stage 3	(483,135)	(235,812)	718,947	–
Amounts written-off	–	–	–	–
<b>Balances at end of year</b>	<b>₱64,327,976</b>	<b>₱6,970,136</b>	<b>₱3,934,386</b>	<b>₱75,232,498</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱58,954,479	₱2,207,803	₱3,307,055	₱64,469,337
Newly originated assets that remained in Stage 1 as at December 31, 2021	54,340,243	–	–	54,340,243
Movements in receivable balance (excluding write-offs)	(49,351,343)	861,783	(332,276)	(48,821,836)
Transfers to Stage 1	102,123	(36,451)	(65,672)	–
Transfers to Stage 2	(723,888)	723,888	–	–
Transfers to Stage 3	(421,886)	(87,824)	509,710	–
Amounts written-off	–	–	(44,997)	(44,997)
<b>Balances at end of year</b>	<b>₱62,899,728</b>	<b>₱3,669,199</b>	<b>₱3,373,820</b>	<b>₱69,942,747</b>



Home Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱50,025,715	₱1,344,654	₱6,844,301	₱58,214,670
Newly originated assets that remained in Stage 1 as at December 31, 2022	21,149,124	–	–	21,149,124
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	201,611	274,863	476,474
Movements in receivable balance (excluding write-offs)	(12,751,142)	(125,291)	(1,301,467)	(14,177,900)
Transfers to Stage 1	2,305,218	(714,332)	(1,590,886)	–
Transfers to Stage 2	(851,925)	1,193,695	(341,770)	–
Transfers to Stage 3	(1,610,701)	(320,321)	1,931,022	–
Amounts written off	–	–	(2,899)	(2,899)
<b>Balances at end of year</b>	<b>₱58,266,289</b>	<b>₱1,580,016</b>	<b>₱5,813,164</b>	<b>₱65,659,469</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱47,037,282	₱1,761,970	₱7,949,927	₱56,749,179
Newly originated assets that remained in Stage 1 as at December 31, 2021	16,285,786	–	–	16,285,786
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	159,704	307,106	466,810
Movements in receivable balance (excluding write-offs)	(13,655,902)	(210,604)	(1,365,347)	(15,231,853)
Transfers to Stage 1	3,582,771	(954,653)	(2,628,118)	–
Transfers to Stage 2	(795,608)	1,150,360	(354,752)	–
Transfers to Stage 3	(2,428,614)	(562,123)	2,990,737	–
Amounts written off	–	–	(55,252)	(55,252)
<b>Balances at end of year</b>	<b>₱50,025,715</b>	<b>₱1,344,654</b>	<b>₱6,844,301</b>	<b>₱58,214,670</b>

Consumer Products - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱15,215,749	₱158,194	₱2,745,710	₱18,119,653
Newly originated assets that remained in Stage 1 as at December 31, 2022	8,759,275	–	–	8,759,275
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	734,103	1,186,838	1,920,941
Movements in receivable balance (excluding write-offs)	3,853,771	606,470	1,691,030	6,151,271
Transfers to Stage 1	2,862,306	(523,403)	(2,338,903)	–
Transfers to Stage 2	(704,885)	766,774	(61,889)	–
Transfers to Stage 3	(900,183)	(301,354)	1,201,537	–
Amounts written-off	–	–	(1,314,455)	(1,314,455)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
<b>Balance at end of year</b>	<b>₱94,027,053</b>	<b>₱1,823,249</b>	<b>₱3,352,184</b>	<b>₱99,202,486</b>



	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱15,813,547	₱201,363	₱2,902,499	₱18,917,409
Newly originated assets that remained in Stage 1 as at December 31, 2021	2,639,472	–	–	2,639,472
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	40,703	1,470,415	1,511,118
Movements in receivable balance (excluding write-offs)	(2,692,576)	(55,380)	(779,121)	(3,527,077)
Transfers to Stage 1	270,142	(72,844)	(197,298)	–
Transfers to Stage 2	(85,997)	100,658	(14,660)	–
Transfers to Stage 3	(728,839)	(56,306)	785,144	–
Amounts written-off	–	–	(1,421,269)	(1,421,269)
<b>Balance at end of year</b>	<b>₱15,215,749</b>	<b>₱158,194</b>	<b>₱2,745,710</b>	<b>₱18,119,653</b>

Consumer Products – Citi

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance as of acquisition date	₱64,941,020	₱382,465	₱242,316	₱65,565,801
Newly originated assets that remained in Stage 1 as at December 31, 2022	3,182,203	–	–	3,182,203
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	17,595	276	17,871
Movements in receivable balance (excluding write-offs)	6,819,213	631,206	191,843	7,642,262
Transfers to Stage 1	517,680	(495,416)	(22,264)	–
Transfers to Stage 2	(588,099)	643,158	(55,059)	–
Transfers to Stage 3	(251,213)	(213,059)	464,272	–
Amounts written-off	–	–	(317,444)	(317,444)
<b>Balance at end of year</b>	<b>₱74,620,804</b>	<b>₱965,949</b>	<b>₱503,940</b>	<b>₱76,090,693</b>

CSB Salary Loans - Group

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱40,801,513	₱ 1,467,019	₱3,356,560	₱45,625,092
Newly originated assets that remained in Stage 1 as at December 31, 2022	50,842,291	–	–	50,842,291
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	1,181,381	1,326,854	2,508,235
Movements in receivable balance (excluding write-offs)	(33,667,702)	(1,223,528)	(15,411)	(34,906,641)
Transfers to Stage 1	79,028	(74,611)	(4,417)	–
Transfers to Stage 2	(90,252)	91,926	(1,674)	–
Transfers to Stage 3	(389,843)	(153,055)	542,898	–
Amounts written-off	(16,441)	(4,258)	(18,996)	(39,695)
<b>Balance at end of year</b>	<b>₱57,558,594</b>	<b>₱1,284,874</b>	<b>₱5,185,814</b>	<b>₱64,029,282</b>



	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱45,293,234	₱574,243	₱2,051,036	₱47,918,513
Newly originated assets that remained in Stage 1 as at December 31, 2021	30,147,310	–	–	30,147,310
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	1,255,137	659,369	1,914,506
Movements in receivable balance (excluding write-offs)	(35,452,586)	(369,310)	1,582,285	(34,239,611)
Transfers to Stage 1	911,862	(194,859)	(717,003)	–
Transfers to Stage 2	(37,811)	215,465	(177,654)	–
Transfers to Stage 3	(60,496)	(13,657)	74,153	–
Amounts written-off	–	–	(115,626)	(115,626)
<b>Balance at end of year</b>	<b>₱40,801,513</b>	<b>₱1,467,019</b>	<b>₱3,356,560</b>	<b>₱45,625,092</b>

Other Receivables from Customers

Other receivables from customers include HR loans, Quick loans and Home Credit and CSB personal loan receivables.

Group

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱24,383,986	₱695,966	₱4,231,466	₱29,311,418
Newly originated assets that remained in Stage 1 as at December 31, 2022	30,638,172	–	–	30,638,172
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	2,442,808	1,036,722	3,479,530
Movements in receivable balance (excluding write-offs)	(15,913,104)	(349,113)	(566,613)	(16,828,830)
Transfers to Stage 1	98,729	(56,694)	(42,035)	–
Transfers to Stage 2	(161,949)	191,797	(29,848)	–
Transfers to Stage 3	(1,353,640)	(250,010)	1,603,650	–
Amounts written-off	(337)	(136)	(727,962)	(728,435)
<b>Balance at end of year</b>	<b>₱37,691,857</b>	<b>₱2,674,618</b>	<b>₱5,505,380</b>	<b>₱45,871,855</b>

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱17,255,611	₱1,168,124	₱2,927,490	₱21,351,225
Newly originated assets that remained in Stage 1 as at December 31, 2021	13,696,054	–	–	13,696,054
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	353,981	744,502	1,098,483
Movements in receivable balance (excluding write-offs)	(7,258,012)	(1,103,107)	1,548,988	(6,812,131)
Transfers to Stage 1	1,042,701	(237,164)	(805,537)	–
Transfers to Stage 2	(97,747)	590,787	(493,040)	–
Transfers to Stage 3	(254,621)	(76,655)	331,276	–
Amounts written-off	–	–	(22,213)	(22,213)
<b>Balance at end of year</b>	<b>₱24,383,986</b>	<b>₱695,966</b>	<b>₱4,231,466</b>	<b>₱29,311,418</b>



Parent Bank

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱13,074,318	₱137,222	₱810,663	₱14,022,203
Newly originated assets that remained in Stage 1 as at December 31, 2022	14,238,019	–	–	14,238,019
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	1,095,598	45,765	1,141,363
Movements in receivable balance (excluding write-offs)	(8,739,220)	(73,302)	(195,630)	(9,008,152)
Transfers to Stage 1	35,047	(6,591)	(28,456)	–
Transfers to Stage 2	(9,956)	36,398	(26,442)	–
Transfers to Stage 3	(95,560)	(54,555)	150,115	–
Amounts written-off	–	–	(391,342)	(391,342)
Balance at end of year	₱18,502,648	₱1,134,770	₱364,673	₱20,002,091

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱7,791,314	₱120,023	₱663,586	₱8,574,923
Newly originated assets that remained in Stage 1 as at December 31, 2021	6,400,214	–	–	6,400,214
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	47,850	147,633	195,483
Movements in receivable balance (excluding write-offs)	(913,541)	(43,935)	(178,760)	(1,136,236)
Transfers to Stage 1	63,328	(47,373)	(15,955)	–
Transfers to Stage 2	(49,553)	105,654	(56,101)	–
Transfers to Stage 3	(217,444)	(44,997)	262,441	–
Amounts written-off	–	–	(12,181)	(12,181)
Balance at end of year	₱13,074,318	₱137,222	₱810,663	₱14,022,203

Investments and Placements

Movements in 2022 and 2021 for investments and placements follow. The balances presented include accrued interest receivables:

Group

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱423,060,847	₱2,778,897	₱–	₱425,839,744
Newly originated assets that remained in Stage 1 as at December 31, 2022	196,419,137	–	–	196,419,137
Newly originated assets that moved to Stage 2 as at December 31, 2022	–	–	–	–
Movements in the balance (excluding write-offs)	(129,664,982)	258,219	–	(129,406,763)
Balance at end of year	₱489,815,002	₱3,037,116	₱–	₱492,852,118





	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱358,045,051	₱3,468,879	₱-	₱361,513,930
Newly originated assets that remained in Stage 1 as at December 31, 2021	199,191,117	-	-	199,191,117
Newly originated assets that moved to Stage 2 as at December 31, 2021	-	2,778,897	-	2,778,897
Movements in the balance (excluding write-offs)	(134,175,321)	(3,468,879)	-	(137,644,200)
<b>Balance at end of year</b>	<b>₱423,060,847</b>	<b>₱2,778,897</b>	<b>₱-</b>	<b>₱425,839,744</b>

Parent

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱379,695,719	₱2,778,897	₱-	₱382,474,616
Newly originated assets that remained in Stage 1 as at December 31, 2022	150,492,730	-	-	150,492,730
Movements in the balance (excluding write-offs)	(90,770,706)	(258,219)	-	(90,512,487)
<b>Balance at end of year</b>	<b>₱439,417,743</b>	<b>₱3,037,116</b>	<b>₱-</b>	<b>₱442,454,859</b>

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱331,383,580	₱3,468,879	₱-	₱334,852,459
Newly originated assets that remained in Stage 1 as at December 31, 2021	183,084,894	-	-	183,084,894
Movements in the balance (excluding write-offs)	(134,772,755)	(689,982)	-	(5,462,737)
<b>Balance at end of year</b>	<b>₱379,695,719</b>	<b>₱2,778,897</b>	<b>₱-</b>	<b>₱382,474,616</b>

Modification

In certain circumstances, the Group 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.

For the years ended December 31, 2022 and 2021, the net impact of the subsequent accretion of the 2020 loan modifications amounted to income of ₱129.15 million and ₱101.37 million for the Group, respectively, and income of ₱106.00 million and ₱51.84 million for the Parent Bank, respectively.



Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables from customers in order to mitigate risk. The collateral may be in the form of mortgages over real estate property, chattels, inventory, cash, securities and/or guarantees. The Bank regularly monitors and updates the fair value of the collateral depending on the type of credit exposure. Estimates of the fair value of collateral are considered in the review and assessment of the adequacy of allowance for credit losses. In general, the Bank does not require collateral for loans and advances to other banks, except when securities are held as part of reverse repurchase agreements.

An estimate of the fair value of collateral and other security enhancements held by the Group and the Parent Bank against loans and other receivables as of December 31, 2022 and 2021 is shown below:

	<b>Group</b>				
	Exposure before collateral	Property	Deposits	Others	Exposure after financial effect of collateral
<b>As of December 31, 2022</b>	<b>₱496,377,906</b>	<b>₱32,771,126</b>	<b>₱764,920</b>	<b>₱86,173,770</b>	<b>₱376,668,090</b>
As of December 31, 2021	₱351,703,833	₱29,047,280	₱652,973	₱31,995,877	₱290,007,703

	<b>Parent Bank</b>				
	Exposure before collateral	Property	Deposits	Others	Exposure after financial effect of collateral
<b>As of December 31, 2022</b>	<b>₱403,594,811</b>	<b>₱30,824,454</b>	<b>₱722,316</b>	<b>₱85,015,443</b>	<b>₱287,032,598</b>
As of December 31, 2021	₱286,235,453	₱27,477,392	₱617,608	₱30,759,192	₱227,381,261

The Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of the assets after foreclosure proceedings have taken place.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The Asset and Liability Committee (ALCO) and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations. A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.

Liquidity ratios are used to monitor and manage the Bank's liquidity. The MRC approves the ratios to be used for monitoring the performance of the Bank and for mapping out areas where improvements are needed. These ratios include Liquid Assets to Deposits Ratio, Liquidity ratio, Leverage Ratio and Intermediation Ratio.

The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD. The Bank has separate limits for the short term (generally less than 30 days) and the medium term tenor (from 30 days to one year).



In addition, the Bank established a sub-portfolio to manage excess USD Liquidity brought by the acquisition of Citibank's retail portfolio. The liquidity sub-portfolio can only be composed of securities within the approved parameters such as issuer, tenor composition and portfolio limit as defined in the Bank's FVOCI Business Model.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the contractual date on which the asset will be realized and the liability will be settled. For financial assets at FVTPL, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized (amounts in millions).

	Group						Total
	2022	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	
<i>Financial assets</i>							
Cash and other cash items	₱9,892	₱-	₱-	₱-	₱-	₱-	₱9,892
Due from BSP	72,286	22,336	-	-	-	-	94,622
Due from other banks	46,240	-	-	-	-	-	46,240
SPURRA	8,274	15,292	-	-	-	-	23,566
	<b>136,692</b>	<b>37,628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>174,320</b>
Financial assets at FVTPL							
Derivative assets	-	445	367	125	192	905	2,034
Debt securities	-	7,478	-	-	-	-	7,478
Equity securities	-	-	-	-	-	411	411
Financial assets at FVOCI							
Debt securities	-	3,206	2,998	1,159	1,253	79,470	88,086
Equity securities	-	-	-	-	-	46	46
Financial assets at amortized cost							
	-	1,450	1,539	2,710	6,149	340,496	352,344
	-	12,579	4,904	3,994	7,594	421,328	450,399
Loans and other receivables	2,091	90,780	39,572	31,540	48,307	363,061	575,351
Other receivables							
Accounts receivable	-	-	-	-	-	11,116	11,116
Accrued interest receivable	-	9,693	-	-	-	-	9,693
Sales contract receivable	-	29	46	67	130	2,952	3,224
	<b>2,091</b>	<b>100,502</b>	<b>39,618</b>	<b>31,607</b>	<b>48,437</b>	<b>377,129</b>	<b>599,384</b>
Other financial assets							
Returned checks and other cash items	-	30	-	-	-	-	30
Sundry debits	-	154	-	-	-	-	154
	-	184	-	-	-	-	184
<b>Total assets</b>	<b>₱138,783</b>	<b>₱150,893</b>	<b>₱44,522</b>	<b>₱35,601</b>	<b>₱56,031</b>	<b>₱798,457</b>	<b>₱1,224,387</b>
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	₱232,082	₱-	₱-	₱-	₱-	₱-	₱232,082
Savings	195,021	-	-	-	-	-	195,021
Time and LTNCD	3,168	171,623	62,678	7,124	29,440	18,633	292,666
	<b>430,271</b>	<b>171,623</b>	<b>62,678</b>	<b>7,124</b>	<b>29,440</b>	<b>18,633</b>	<b>719,769</b>
Bills payable	-	19,284	50,183	4,829	14,629	52,225	141,150
Notes and bonds payable	-	58	241	421	19,839	34,683	55,242
Manager's checks	7,334	-	-	-	-	-	7,334
Accrued interest payable	-	1,802	-	-	-	-	1,802
Accounts payable	-	12,586	-	-	-	-	12,586
Other liabilities	-	16,907	-	-	-	-	16,907
	<b>437,605</b>	<b>222,260</b>	<b>113,102</b>	<b>12,374</b>	<b>63,908</b>	<b>105,541</b>	<b>954,790</b>
<i>Derivative Liabilities</i>	-	923	393	92	191	799	2,398
<b>Total liabilities</b>	<b>₱437,605</b>	<b>₱223,183</b>	<b>₱113,495</b>	<b>₱12,466</b>	<b>₱64,099</b>	<b>₱106,340</b>	<b>₱957,188</b>



	Group						Total
	2021						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
<i>Financial assets</i>							
Cash and other cash items	₱8,905	₱-	₱-	₱-	₱-	₱-	₱8,905
Due from BSP	47,439	55,981	-	-	-	-	103,420
Due from other banks	54,258	-	-	-	-	-	54,258
Interbank loans receivable	-	17,495	-	-	-	-	17,495
	110,602	73,476	-	-	-	-	184,078
<i>Financial assets at FVTPL</i>							
Derivative assets	-	85	239	253	139	677	1,393
Debt securities	-	4,575	-	-	-	-	4,575
Equity securities	-	-	-	-	-	-	-
<i>Financial assets at FVOCI</i>							
Debt securities	-	25,000	26,695	32,734	22	275	84,726
Equity securities	-	-	-	-	-	42	42
<i>Financial assets at amortized cost</i>							
	186	3,117	1,087	1,005	3,853	225,532	234,780
	186	32,777	28,021	33,992	4,014	226,526	325,516
Loans and other receivables	2,704	74,117	34,881	19,958	29,879	266,905	428,444
<i>Other receivables</i>							
Accounts receivable	-	-	-	-	-	10,326	10,326
Accrued interest receivable	-	7,276	-	-	-	-	7,276
Sales contract receivable	-	41	70	95	141	2,075	2,422
	2,704	81,434	34,951	20,053	30,020	279,306	448,468
<i>Other financial assets</i>							
Returned checks and other cash items	-	169	-	-	-	-	169
Sundry debits	-	432	-	-	-	-	432
	-	601	-	-	-	-	601
<b>Total assets</b>	<b>₱113,492</b>	<b>₱188,288</b>	<b>₱62,972</b>	<b>₱54,045</b>	<b>₱34,034</b>	<b>₱505,832</b>	<b>₱958,663</b>
<i>Non-derivative liabilities</i>							
<i>Deposit liabilities</i>							
Demand	₱204,561	₱-	₱-	₱-	₱-	₱-	₱204,561
Savings	136,430	-	-	-	-	-	136,430
Time and LTNCD	2,796	131,090	30,147	4,077	12,678	53,842	234,630
	343,787	131,090	30,147	4,077	12,678	53,842	575,621
Bills payable	-	8,551	12,475	1,475	15,380	15,152	53,033
Notes and bonds payable	-	432	239	6,635	26,842	46,179	80,327
Manager's checks	6,864	-	-	-	-	-	6,864
Accrued interest payable	-	787	-	-	-	-	787
Accounts payable	-	5,799	-	-	-	-	5,799
Other liabilities	-	8,775	-	-	-	1,081	9,856
	350,651	155,434	42,861	12,187	54,900	116,254	732,287
<i>Derivative Liabilities</i>	1	383	94	106	129	598	1,311
<b>Total liabilities</b>	<b>₱350,652</b>	<b>₱155,817</b>	<b>₱42,955</b>	<b>₱12,293</b>	<b>₱55,029</b>	<b>₱116,852</b>	<b>₱733,598</b>

	Parent Bank						Total
	2022						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
<i>Financial assets</i>							
Cash and other cash items	₱8,924	₱-	₱-	₱-	₱-	₱-	₱8,924
Due from BSP	58,188	8,406	-	-	-	-	66,594
Due from other banks	42,264	-	-	-	-	-	42,264
SPURRA	-	14,646	-	-	-	-	14,646
	109,376	23,052	-	-	-	-	132,428
<i>Financial assets at FVTPL</i>							
Derivative assets	-	445	367	125	192	905	2,034
Debt securities	-	7,408	-	-	-	-	7,408
Equity securities	-	-	-	-	-	-	-
<i>Financial assets at FVOCI</i>							
Debt securities	-	3,206	2,997	1,158	1,252	79,169	87,782
Equity securities	-	-	-	-	-	46	46
<i>Financial assets at amortized cost</i>							
	-	1,299	1,423	2,678	5,934	328,341	339,675
	-	12,358	4,787	3,961	7,378	408,461	436,945
Loans and other receivables	-	88,260	37,903	29,759	43,398	254,846	454,166
<i>Other receivables</i>							
Accounts receivable	-	-	-	-	-	6,347	6,347
Accrued interest receivable	-	6,956	-	-	-	-	6,956
Sales contract receivable	-	21	42	61	120	2,829	3,073
	-	95,237	37,945	29,820	43,518	264,022	470,542
<i>Other financial assets</i>							
Returned checks and other cash items	-	30	-	-	-	-	30
Sundry debits	-	154	-	-	-	-	154
	-	184	-	-	-	-	184
<b>Total assets</b>	<b>₱109,376</b>	<b>₱130,831</b>	<b>₱42,732</b>	<b>₱33,781</b>	<b>₱50,896</b>	<b>₱672,483</b>	<b>₱1,040,099</b>



	Parent Bank						
	2022						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	₱233,365	₱-	₱-	₱-	₱-	₱-	₱233,365
Savings	188,481	-	-	-	-	-	188,481
Time and LTNCD	163	123,249	50,119	3,941	25,967	2,418	205,857
	422,009	123,249	50,119	3,941	25,967	2,418	627,703
Bills payable	-	19,284	49,173	398	692	35,351	104,898
Notes and bonds payable	-	58	241	421	19,839	34,683	55,242
Manager's checks	7,320	-	-	-	-	-	7,320
Accrued interest payable	-	1,418	-	-	-	-	1,418
Accounts payable	-	11,053	-	-	-	-	11,053
Other liabilities	-	15,194	-	-	-	-	15,194
	429,329	170,256	99,533	4,760	46,498	72,452	822,828
<i>Derivative liabilities</i>							
	-	923	393	92	191	799	2,398
Total liabilities	₱429,329	₱171,179	₱99,926	₱4,852	₱46,689	₱73,251	₱825,226

	Parent Bank						
	2021						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<i>Financial assets</i>							
Cash and other cash items	₱7,989	₱-	₱-	₱-	₱-	₱-	₱7,989
Due from BSP	45,228	22,253	-	-	-	-	67,481
Due from other banks	51,309	-	-	-	-	-	51,309
Interbank loans receivable	-	17,495	-	-	-	-	17,495
	104,526	39,748	-	-	-	-	144,274
Financial assets at FVTPL							
Derivative assets	-	85	239	253	139	677	1,393
Debt securities	-	4,506	-	-	-	-	4,506
Equity securities	-	-	-	-	-	-	-
Financial assets at FVOCI							
Debt securities	-	25,000	26,678	32,733	-	-	84,411
Equity securities	-	-	-	-	-	42	42
Financial assets at amortized cost							
	186	3,058	968	874	3,623	221,731	230,440
	186	32,649	27,885	33,860	3,762	222,450	320,792
Loans and other receivables	-	66,028	33,975	18,913	25,499	199,943	344,358
Other receivables							
Accounts receivable	-	-	-	-	-	5,948	5,948
Accrued interest receivable	-	5,396	-	-	-	-	5,396
Sales contract receivable	-	33	65	90	130	2,008	2,326
	-	71,457	34,040	19,003	25,629	207,899	358,028
Other financial assets							
Returned checks and other cash items	-	169	-	-	-	-	169
Sundry debits	-	431	-	-	-	-	431
	-	600	-	-	-	-	600
Total assets	₱104,712	₱144,454	₱61,925	₱52,863	₱29,391	₱430,349	₱823,694
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	₱206,254	₱-	₱-	₱-	₱-	₱-	₱206,254
Savings	132,075	-	-	-	-	-	132,075
Time and LTNCD	67	78,729	23,604	1,741	9,532	45,205	158,878
	338,396	78,729	23,604	1,741	9,532	45,205	497,207
Bills payable	-	5,546	10,468	30	7,726	5,295	29,065
Notes and bonds payable	-	432	239	6,635	26,842	46,179	80,327
Manager's checks	6,864	-	-	-	-	-	6,864
Accrued interest payable	-	627	-	-	-	-	627
Accounts payable	-	4,827	-	-	-	-	4,827
Other liabilities	-	7,627	-	-	-	1,081	8,708
	345,260	97,788	34,311	8,406	44,100	97,760	627,625
<i>Derivative liabilities</i>							
	1	383	94	106	129	598	1,311
Total liabilities	₱345,261	₱98,171	₱34,405	₱8,512	₱44,229	₱98,358	₱628,936



BSP Reporting*Liquidity Coverage Ratio (LCR)*

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with Basel III framework. The LCR is calculated as the ratio of stock of high quality liquid assets (HQLA) over the total net cash outflows over the next 30 calendar days, which should not be lower than 100%. The Group is required to disclose information related to the liquidity coverage ratio (LCR) in a single currency and on solo and consolidated basis starting 2019.

The Group's and the Parent Bank's LCR as of December 31, 2022 and 2021 follows (amounts in millions):

	December 31, 2022	
	Group	Parent Bank
Total HQLA	₱284,622	₱238,303
Total net cash outflows	191,939	167,553
LCR Ratio	148.29%	142.23%

	December 31, 2021	
	Group	Parent Bank
Total HQLA	₱296,558	₱247,494
Total net cash outflows	109,038	79,124
LCR Ratio	271.98%	312.79%

*Net Stable Funding Ratio (NSFR)*

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. Banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2022 and 2021, the NSFR was at 123.81% and 148.88%, respectively, for the Group, and at 122.03% and 150.21%, respectively, for the Parent Bank.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.



The Parent Bank applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. Currently, the Bank uses a 10-day 99% VaR.

The Parent Bank shifted from using the historical simulation with partial revaluation approach to the historical simulation with full revaluation approach in calculating VaR starting May 2022. The historical simulation with full revaluation approach is the general market accepted methodology in the measurement of VaR. This new methodology recalculates the market value of each financial product for each scenario by applying simulated risk factors based on historical movements to the market-accepted valuation methodology defined for each product.

VaR may also be underestimated or overestimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Parent Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Parent Bank's VaR model.

Since VaR is an integral part of the Parent Bank's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits and are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Parent Bank.

A summary of the Parent Bank's VaR position at December 31, 2022 and 2021 follows (amounts in millions of Philippine pesos)

	Foreign Exchange	Interest Rate	Equity	Total VaR
<b>2022</b>	<b>₱135.4</b>	<b>₱1,132.7</b>	<b>₱-</b>	<b>₱1,574.3</b>
Average daily	97.6	2,441.5	-	3,141.7
Highest	233.3	5,001.8	-	5,026.6
Lowest	7.9	1,132.7	-	1,574.3
<b>2021</b>	<b>₱24.6</b>	<b>₱2,868.8</b>	<b>₱-</b>	<b>₱2,893.4</b>
Average daily	35.9	3,025.5	116.9	3,178.3
Highest	103.8	6,694.7	176.8	6,916.3
Lowest	8.3	1,962.0	-	2,139.0

The high and low of the total portfolio may not equal to the sum of the individual components as the highs and lows of the individual portfolios may have occurred on different trading days.



### Interest Rate Risk

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). The ALCO establishes appropriate asset and liability pricing in support of the Bank's balance sheet objectives.

The Group employs "gap analysis" to measure rate-sensitivity of the income and expenses, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every month. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest sensitive assets and liabilities into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is then multiplied by the assumed interest rate movement and appropriate time factor to derive the EaR per tenor. The Bank uses one-year differences in the term structure of the different benchmark curves as the bases for the calculation of interest rate risk factor across all currencies. The 1<sup>st</sup> year (one-year) EaR is derived from the summation of the EaR per tenor within one year is subject to the established EaR limit per currency. With the acquisition of Citibank's retail portfolio, EaR limits were reviewed and updated to ensure that the risks brought by the changes in the balance sheet and liquidity strategies are within the risk appetite of the Bank.

As an additional interest rate risk measure, the Bank also calculates EaR for the 2<sup>nd</sup> and 3<sup>rd</sup> years in order to measure medium term vulnerabilities, i.e., those occurring in the second and third years. However, these are not subject to the EaR limit but are for monitoring purposes only.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

A positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities while a negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Accordingly, during a period of rising interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a higher interest rate than interest rate sensitive liabilities which will be favorable to it. During a period of falling interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a lower interest rate than interest rate sensitive liabilities, which will be unfavorable to it.





The asset-liability gap position of the Group and Parent Bank at carrying amounts follows (amounts in millions of Philippine pesos):

	Group			Total
	2022			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱175,926	₱67,406	₱236,326	₱479,658
Placements	103,164	-	61,240	164,404
Investments	6,539	2,678	323,826	333,043
	<b>285,629</b>	<b>70,084</b>	<b>621,392</b>	<b>977,105</b>
<i>Liabilities</i>				
Deposit liabilities	235,191	27,557	448,556	711,304
Bills payable	94,048	13,431	25,368	132,847
Notes and bonds payable	8,313	19,035	24,296	51,644
	<b>337,552</b>	<b>60,023</b>	<b>498,220</b>	<b>895,795</b>
Asset-Liability Gap	<b>(₱51,923)</b>	<b>₱10,061</b>	<b>₱123,172</b>	<b>₱81,310</b>

	Group			Total
	2021			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱161,687	₱39,162	₱158,926	₱359,775
Placements	127,719	-	47,439	175,158
Investments	1,544	2,448	232,617	236,609
	<b>290,950</b>	<b>41,610</b>	<b>438,982</b>	<b>771,542</b>
<i>Liabilities</i>				
Deposit liabilities	167,478	11,577	388,445	567,500
Bills payable	29,303	7,582	14,283	51,168
Notes and bonds payable	13,380	25,500	30,975	69,855
	<b>210,161</b>	<b>44,659</b>	<b>433,703</b>	<b>688,523</b>
Asset-Liability Gap	<b>₱80,789</b>	<b>(₱3,049)</b>	<b>₱5,279</b>	<b>₱83,019</b>

	Parent Bank			Total
	2022			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱164,730	₱57,440	₱166,832	₱389,002
Placements	56,906	-	66,580	123,486
Investments	6,464	2,658	314,330	323,452
	<b>228,100</b>	<b>60,098</b>	<b>547,742</b>	<b>835,940</b>
<i>Liabilities</i>				
Deposit liabilities	174,915	24,956	424,050	623,921
Bills payable	88,764	-	10,545	99,309
Notes and bonds payable	8,313	19,035	24,296	51,644
	<b>271,992</b>	<b>43,991</b>	<b>458,891</b>	<b>774,874</b>
Asset-Liability Gap	<b>(₱43,892)</b>	<b>₱16,107</b>	<b>₱88,851</b>	<b>₱61,066</b>



	Parent Bank			Total
	2021			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱142,490	₱28,877	₱119,680	₱291,047
Placements	91,052	–	45,228	136,280
Investments	1,450	2,428	228,138	232,016
	234,992	31,305	393,046	659,343
<i>Liabilities</i>				
Deposit liabilities	104,038	8,472	380,549	493,059
Bills payable	23,011	1	5,566	28,578
Notes and bonds payable	13,380	25,500	30,910	69,790
	140,429	33,973	417,025	591,427
Asset-Liability Gap	₱94,563	(₱2,668)	(₱23,979)	₱67,916

EAR is complemented by stress tests which are conducted quarterly. It involves subjecting the total interest rate sensitive assets and liabilities within one year to probable short-term and medium-term interest rate movements, assuming parallel and non-parallel (flatteners and steepeners) in the yield curve.

Additionally, the Bank also monitors long-term sensitivity to interest rate risk of the Bank's balance sheet through the Economic Value of Equity (EVE) method. EVE measures the economic value which provides a more comprehensive view of potential long-term effects of changes in interest rates. EVE is defined as the net cash flows of the Bank's assets and liabilities which affect the Bank's capital. Similar to EaR, EVE is also complemented by stress tests conducted quarterly.

The Bank's interest rate sensitive asset and liability positions are analyzed based on its cash flows, and its present value are computed using appropriate market rates which include the current risk-free rate plus the corresponding margin. On the other hand, the present values of non-interest sensitive assets and liabilities will be kept at their carrying values.

The Bank's risk management program includes measuring and monitoring the risks associated with fluctuations in market interest rates on its net interest income and capital ensuring that the exposures in interest rates are kept within acceptable limits.

The following table sets out the impact of changes in interest rates on the Group's and Parent Bank's net interest income (amounts in millions of Philippine pesos):

Increase (decrease) in interest rates (in basis points)	Group		Parent Bank	
	100	(100)	100	(100)
<b>2022</b>				
Change in annualized net interest income	(₱927.8)	₱927.8	(₱606.3)	₱606.3
As a percentage of net interest income	(1.49%)	1.49%	(1.32%)	1.32%
<b>2021</b>				
Change in annualized net interest income	(₱346)	₱346	(₱173.4)	₱173.4
As a percentage of net interest income	(0.95%)	0.95%	(0.67%)	0.67%



This sensitivity analysis is performed for risk management purposes and assumes no other changes in the repricing structure. Actual changes in net interest income may vary from the Bank's internal model.

#### Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

The breakdown of the financial resources and financial liabilities of the Group and the Parent Bank as to foreign currency-denominated balances (excluding FCDU USD-denominated financial resources and liabilities, which functional currency is in USD), translated to Philippine pesos as of December 31, 2022 and 2021 is shown below:

	<b>Group</b>		
	<b>2022</b>		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱15,207	₱592,166	₱607,373
Due from other banks	5,507,861	2,783,336	8,291,197
Financial assets at FVTPL	-	955	955
Financial assets at amortized cost	-	1,868,279	1,868,279
Loans and other receivables	3,579,372	147,946	3,727,318
	<b>9,102,440</b>	<b>5,392,682</b>	<b>14,495,122</b>
<i>Liabilities:</i>			
Deposit liabilities	-	4,416,831	4,416,831
Bills payable	75,173,396	12,103	75,185,499
Notes and bonds payable	6,969,375	-	6,969,375
Derivative liabilities	-	1,567	1,567
Accrued interest and other expenses	451,087	210	451,297
Other liabilities	59,019	98,364	157,383
	<b>82,652,877</b>	<b>4,529,075</b>	<b>87,181,952</b>
Currency swaps and forwards	49,162,467	(648,950)	48,513,517
Net exposure	<b>(₱24,387,970)</b>	<b>₱214,657</b>	<b>(₱24,173,313)</b>



	Group		
	2021		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱-	₱155,222	₱155,222
Due from other banks	3,534,375	2,068,406	5,602,781
Financial assets at FVTPL	296,385	297	296,682
Financial assets at amortized cost	-	1,819,081	1,819,081
Loans and other receivables	3,596,552	77,288	3,673,840
	7,427,312	4,120,294	11,547,606
<i>Liabilities:</i>			
Deposit liabilities	-	3,424,433	3,424,433
Bills payable	17,533,771	2,617	17,536,388
Notes and bonds payable	6,363,928	-	6,363,928
Derivative liabilities	282,180	1,621	283,801
Accrued interest and other expenses	34,781	308	35,089
Other liabilities	71	78,055	78,126
	24,214,731	3,507,034	27,721,765
Currency swaps and forwards	6,811,745	(401,366)	6,410,379
Net exposure	(₱9,975,674)	₱211,894	(₱9,763,780)

	Parent Bank		
	2022		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱15,207	₱592,166	₱607,373
Due from other banks	5,323,373	2,783,335	8,106,708
Financial assets at FVTPL	-	955	955
Financial assets at amortized cost	-	1,868,279	1,868,279
Loans and other receivables	3,579,372	147,946	3,727,318
	8,917,952	5,392,681	14,310,633
<i>Liabilities:</i>			
Deposit liabilities	-	4,416,831	4,416,831
Bills payable	75,173,396	12,103	75,185,499
Notes and bonds payable	6,969,375	-	6,969,375
Derivative liabilities	-	1,567	1,567
Accrued interest and other expenses	451,087	210	451,297
Other liabilities	59,019	98,364	157,383
	82,652,877	4,529,075	87,181,952
Currency swaps and forwards	49,162,467	(648,950)	48,513,517
Net exposure	(₱24,572,458)	₱214,656	(₱24,357,802)



	Parent Bank		
	2021		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱–	₱155,222	₱155,222
Due from other banks	3,404,899	2,068,406	5,473,305
Financial assets at FVTPL	296,385	297	296,682
Financial assets at amortized cost	–	1,819,081	1,819,081
Loans and other receivables	3,593,305	77,288	3,670,593
	7,294,589	4,120,294	11,414,883
<i>Liabilities:</i>			
Deposit liabilities	–	3,424,433	3,424,433
Bills payable	17,533,771	2,617	17,536,388
Notes and bonds payable	6,363,928	–	6,363,928
Derivative liabilities	282,180	1,621	283,801
Accrued interest and other expenses	34,781	308	35,089
Other liabilities	71	78,055	78,126
	24,214,731	3,507,034	27,721,765
Currency swaps and forwards	6,811,745	(401,366)	6,410,379
Net exposure	(₱10,108,397)	₱211,894	(₱9,896,503)

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

The following table illustrates the sensitivity of the net results and capital funds to the changes in foreign exchange rates on the Parent Bank's financial assets and financial liabilities in the RBU. The percentages change (increase and decrease) have been determined based on the average market volatility in exchange rates in the previous 12 months, using a confidence level of 99%. The sensitivity analysis is based on the Parent Bank's foreign currency-denominated financial instruments held at each reporting date, including currency swaps and forwards.

	2022		2021	
	% Change	Effect on Net Profit For the Year	% Change	Effect on Net Profit For the Year
U.S. dollars	1.0%	(245,721)	1.0%	(104,773)
Japanese yen	2.0%	1,250	2.5%	822
Euros	1.5%	2,529	2.0%	2,122
Others	1.6%	(355)	1.6%	1,384

#### Operational Risk

BSP Circular 900, Guidelines on Operational Risk Management, serve as the groundwork for the Bank's Operational Risk Management (ORM) framework. This is to standardize the approach undertaken by the Bank in order to facilitate consistently strong ORM practices across the organization.

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 being the 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.

Each specific unit of the Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the ORM framework. At the BOD level, an ORMC was formed to provide overall direction in the management of operational risk, aligned with the overall business objectives. Key to the effective implementation of the operational risk management framework is a governance structure that transparently defines the lines of responsibility from the BOD down to the Business and Functional Units level.

The ORMC was formed and given the mandate to build and lead the roadmap in developing the foundations and systems necessary for the effective implementation of an Operational Risk Management Framework. The ORM, together with all other Risk Units, reports directly to the Chief Risk Officer.

In managing products, services and systems, these are implemented only after a thorough operational risk evaluation. As part of the product and systems approval process, product owners and managers ensure that risks are clearly identified and adequately controlled and mitigated. For existing products, services and systems, regular reviews are conducted and controls are assessed to determine continued effectiveness. The Parent Bank, as part of its continuing effort to manage operational risk, has ensured that the basic controls to manage exposure to operational risk have been embedded in its processes.

#### Legal Risk and Regulatory Risk Management

Legal risk pertains to the Parent Bank's exposure to losses arising from cases decided not in favor of the Parent Bank where significant legal costs have already been incurred, or in some instances, where the Parent Bank may be required to pay damages. The Parent Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Parent Bank may incur significant legal expenses as a result of these events, but the Parent Bank may still end up with non-collection or non-enforcement of claims. The Parent Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors, who were endorsed to and carefully approved by senior management. At year-end, the Parent Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Parent Bank.

Regulatory risk refers to the potential risk for the Parent Bank and its subsidiaries to suffer financial loss due to changes in the laws, monetary, tax, or other governmental regulations of the country. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. The monitoring of the Parent Bank's and subsidiaries' compliance with these regulations is the primary responsibility of the entity's CCO. The study of the potential impact of new laws and regulations is coordinated by the CCO with the Legal Group. The CCO is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing, and regularly reporting to the CGC and the BOD.



## 5. Capital Management

### Regulatory Capital

As the Parent Bank's regulator, the BSP sets and monitors capital requirements of the Parent Bank.

In implementing current capital requirements, the BSP requires the Group and the Parent Bank to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets, known as the "capital adequacy ratio" (CAR). Risk-weighted assets is the aggregate value of assets weighted by credit risk, market risk, and operational risk, based on BSP-prescribed formula provided under BSP Circular No. 360 and BSP Circular No. 538 which contain the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations.

Effective January 1, 2014, the BSP has adopted the new risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for the Philippine banking system in accordance with the Basel III standards through BSP Circular No. 781. The adopted Basel III risk-based capital adequacy framework requires the Group to maintain:

- (a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
- (b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
- (c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
- (d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

On November 29, 2018, the BSP amended the requirements of Subsection X115.1 of the Manual for Regulations for Banks (MORB) through BSP Circular No. 1024. The amendment requires the Group and the Parent Bank to maintain, with respect to the CET 1 requirement, in addition to the minimum, the following capital buffers:

- (a) Capital conservation buffer (CCB) of 2.5%; and
- (b) Countercyclical capital buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed to 2.5%.

The Group's and the Parent Bank's regulatory capital position as of December 31, 2022 and 2021, as reported to the BSP, follow (amounts in millions):

	Group		Parent Bank	
	2022	2021	2022	2021
Common Equity Tier 1 Capital				
Paid-up common stock	₱21,421	₱12,194	₱21,421	₱12,194
Common stock dividends distributable	–	3,048	–	3,048
Additional paid in capital	47,950	14,215	47,950	14,215
Surplus free	77,052	68,301	78,044	69,543
Undivided profits	11,506	12,913	12,093	12,754
Other comprehensive income/(loss)	(15,289)	(2,887)	(15,384)	(2,807)
Minority interest in financial allied subsidiary	866	796	–	–
Sub-total	143,506	108,580	144,124	108,947
Less Regulatory Adjustments:				
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	293	441	1,191	330
Deferred income tax	7,288	6,478	5,301	5,172
Goodwill	57,232	13,936	51,456	7,887
Other intangible assets	3,760	2,233	1,499	1,723
Defined benefit pension fund assets	7	15	–	–
Un-booked valuation reserves	2,109	2,435	1,694	2,019



	Group		Parent Bank	
	2022	2021	2022	2021
Investments in equity of consolidated subsidiary banks and quasi banks, and other financial allied undertakings	P-	P-	<b>₱31,325</b>	₱22,722
Other equity investments in non-financial allied and non-allied undertakings	-	-	-	-
Total regulatory adjustments to Common Equity Tier 1 capital	<b>70,689</b>	25,538	<b>92,466</b>	39,853
Total Common Equity Tier 1 capital	<b>72,817</b>	83,042	<b>51,658</b>	69,094
Total Tier 1 capital	<b>₱72,817</b>	₱83,042	<b>₱51,658</b>	₱69,094
Tier 2 Capital				
General loan loss provision	<b>₱4,443</b>	₱3,820	<b>₱3,268</b>	₱2,588
Unsecured subordinated debt	<b>6,756</b>	6,800	<b>6,756</b>	6,800
Total Tier 2 capital	<b>11,199</b>	10,620	<b>10,024</b>	9,388
Net Tier 1 capital	<b>72,817</b>	83,042	<b>51,658</b>	69,094
Net Tier 2 capital	<b>11,199</b>	10,620	<b>10,024</b>	9,388
Total qualifying capital	<b>84,016</b>	93,662	<b>61,682</b>	78,482
Credit risk-weighted assets	<b>556,365</b>	451,323	<b>455,410</b>	381,172
Market risk-weighted assets	<b>7,127</b>	4,619	<b>6,831</b>	4,361
Operational risk-weighted assets	<b>80,922</b>	52,642	<b>60,374</b>	40,009
Total risk-weighted assets	<b>₱644,414</b>	₱508,584	<b>₱522,615</b>	₱425,542
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets	<b>13.04%</b>	18.42%	<b>11.80%</b>	18.44%
Total Tier 1 expressed as percentage of total risk-weighted assets	<b>11.30%</b>	16.33%	<b>9.88%</b>	16.24%
Total Common Equity Tier 1 expressed as percentage of total risk-weighted assets	<b>11.30%</b>	16.33%	<b>9.88%</b>	16.24%
Conservation buffer	<b>5.30%</b>	10.33%	<b>3.88%</b>	10.24%

The Group and the Parent Bank have fully complied with the CAR requirements of the BSP.

The breakdown of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets follow (amounts in millions):

	Group		Parent Bank	
	2022	2021	2022	2021
On-books assets	<b>₱534,813</b>	₱436,531	<b>₱433,867</b>	₱366,398
Off-books assets	<b>10,410</b>	10,699	<b>10,401</b>	10,681
Counterparty risk-weighted assets in the banking books	<b>9,619</b>	2,830	<b>9,619</b>	2,830
assets in the trading books	<b>1,523</b>	1,263	<b>1,523</b>	1,263
Total Credit Risk-Weighted Assets	<b>₱556,365</b>	₱451,323	<b>₱455,410</b>	₱381,172
Capital Requirements	<b>₱55,637</b>	₱45,132	<b>₱45,541</b>	₱38,117
Interest rate exposures	<b>₱5,419</b>	₱3,511	<b>₱5,419</b>	₱3,511
Equity exposures	-	-	-	-
Foreign exchange exposures	<b>1,708</b>	1,108	<b>1,412</b>	850
Total Market Risk-Weighted Assets	<b>₱7,127</b>	₱4,619	<b>₱6,831</b>	₱4,361
Capital Requirements	<b>₱713</b>	₱462	<b>₱683</b>	₱436
Total Operational Risk-Weighted Assets - Basic indicator	<b>₱80,922</b>	₱52,642	<b>₱60,374</b>	₱40,009
Capital Requirements	<b>₱8,092</b>	₱5,264	<b>₱6,037</b>	₱4,001





The total credit exposure broken down by type of exposures and risk weights follow (amounts in millions):

	Group 2022					Total Weighted Assets
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
<b>Risk-Weighted On-Books Assets</b>						
Cash on hand	₱9,873	₱9,873	₱9,873	₱-	₱-	₱-
Checks and other cash items	18	18	18	-	-	4
Due from BSP	94,630	94,630	94,630	-	-	-
Due from other banks	46,254	46,254	43,111	3,144	-	22,893
Financial assets at FVTPL	39	39	-	39	-	39
Financial assets at FVOCI	80,679	69,443	49,460	19,983	-	24,253
Financial assets at amortized cost	248,372	248,372	228,213	20,159	-	27,287
Loans and receivables	461,304	459,917	91,711	361,647	6,560	407,172
SPURRA	23,565	3,323	3,323	-	-	-
Sales contract receivable (SCR)	2,162	2,162	-	1,039	1,123	2,724
ROPA	5,297	5,297	-	-	5,297	7,946
Other assets	39,045	39,045	-	39,045	-	39,045
Total risk-weighted on-books assets not covered by CRM	1,011,238	978,373	520,339	445,056	12,980	531,363
Total risk-weighted on-books assets covered by CRM	-	32,864	32,864	-	-	3,450
	<b>₱1,011,238</b>	<b>₱1,011,237</b>	<b>₱553,203</b>	<b>₱445,056</b>	<b>₱12,980</b>	<b>₱534,813</b>
<b>Risk-Weighted Off-Books Assets</b>						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱4,536	₱-	₱-	₱4,536	₱-	₱4,536
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	4,600	-	-	2,300	-	2,300
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	17,873	-	-	3,574	-	3,574
	<b>₱27,009</b>	<b>₱-</b>	<b>₱-</b>	<b>₱10,410</b>	<b>₱-</b>	<b>₱10,410</b>
<b>Counterparty Risk-Weighted Assets in the Banking Books</b>						
Repo-style Exposure	₱97,000	₱18,770	₱18,302	₱468	₱-	₱9,619
<b>Counterparty Risk-Weighted Assets in the Trading Books</b>						
Interest Rate Contracts	₱1,115	₱-	₱-	₱-	₱-	₱-
Exchange Rate Contracts	107,982	2,413	1,685	728	-	1,523
Total	<b>₱109,097</b>	<b>₱2,413</b>	<b>₱1,685</b>	<b>₱728</b>	<b>₱-</b>	<b>₱1,523</b>



	Group					
	2021					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
<b>Risk-Weighted On-Books Assets</b>						
Cash on hand	₱8,893	₱8,893	₱8,893	₱–	₱–	₱–
Checks and other cash items	10	10	10	–	–	2
Due from BSP	103,413	103,413	103,413	–	–	–
Due from other banks	54,287	54,287	52,378	1,909	–	27,510
Financial assets at FVTPL	38	38	–	38	–	38
Financial assets at FVOCI	66,230	48,510	27,306	21,204	–	21,925
Financial assets at amortized cost	169,602	169,602	150,330	19,272	–	26,753
Loans and receivables	340,587	340,465	44,197	288,980	7,288	318,599
SPURRA	23,421	4,684	4,684	–	–	–
Sales contract receivable (SCR)	1,421	1,421	–	134	1,286	2,064
ROPA	5,891	5,891	–	–	5,891	8,837
Other assets	27,058	27,058	2	27,056	–	27,056
<b>Total risk-weighted on-books assets not covered by CRM</b>	<b>800,851</b>	<b>764,272</b>	<b>391,213</b>	<b>358,593</b>	<b>14,465</b>	<b>432,784</b>
<b>Total risk-weighted on-books assets covered by CRM</b>	<b>–</b>	<b>36,579</b>	<b>36,579</b>	<b>1</b>	<b>–</b>	<b>3,747</b>
	<b>₱800,851</b>	<b>₱800,851</b>	<b>₱427,792</b>	<b>₱358,594</b>	<b>₱14,465</b>	<b>₱436,531</b>
<b>Risk-Weighted Off-Books Assets</b>						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱2,884	₱–	₱–	₱2,884	₱–	₱2,884
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	2,656	–	–	1,328	–	1,328
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	32,436	–	–	6,487	–	6,487
	<b>₱37,976</b>	<b>₱–</b>	<b>₱–</b>	<b>₱10,699</b>	<b>₱–</b>	<b>₱10,699</b>
<b>Counterparty Risk-Weighted Assets in the Banking Books</b>						
Repo-style Exposure	₱23,575	₱4,902	₱4,144	₱758	₱–	₱2,830
<b>Counterparty Risk-Weighted Assets in the Trading Books</b>						
Interest Rate Contracts	₱2,550	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	59,150	1,764	1,010	754	–	1,249
Credit Derivatives	512	27	27	–	–	14
<b>Total</b>	<b>₱62,212</b>	<b>₱1,791</b>	<b>₱1,037</b>	<b>₱754</b>	<b>₱–</b>	<b>₱1,263</b>



	Parent Bank					Total Weighted Assets
	2022					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
<b>Risk-Weighted On-Books Assets</b>						
Cash on hand	₱8,924	₱8,924	₱8,924	₱-	₱-	₱-
Due from BSP	66,595	66,595	66,595	-	-	-
Due from other banks	42,278	42,278	40,929	1,348	-	20,007
Financial assets through other comprehensive income	80,384	69,148	49,392	19,756	-	24,015
Financial assets at amortized cost	239,143	239,143	218,985	20,159	-	27,269
Loans and receivables	379,934	378,629	90,084	286,201	2,344	324,589
SPURRA	14,645	1,539	1,539	-	-	-
SCR	2,063	2,063	-	989	1,074	2,600
ROPA	3,839	3,839	-	-	3,839	5,759
Other assets	26,189	26,189	-	26,189	-	26,189
Total risk-weighted on-books assets not covered by CRM	863,994	838,347	476,448	354,642	7,257	430,428
Total risk-weighted on-books assets covered by CRM	-	25,647	25,647	-	-	3,439
	<b>₱863,994</b>	<b>₱863,994</b>	<b>₱502,095</b>	<b>₱354,642</b>	<b>₱7,257</b>	<b>₱433,867</b>
<b>Risk-Weighted Off-Books Assets</b>						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱4,536	₱-	₱-	₱4,536	₱-	₱4,536
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	4,600	-	-	2,300	-	2,300
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	17,826	-	-	3,565	-	3,565
	<b>₱26,962</b>	<b>₱-</b>	<b>₱-</b>	<b>₱10,401</b>	<b>₱-</b>	<b>₱10,401</b>
<b>Counterparty Risk-Weighted Assets in the Banking Books</b>						
Repo-style Exposure	₱97,000	₱18,770	₱18,302	₱468	₱-	₱9,619
<b>Counterparty Risk-Weighted Assets in the Trading Books</b>						
Interest Rate Contracts	₱1,115	₱-	₱-	₱-	₱-	₱-
Exchange Rate Contracts	107,982	2,413	1,685	728	-	1,523
Total	<b>₱109,097</b>	<b>₱2,413</b>	<b>₱1,685</b>	<b>₱728</b>	<b>₱-</b>	<b>₱1,523</b>



	Parent Bank					Total Weighted Assets
	2021					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
<b>Risk-Weighted On-Books Assets</b>						
Cash on hand	₱7,989	₱7,989	₱7,989	₱–	₱–	₱–
Due from BSP	67,480	67,480	67,480	–	–	–
Due from other banks	51,337	51,337	50,924	413	–	25,287
Financial assets through other comprehensive income	66,083	48,363	27,159	21,204	–	21,906
Financial assets at amortized cost	165,377	165,377	146,105	19,272	–	26,735
Loans and receivables	284,490	284,424	42,890	237,699	3,834	261,484
SPURRA	15,541	3,108	3,108	–	–	–
SCR	1,352	1,352	–	101	1,251	1,977
ROPA	4,359	4,359	–	–	4,359	6,538
Other assets	18,731	18,731	–	18,731	–	18,731
Total risk-weighted on-books assets not covered by CRM	682,739	652,520	345,655	297,420	9,444	362,658
Total risk-weighted on-books assets covered by CRM	–	30,220	30,219	1	–	3,740
	<b>₱682,739</b>	<b>₱682,740</b>	<b>₱375,874</b>	<b>₱297,421</b>	<b>₱9,444</b>	<b>₱366,398</b>
<b>Risk-Weighted Off-Books Assets</b>						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱2,884	₱–	₱–	₱2,884	₱–	₱2,884
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	2,656	–	–	1,328	–	1,328
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	32,345	–	–	6,469	–	6,469
	<b>₱37,885</b>	<b>₱–</b>	<b>₱–</b>	<b>₱10,681</b>	<b>₱–</b>	<b>₱10,681</b>
<b>Counterparty Risk-Weighted Assets in the Banking Books</b>						
Repo-style Exposure	₱23,575	₱4,902	₱4,144	₱758	₱–	₱2,830
<b>Counterparty Risk-Weighted Assets in the Trading Books</b>						
Interest Rate Contracts	₱2,550	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	59,150	1,764	1,010	754	–	1,249
Credit Derivatives	512	27	27	–	–	14
Total	<b>₱62,212</b>	<b>₱1,791</b>	<b>₱1,037</b>	<b>₱754</b>	<b>₱–</b>	<b>₱1,263</b>

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government and those guarantors and exposures with the highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations and Corporates.



Minimum Capital Requirement

Under the relevant provisions of current BSP regulations, the required minimum capitalization of a universal bank is ₱20.0 billion both as of December 31, 2022 and 2021. As of those dates, the Bank is in compliance with these regulations.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The details of the BLR as of December 31, 2022 and 2021 follow (amounts in millions, except for percentages):

	Consolidated		Parent Bank	
	2022	2021	2022	2021
Tier 1 Capital	<b>₱72,817</b>	₱83,042	<b>₱51,658</b>	₱69,094
Exposure Measure	<b>1,035,178</b>	820,457	<b>888,335</b>	702,738
BLR	<b>7.03%</b>	10.12%	<b>5.82%</b>	9.83%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Ensuring Sufficient Capital

On January 15, 2009, the BSP issued Circular No. 639, which articulates the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks, as well as maintain capital adequate to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which only covers credit, market and operational risks. On December 29, 2009, the BSP issued Circular No. 677 that effectively extends the implementation of the ICAAP from January 2010 to January 2011.

Cognizant of the importance of a strong capital base to meet strategic and regulatory requirements, the Parent Bank has adopted a robust ICAAP on a group-wide level that is consistent with its risk philosophy and risk appetite. The ICAAP Document embodies the Group's risk philosophy, risk appetite, and risk governance framework and structure, and integrates these with: (a) the Group's strategic objectives and long-term strategies; (b) the five-year financial and business plans; and, (c) the capital plan and dividend policy.

The ICAAP's objective is to ensure that the BOD and senior management actively and promptly identify and manage the material risks arising from the general business environment, and that an appropriate level of capital is maintained to cover these risks.

On January 4, 2018, the BSP issued Circular No. 989 which mandates the conduct of stress testing exercise of banks. The Group's ICAAP Document considered the impact of severe but plausible scenarios on the Group's capital position. The results are thoroughly discussed during RMC meetings, and reported to the Board. In the course of its discussions, the BOD and senior management may request for additional stress testing scenarios or revisions to the test assumptions in order to better align these to current trends and forecasts.



The Group has a cross-functional ICAAP technical team, comprised of representatives from the core risk management units - credit, market, operational, information technology, and emerging risks; corporate planning; financial controllership; treasury; internal audit; and compliance. This ensures a well-coordinated approach to the development, documentation, implementation, review, improvement, and maintenance of the various sub-processes included in the ICAAP.

The key members of the ICAAP technical team are enrolled in further training as well as various fora and briefings to enhance their knowledge and expertise particularly on the subjects of ICAAP, Basel III, and their interface with PFRS.

The Group's ICAAP Document is subjected each year to an independent review by the Internal Audit Division (IAD) to provide reasonable assurance that the Group has met the regulatory requirements. For the 2022 ICAAP Document submission, the results of the audit assessment were presented to the Audit Committee and the BOD.

Based on IAD's assessment of the ICAAP document, its related supporting documents, and existing processes and structures, IAD reported that the Group has satisfactorily complied with the minimum requirements prescribed in BSP Circular No. 639. Presence of a proper governance and oversight function of the ICAAP, comprehensive risk management framework, and sound capital management process were verified in the audit process. For 2022, the Group and Parent Bank's ICAAP Document was submitted to the BSP on April 11, 2022.

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## 6. Segment Reporting

### Business Segments

The Group's main operating businesses are organized and managed separately according to the nature of products and services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities. The Group's main business segments are presented below.

*(a) Consumer Banking*

This segment principally handles individual customers' deposits and provides consumer type loans, such as automobiles and mortgage financing, credit card facilities and funds transfer facilities.

*(b) Corporate and Commercial Banking*

This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional, small and medium enterprises, and middle market customers.

*(c) Treasury and Trust*

This segment is principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives. The segment also includes trust, asset management and fiduciary services provided by the Bank to its customers.

*(d) Headquarters*

This segment includes corporate management, support and administrative units not specifically identified with Consumer Banking, Corporate and Commercial Banking or Treasury.



These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

### Analysis of Segment Information

Segment information of the Group as of and for the years ended December 31, 2022, 2021 and 2020 follow (amounts in millions):

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
<b>December 31, 2022</b>					
Results of operations					
Net interest income and other income	₱33,984	₱8,965	₱6,445	₱2,806	₱52,200
Other expenses	(16,890)	(3,330)	(2,026)	(9,282)	(31,528)
Income before credit losses and income tax	₱17,094	₱5,635	₱4,419	(₱6,476)	20,672
Provision for credit losses					(4,068)
Tax expense					(3,931)
Net income					₱12,673
Segment resources	₱355,635	₱234,622	₱350,252	₱152,229	₱1,092,738
Segment liabilities	₱527,698	₱129,613	₱216,889	₱70,396	₱944,596
Other information:					
Depreciation and amortization	₱1,100	₱10	₱12	₱486	₱1,608
Capital expenditures	974	273	140	2,779	4,166

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
<b>December 31, 2021</b>					
Results of operations					
Net interest income and other income	₱19,574	₱10,070	₱14,078	₱1,394	₱45,116
Other expenses	(11,314)	(2,754)	(1,870)	(8,382)	(24,320)
Income before credit losses and income tax	₱8,260	₱7,316	₱12,208	(₱6,988)	20,796
Provision for credit losses					(5,811)
Tax expense					(2,407)
Net income					₱12,578
Segment resources	₱225,696	₱211,258	₱343,716	₱50,425	₱831,095
Segment liabilities	₱397,983	₱132,848	₱121,784	₱66,267	₱718,882
Other information:					
Depreciation and amortization	₱995	₱9	₱9	₱611	₱1,624
Capital expenditures	398	342	7	2,583	3,330



**Segment Reporting and  
Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities**

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	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2020					
Results of operations					
Net interest income and other income	₱17,244	₱10,776	₱14,558	(₱481)	₱42,097
Other expenses	(9,839)	(2,556)	(2,046)	(6,932)	(21,373)
Income before credit losses and income tax	₱7,405	₱8,220	₱12,512	(₱7,413)	20,724
Provision for credit losses					(8,382)
Tax expense					(781)
Net income					₱11,561
Segment resources	₱198,004	₱191,700	₱263,197	₱121,558	₱774,459
Segment liabilities	₱325,529	₱142,167	₱137,240	₱64,371	₱669,307
Other information:					
Depreciation and amortization	₱984	₱3	₱7	₱413	₱1,407
Capital expenditures	370	163	19	1,030	1,582

**7. Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities**

Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.





When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

For assets and liabilities that are recognized at fair value in the statement of financial position on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

a) *Financial instruments measured at fair value*

Group

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱6,996,559	₱–	₱–	₱6,996,559
Equity securities	39,338	411,050	31,000	481,388
Derivative assets	–	1,122,881	52,688	1,175,569
Trust fund assets	–	60,109	–	60,109
Financial assets at FVOCI				
Debt securities	79,489,027	–	–	79,489,027
Equity securities	–	–	272,735	272,735
<i>Liabilities</i>				
Derivative liabilities	–	1,546,773	–	1,546,773
	December 31, 2021			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱4,334,697	₱30,343	₱–	₱4,365,040
Equity securities	37,735	140,800	31,000	209,535
Derivative assets	–	1,017,236	48,194	1,065,430
Trust fund assets	–	62,802	–	62,802
Financial assets at FVOCI				
Debt securities	65,475,025	–	–	65,475,025
Equity securities	–	–	197,585	197,585
<i>Liabilities</i>				
Derivative liabilities	–	750,009	–	750,009

Parent Bank

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱6,996,559	₱–	₱–	₱6,996,559
Equity securities	–	411,050	–	411,050
Derivative assets	–	1,122,881	52,688	1,175,569
Financial assets at FVOCI				
Debt securities	79,421,431	–	–	79,421,431
Equity securities	–	–	46,247	46,247
<i>Liabilities</i>				
Derivative liabilities	–	1,546,773	–	1,546,773



	December 31, 2021			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱4,334,697	₱30,343	₱–	₱4,365,040
Equity securities	–	140,800	–	140,800
Derivative assets	–	1,017,236	48,194	1,065,430
Financial assets at FVOCI				
Debt securities	65,329,018	–	–	65,329,018
Equity securities	–	–	41,673	41,673
<i>Liabilities</i>				
Derivative liabilities	–	750,009	–	750,009

b) *Financial instruments measured at amortized cost and investment properties for which fair value is disclosed*

Group

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱244,627,904	₱219,164,614	₱–	₱–	₱219,164,614
Loans and other receivables	479,657,898	–	–	473,119,154	473,119,154
<i>Nonfinancial Assets</i>					
Investment properties	8,258,873	–	–	16,767,610	16,767,610
<i>Liabilities</i>					
<i>Financial Liabilities</i>					
Deposit liabilities	711,303,942	–	–	711,341,525	711,341,525
Bills payable	132,846,789	–	127,994,547	–	127,994,547
Notes and bonds payable	51,644,325	–	48,770,253	–	48,770,253

	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱166,362,179	₱164,087,461	₱–	₱–	₱164,087,461
Loans and other receivables	359,774,631	–	–	368,384,627	368,384,627
<i>Nonfinancial Assets</i>					
Investment properties	8,673,344	–	–	17,735,995	17,735,995
<i>Liabilities</i>					
<i>Financial Liabilities</i>					
Deposit liabilities	570,500,892	–	–	570,599,091	570,599,091
Bills payable	51,168,138	–	50,737,318	–	50,737,318
Notes and bonds payable	69,853,986	–	70,223,779	–	70,223,779

Parent Bank

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
Financial assets at amortized cost	₱235,400,671	₱210,794,053	₱–	₱–	₱210,794,053
Loans and other receivables	393,765,594	–	–	387,226,850	387,226,850
Investment properties	7,124,049	–	–	16,572,598	16,572,598
<i>Liabilities</i>					
Deposit liabilities	623,921,032	–	–	623,958,615	623,958,615
Bills payable	99,309,124	–	94,456,882	–	94,456,882
Notes and bonds payable	51,644,325	–	48,770,253	–	48,770,253



	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
Financial assets at amortized cost	₱162,139,448	₱159,885,712	₱–	₱–	₱159,885,712
Loans and other receivables	291,118,202	–	–	299,728,198	299,728,198
Investment properties	7,435,877	–	–	16,498,528	16,498,528
<i>Liabilities</i>					
Deposit liabilities	493,059,181	–	–	493,157,380	493,157,380
Bills payable	28,577,774	–	28,146,954	–	28,146,954
Notes and bonds payable	69,789,836	–	70,159,629	–	70,159,629

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years. Certain disclosures required for financial instruments measured at fair value and classified as Level 3 are not presented as these financial instruments are comprised of derivative assets and unquoted equity securities that are not material to the financial statements.

Below information provided about how the fair values of the Group's classes of financial instruments are determined.

- (a) *For Cash and other cash items, Due from BSP and other banks, Interbank loans receivable, SPURRA (included under loans and other receivable) and Returned checks and other cash items, and Other liabilities such as Manager's checks, Bills purchased, Accounts payable, Accrued interest payable, Payment orders payable and Due to Treasurer of the Philippines* Management considers that the carrying amounts approximate their fair value due to their short-term nature. Accordingly, these are not presented in the tables above.
- (b) *Debt securities*  
Fair values of debt securities under Level 1, composed of government securities issued by the Philippine government and other foreign governments and private debt securities, are determined based on quoted prices at the close of business as appearing on Bloomberg. Fair values of debt securities under Level 2 composed of government securities, determined based on observable input prices of similar securities appearing on Bloomberg.
- (c) *Derivatives*  
The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation (see Note 3). 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 establishing fair values.
- (d) *Equity securities*  
Instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL. These securities are valued based on their closing prices published by the Philippine Stock Exchange.

Club shares classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.



Equity instruments included in Level 3 are UIC's investment in unquoted equity securities valued using the adjusted net asset method. The adjusted net asset method involves deriving the fair value of the investee's equity instruments by reference to the fair value of its assets and liabilities. Adjustments in the fair value of the investee's net assets, such as discount for the lack of liquidity, were also considered in the valuation. The Level 3 unquoted equity instruments are not material to the consolidated financial statements.

(e) *Loans and receivables, Deposit liabilities and Bills payable*

The Group maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(f) *Notes and bonds payable*

Fair values of notes and bonds payable under Level 2 are determined based on quoted prices at the close of business as appearing on PDEX and Bloomberg. These are classified as Level 2 due to absence of an active market.

(g) *Investment properties*

The fair values of the Group's investment properties are determined on the basis of the appraisals performed by internal appraisers (for investment properties with values below ₱5 million) and independent appraisal companies acceptable to the BSP (for investment properties with fair values above ₱5 million), with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process is conducted by the appraisers with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, appraisal companies take into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair values of investment properties are determined using the market data approach that reflects observable and recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable property in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value will be the lower level of the hierarchy or Level 3. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

There has been no change to the valuation techniques used by the Group during the year for its investment properties.

Offsetting Financial Assets and Financial Liabilities

Certain financial assets and financial liabilities of the Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2022 and 2021 are subject to offsetting, enforceable master netting arrangements and similar agreements. However, there were no financial assets and financial liabilities presented at net in the statements of financial position.



## Fair Value Measurement, Offsetting of Financial Assets and Financial Liabilities and Cash and Balances with the BSP

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Presented below is the financial assets and financial liabilities subject to offsetting but the related amounts are not set-off in the statements of financial position.

	Group							
	December 31, 2022				December 31, 2021			
	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Exposure	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Exposure
	Financial Instruments	Collateral Received			Financial Instruments	Collateral Received		
<b>Financial assets</b>								
<b>Derivative assets</b>								
Currency forwards	₱807,279	₱379,452	₱-	₱427,827	₱468,358	₱344,744	₱-	₱123,614
Cross currency interest rate swaps	315,602	21,550	-	294,052	547,012	88,973	-	458,039
<b>Loans and receivables</b>	23,948,338	-	23,948,338	-	23,841,824	-	23,841,824	-
<b>Total financial assets</b>	<b>₱25,071,219</b>	<b>₱401,002</b>	<b>₱23,948,338</b>	<b>₱721,879</b>	<b>₱24,857,194</b>	<b>₱433,717</b>	<b>₱23,841,824</b>	<b>₱581,653</b>
<b>Financial liabilities</b>								
<b>Derivative liabilities</b>								
Currency forwards	₱1,306,506	₱379,452	₱-	₱927,054	₱260,235	₱344,744	₱-	(₱84,509)
Cross currency swaps	240,267	21,550	-	218,717	489,774	88,973	-	400,801
<b>Deposit liabilities</b>	652,651	331,529	-	321,122	585,863	421,082	-	164,781
<b>Bills Payable</b>	23,553,973	23,553,973	-	-	23,420,742	23,420,742	-	-
<b>Total financial liabilities</b>	<b>₱25,753,397</b>	<b>₱24,286,504</b>	<b>₱-</b>	<b>₱1,466,893</b>	<b>₱24,756,614</b>	<b>₱24,275,541</b>	<b>₱-</b>	<b>₱481,073</b>
	Parent Bank							
	December 31, 2022				December 31, 2021			
	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Exposure	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Exposure
	Financial Instruments	Collateral Received			Financial Instruments	Collateral Received		
<b>Financial assets</b>								
<b>Derivative assets</b>								
Currency forwards	₱807,279	₱379,452	₱-	₱427,827	₱468,358	₱344,744	₱-	₱123,614
Cross currency interest rate swaps	315,602	21,550	-	294,052	547,012	88,973	-	458,039
<b>Loans and receivables</b>	14,966,340	-	14,966,340	-	15,946,079	-	15,946,079	-
<b>Total financial assets</b>	<b>₱16,089,221</b>	<b>₱401,002</b>	<b>₱14,966,340</b>	<b>₱721,879</b>	<b>₱16,961,449</b>	<b>₱433,717</b>	<b>₱15,946,079</b>	<b>₱581,653</b>
<b>Financial liabilities</b>								
<b>Derivative liabilities</b>								
Currency forwards	₱1,306,506	₱379,452	₱-	₱927,054	₱260,235	₱344,744	₱-	(₱84,509)
Cross currency swaps	240,267	21,550	-	218,717	489,774	88,973	-	400,801
<b>Deposit liabilities</b>	610,047	331,529	-	278,518	564,035	404,783	-	159,252
<b>Bills Payable</b>	14,634,811	14,634,811	-	-	15,541,296	15,541,296	-	-
<b>Total financial liabilities</b>	<b>₱16,791,631</b>	<b>₱15,367,342</b>	<b>₱-</b>	<b>₱1,424,289</b>	<b>₱16,855,340</b>	<b>₱16,379,796</b>	<b>₱-</b>	<b>₱475,544</b>

## 8. Cash and Balances with the BSP

These accounts are composed of the following as of December 31:

	Group		Parent Bank	
	2022	2021	2022	2021
Cash and other cash items	₱9,891,536	₱8,904,903	₱8,924,249	₱7,988,517
Due from BSP				
Mandatory reserves	₱62,263,916	₱46,511,088	₱59,250,130	₱44,334,946
Non-mandatory reserves	32,346,392	56,896,858	7,337,991	23,143,443
	<b>₱94,610,308</b>	<b>₱103,407,946</b>	<b>₱66,588,121</b>	<b>₱67,478,389</b>

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Group and the Parent Bank's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches that were received after the Group and the Parent Bank's clearing cut-off time until the close of the regular banking hours.



Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 21). Due from BSP bears annual interest rates ranging from 1.50% to 5.00% in 2022, from 1.50% to 2.00% in 2021, and from 1.50% to 4.30% in 2020, except for the amounts within the required reserve as determined by the BSP. Total interest income on Due from BSP recognized by the Group amounted to ₱896,452, ₱665,311, and ₱962,515, in 2022, 2021, and 2020, respectively, while the total interest income on Due from BSP recognized by the Parent Bank amounted to ₱487,778, ₱325,236, and ₱709,244, in 2022, 2021, and 2020, respectively.

Under Section 254 of the MORB, a bank shall keep its required reserves in the form of deposits placed in the bank's demand deposit account with the BSP. Section 254.1 of the MORB further provides that such deposit account with the BSP is not considered as a regular current account as drawings against such deposits shall be limited to: (a) settlement of obligation with the BSP, and (b) withdrawals to meet cash requirements.

## 9. Due from Other Banks

The balance of this account consists of regular deposits with the following:

	<b>Group</b>		<b>Parent Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Foreign banks	<b>₱41,686,572</b>	₱51,138,501	<b>₱41,686,572</b>	₱51,009,025
Local banks	<b>4,553,392</b>	3,119,964	<b>576,957</b>	299,958
	<b>₱46,239,964</b>	₱54,258,465	<b>₱42,263,529</b>	₱51,308,983

The breakdown of this account as to currency follows:

	<b>Group</b>		<b>Parent Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
U.S. dollars	<b>₱39,093,926</b>	₱48,927,115	<b>₱38,909,437</b>	₱48,946,007
Philippine pesos	<b>4,362,703</b>	3,262,944	<b>570,757</b>	294,570
Other currencies	<b>2,783,335</b>	2,068,406	<b>2,783,335</b>	2,068,406
	<b>₱46,239,964</b>	₱54,258,465	<b>₱42,263,529</b>	₱51,308,983

Annual interest rates on these deposits range from 0.00% to 2.30% in 2022, from 0.00% to 2.00% in 2021, and from 0.00% to 3.00% in 2020. Total interest income on Due from other banks earned by the Group amounted to ₱103,736, ₱14,429, and ₱59,459 in 2022, 2021, and 2020, respectively, while total interest income earned by the Parent Bank amounted to ₱97,199, ₱7,634, and ₱46,791 in 2022, 2021, and 2020, respectively.

Due from other banks is net of allowance for credit losses amounting to ₱18,447 and ₱32,407, as of December 31, 2022 and 2021, respectively.



**10. Interbank Loans Receivable and Securities Purchased under Repurchase Agreements**

Interbank loans receivable consists of foreign currency-denominated loans granted to other banks with terms ranging from 1 to 68 days in 2022 and from 3 to 63 days in 2021. SPURRA represents short-term placements with the BSP and private entities where the underlying securities cannot be sold or re-pledged to parties other than the contracting party.

Interest income on interbank loans amounted to ₱260,343, ₱23,256, and ₱95,857 in 2022, 2021, and 2020, respectively, for the Group, and ₱259,183, ₱22,170, and ₱95,451 in 2022, 2021, and 2020, respectively, for the Parent Bank. Interest income on SPURRA amounted to ₱566,019, ₱300,764, and ₱444,275 in 2022, 2021, and 2020, respectively, for the Group, and ₱393,663, ₱204,381, and ₱273,324 in 2022, 2021, and 2020, respectively, for the Parent Bank.

Annual interest rates on interbank loans receivable range from 0.05% to 5.03% in 2022, from 0.01% to 2.00% in 2021, and 0.01% to 4.00% in 2020. SPURRA bears nominal annual interest ranging from 0.00% to 5.23% in 2022, from 0.10% to 3.05% in 2021, and from 0.21% to 3.05% in 2020.

**11. Financial Assets at Fair Value through Profit or Loss**

The Group's and Parent Bank's financial assets at FVTPL as of December 31, 2022 and 2021 consist of the following:

	Group		Parent Bank	
	2022	2021	2022	2021
Debt securities held for trading	<b>₱6,996,559</b>	₱4,365,040	<b>₱6,996,559</b>	₱4,365,040
Equity securities designated at FVTPL	<b>481,388</b>	209,535	<b>411,050</b>	140,800
Derivative assets	<b>1,175,569</b>	1,065,430	<b>1,175,569</b>	1,065,430
	<b>₱8,653,516</b>	₱5,640,005	<b>₱8,583,178</b>	₱5,571,270

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2022	2021	2022	2021
U.S. dollars	<b>₱3,348,270</b>	₱4,514,447	<b>₱3,348,270</b>	₱4,514,447
Philippine pesos	<b>5,304,291</b>	1,125,261	<b>5,233,953</b>	1,056,526
Others	<b>955</b>	297	<b>955</b>	297
	<b>₱8,653,516</b>	₱5,640,005	<b>₱8,583,178</b>	₱5,571,270

The Group recognized fair value gains (losses) on financial assets at FVTPL amounting to (₱281,559), (₱440,044), and ₱809,253 in 2022, 2021, and 2020, respectively, while the Parent Bank recognized fair value gains (losses) on financial assets at FVTPL amounting to (₱282,465), (₱440,453), and ₱811,217 in 2022, 2021, and 2020, respectively, and included as part of Gains (losses) on trading and investment securities at FVTPL and FVOCI in the statement of income.



Interest income generated from these financial assets amounted to ₱203,766, ₱244,587, and ₱524,261 in 2022, 2021, and 2020, respectively, of both the Group and the Parent Bank. In 2022, annual interest rates on these financial assets range from 2.38% to 9.25% and from 1.38% to 9.63% for securities denominated in Philippine peso and U.S. dollars, respectively. In 2021, annual interest rates on these financial assets range from 2.38% to 4.62% and from 1.38% to 10.63% for securities denominated in Philippine peso and U.S. dollars, respectively. In 2020, annual interest rates on these financial assets range from 1.38% to 5.88% and from 0.96% to 7.03% for securities denominated in Philippine peso and U.S. dollars, respectively.

Derivative instruments include warrants, foreign exchange forwards and swaps and cross-currency interest rate swaps. These derivative instruments represent commitments to purchase/sell/exchange foreign currency or bonds on a future date at an agreed price, exchange rate and/or interest rates.

Equity securities include PSE listed securities, club shares and unquoted equity securities.

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and liabilities of the Group and the Parent Bank are set out below.

	December 31, 2022		
	Notional	Fair Values	
	Amount	Assets	Liabilities (Note 24)
Currency forwards			
Bought	₱74,853,141	₱288,247	₱1,263,097
Sold	25,708,489	519,032	43,409
Cross currency interest rate swaps			
Payer	3,751,347	15,823	234,509
Receiver	3,917,497	299,779	5,758
Warrants	5,017,950	52,688	-
		<b>₱1,175,569</b>	<b>₱1,546,773</b>
		December 31, 2021	
Currency forwards			
Bought	₱31,946,925	₱ 466,591	₱36,806
Sold	22,392,884	1,767	223,429
Cross currency interest rate swaps			
Payer	2,548,063	296,467	207,593
Receiver	2,540,260	250,545	282,181
Warrants	7,649,850	50,060	-
		<b>₱1,065,430</b>	<b>₱750,009</b>





## 12. Financial Assets at Amortized Cost

The Group's and the Parent Bank's financial assets at amortized cost as of December 31, 2022 and 2021 consist of the following:

	Group		Parent Bank	
	2022	2021	2022	2021
Government bonds and other debt securities	<b>₱242,659,492</b>	₱163,748,924	<b>₱233,522,259</b>	₱159,616,193
Private bonds and commercial papers	<b>2,273,341</b>	2,862,393	<b>2,183,341</b>	2,772,393
	<b>244,932,833</b>	166,611,317	<b>235,705,600</b>	162,388,586
Allowance for impairment (Note 20)	<b>(304,929)</b>	(249,138)	<b>(304,929)</b>	(249,138)
	<b>₱244,627,904</b>	₱166,362,179	<b>₱235,400,671</b>	₱162,139,448

Investment securities of both the Group and the Parent Bank with an aggregate principal amount of ₱103,659,400 and ₱23,664,920 of December 31, 2022 and 2021, respectively, were pledged as collaterals for bills payable under repurchase agreements (see Note 22).

The breakdown of this account as to currency as of December 31, 2022 and 2021 follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Philippine pesos	<b>₱211,267,150</b>	₱133,898,721	<b>₱202,039,917</b>	₱129,675,990
U.S. dollars	<b>31,492,475</b>	30,644,377	<b>31,492,475</b>	30,644,377
Others	<b>1,868,279</b>	1,819,081	<b>1,868,279</b>	1,819,081
	<b>₱244,627,904</b>	₱166,362,179	<b>₱235,400,671</b>	₱162,139,448

Financial assets at amortized cost denominated in Philippine pesos have annual fixed interest rates ranging from 2.38% to 18.25% in 2022, from 1.03% to 18.25% in 2021, and from 1.69% to 18.25% in 2020, while financial assets at amortized cost denominated in U.S. dollars and Euros have annual fixed interest rates ranging from 3.25% to 9.5% in 2022 and 2021, and from 2.31% to 7.11% in 2020. These bonds have remaining maturities of 1 year to 31 years as at December 31, 2022 and 2021 and 1 year to 29 years as at December 31, 2020.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to ₱9,731,453, ₱5,865,798, and ₱7,202,846 in 2022, 2021, and 2020, respectively, by the Group, and ₱9,330,858, ₱5,777,352, and ₱7,061,489 in 2022, 2021, and 2020, respectively, by the Parent Bank. This is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statement of income.

Government bonds with aggregate face value of ₱1.2 billion and ₱1.0 billion as of December 31, 2022, and 2021, respectively, are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 31).



The Parent Bank sold investment securities classified as Investment securities at amortized cost with carrying amount of ₱1.7 billion, ₱47.4 billion, and ₱57.8 billion in 2022, 2021, and 2020, respectively, resulting in gains totaling ₱0.10 billion, ₱8.45 billion, and ₱5.11 billion in 2022, 2021, and 2020, respectively (see Note 3).

*Reclassification of Financial assets Measured at Fair Value Through Other Comprehensive Income to Financial Assets at Amortized Cost for prudential reporting*

In response to the effects on the financial markets of the COVID-19 pandemic, the BSP has issued BSP Memorandum No. M-2020-022 dated April 8, 2020 allowing BSP-supervised financial institutions to reclassify its investments in debt securities that are booked under a fair value category to amortized cost category. For valuation purposes, under the BSP relief, banks can choose until April 30, 2020 to reclassify its debt securities using any value date from March 1, 2020 to April 30, 2020; and choose to reclassify subsequent to April 30, 2020 to September 30, 2020 using the value date as of the date when the reclassification is made.

In 2020, the Bank availed of the BSP relief for prudential reporting purposes and reclassified the Bank's FCDO's debt financial assets at FVTPL and at FVOCI to Financial assets at amortized cost classification with fair market values of ₱5.6 billion and ₱6.0 billion, respectively, using March 5, 2020 as valuation date. To maintain full compliance with PFRS, the Bank retained the original classification of its debt financial assets consistent with the requirements of PFRS 9 in its general purpose financial statements prepared under PFRS.

As of December 31, 2020, the amortized cost and fair value of the outstanding reclassified securities for prudential reporting amounted to ₱5.66 billion and ₱5.75 billion, respectively. Had these securities not been reclassified from FVTPL and FVOCI to Financial assets at amortized cost for prudential reporting purposes, the net unrealized gain recognized in profit or loss and OCI for the year ended December 31, 2020 would have increased by ₱69.52 million and ₱22.09 million, respectively.

Under BSP Memorandum No. M-2021-011, the BSP-supervised financial institution that intends to revert to PFRS 9 for prudential reporting purposes shall classify its outstanding debt securities as of the start of the financial reporting period when such a decision was made. On January 1, 2021, the Bank decided to revert to PFRS 9 for prudential reporting purposes and accordingly, reversed the reclassification for prudential reporting effective January 1, 2021.

**13. Financial Assets at Fair Value Through Other Comprehensive Income**

The Group's and the Parent Bank's financial assets at FVOCI as of December 31, 2022 and 2021 consist of the following:

	Group		Parent Bank	
	2022	2021	2022	2021
Debt securities:				
Government bonds	<b>₱62,104,853</b>	₱47,097,138	<b>₱62,095,606</b>	₱47,046,877
Private bonds and commercial papers	<b>17,384,174</b>	18,377,887	<b>17,325,825</b>	18,282,141
Equity securities	<b>272,735</b>	197,585	<b>46,247</b>	41,673
	<b>₱79,761,762</b>	₱65,672,610	<b>₱79,467,678</b>	₱65,370,691



The breakdown of this account as to currency as of December 31, 2022 and 2021 follows:

	Group		Parent Bank	
	2022	2021	2022	2021
U.S. dollars	<b>₱56,151,879</b>	₱46,793,028	<b>₱55,925,392</b>	₱46,637,115
Philippine pesos	<b>23,609,883</b>	18,879,582	<b>23,542,286</b>	18,733,576
	<b>₱79,761,762</b>	₱65,672,610	<b>₱79,467,678</b>	₱65,370,691

The Group has designated the above equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. Unquoted equity securities pertain to golf club shares and investments in non-marketable equity securities.

Debt securities denominated in Philippine pesos have annual interest rates ranging from 2.88% to 9.25% for 2022, from 2.88% to 6.88% for 2021, and from 3.70% to 5.33% for 2020, while debt securities denominated in U.S. dollars have annual interest rates ranging from 1.25% to 9.63% in 2022, from 1.13% to 9.63% in 2021, and from 1.03% to 8.43% in 2020. Interest income, including amortization of premium or discount, amounted to ₱2,758,288 and ₱2,752,764 in 2022 for the Group and Parent Bank, respectively, ₱1,840,975 and ₱1,833,323 in 2021 for the Group and Parent Bank, respectively, and ₱881,817 and ₱875,707 in 2020 for the Group and Parent Bank, respectively, and is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statement of income.

In 2022, 2021 and 2020, the Group and the Parent Bank recognized gains from the sale of investments securities at FVOCI amounting to ₱0.10 billion, ₱0.66 billion, and ₱3.02 billion, respectively. The amounts are included under Gains on trading and investments securities at FVTPL and FVOCI in the statement of income.

As of December 31, 2022 and 2021, allowance for credit losses credited against other comprehensive income amounted to ₱12,287 and ₱12,031, respectively.



## 14. Loans and Other Receivables

The Group's and the Parent Bank's loans and other receivables as of December 31, 2022 and 2021 consist of the following:

	Group		Parent Bank	
	December 31		December 31	
	2022	2021	2022	2021
Receivables from customers:				
Loans and discounts	<b>₱459,972,123</b>	₱325,222,919	<b>₱372,906,505</b>	₱265,140,532
Customers' liabilities under acceptances and trust receipts	<b>11,616,859</b>	11,051,652	<b>11,616,859</b>	11,051,652
Bills purchased	<b>3,180,968</b>	458,312	<b>3,180,968</b>	458,312
Accrued interest receivable	<b>5,725,612</b>	3,155,283	<b>2,892,184</b>	2,323,363
	<b>480,495,562</b>	339,888,166	<b>390,596,516</b>	278,973,859
Unearned discounts	<b>(2,204,459)</b>	(1,417,089)	<b>(204,265)</b>	(158,506)
Allowance for impairment (Note 20)	<b>(14,038,685)</b>	(13,435,022)	<b>(9,177,037)</b>	(10,035,885)
	<b>464,252,418</b>	325,036,055	<b>381,215,214</b>	268,779,468
Other receivables:				
Accounts receivable	<b>9,316,601</b>	7,106,075	<b>6,718,338</b>	2,742,044
Accrued interest receivable	<b>4,244,524</b>	3,186,024	<b>4,063,998</b>	3,072,794
Sales contracts receivable	<b>2,319,031</b>	1,518,579	<b>2,215,959</b>	1,446,756
Unquoted debt securities classified as loans	-	1,538	-	-
Installment contracts receivable	<b>2,188</b>	3,451	-	-
	<b>15,882,344</b>	11,815,667	<b>12,998,295</b>	7,261,594
Allowance for impairment (Note 20)	<b>(476,864)</b>	(497,833)	<b>(447,915)</b>	(464,156)
	<b>15,405,480</b>	11,317,834	<b>12,550,380</b>	6,797,438
	<b>₱479,657,898</b>	₱336,353,889	<b>₱393,765,594</b>	₱275,576,906

Restructured loans amounted to ₱2,766,595 and ₱1,307,006 as of December 31, 2022 and 2021, respectively, for the Group, and ₱2,733,513 and ₱1,250,276 as of December 31, 2022 and 2021, respectively, for the Parent Bank. Interest income on these restructured loans amounted to ₱136,650, ₱38,733, and ₱9,067 in 2022, 2021, and 2020, respectively, for the Group, and ₱136,129, ₱25,189, and ₱6,126 in 2022, 2021, and 2020, respectively, for the Parent Bank.

The maturity profile of loans and other receivables (net of unearned discounts) follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Less than one year	<b>₱206,542,153</b>	₱102,745,416	<b>₱197,799,858</b>	₱89,910,665
One year to less than five years	<b>169,116,975</b>	147,755,010	<b>97,237,602</b>	97,636,022
Beyond five years	<b>118,514,319</b>	99,786,318	<b>108,353,086</b>	98,530,260
	<b>₱494,173,447</b>	₱350,286,744	<b>₱403,390,546</b>	₱286,076,947

Loans and other receivables bear annual interest ranging from 4.25% to 14.00% in 2022, and from 4% to 14% in 2021 and 2020.



The breakdown of loans (receivable from customers excluding accrued interest receivable) as to type of interest rate follows:

	<b>Group</b>		<b>Parent Bank</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
Variable interest rates	<b>₱274,129,500</b>	₱248,928,907	<b>₱274,129,500</b>	₱248,924,378
Fixed interest rates	<b>200,640,450</b>	87,803,976	<b>113,574,832</b>	27,726,118
	<b>₱474,769,950</b>	₱336,732,883	<b>₱387,704,332</b>	₱276,650,496

The amounts of interest income per type of loans and receivables for each reporting period are as follows:

	<b>Group</b>		
	<b>2022</b>	2021	2020
Receivables from customers	<b>₱32,404,519</b>	₱24,686,931	₱28,287,521
Other receivables:			
Sales contracts receivable	<b>141,615</b>	101,402	118,611
Installment contracts receivable	<b>286</b>	318	514
Others	<b>3,458,294</b>	2,583,798	18
	<b>₱36,004,714</b>	₱27,372,449	₱28,406,664

	<b>Parent Bank</b>		
	<b>2022</b>	2021	2020
Receivables from customers	<b>₱23,773,696</b>	₱17,402,061	₱19,689,313
Sales contracts receivable	<b>133,692</b>	95,200	113,383
	<b>₱23,907,388</b>	₱17,497,261	₱19,802,696

## 15. Investments in Subsidiaries and Associates

### Investment in Subsidiaries

This account in the Parent Bank's financial statements pertains to investments in the following subsidiaries, which are accounted for using the equity method:

	<b>% Interest</b>	<b>2022</b>	2021
Acquisition costs:			
CSB	99.79%	<b>₱6,746,861</b>	₱6,746,861
CFSI (Note 1)	100%	<b>5,073,025</b>	-
UnionDigital (Note 1)	100%	<b>3,000,000</b>	1,000,000
UBX	100%	<b>1,100,000</b>	1,100,000
UIC	100%	<b>924,861</b>	924,861
FUPI	100%	<b>290,002</b>	290,002
UBPSI	100%	<b>5,000</b>	5,000
UDC	100%	<b>3,125</b>	3,125
		<b>₱17,142,874</b>	₱10,069,849



The movement of investments in subsidiaries is shown below:

	2022	2021	2020
Acquisition costs:			
Beginning balances	₱10,069,849	₱8,573,349	₱7,870,847
Additional investments (Note 1)	7,073,025	1,500,000	702,502
Others	—	(3,500)	—
	<b>17,142,874</b>	10,069,849	8,573,349
Accumulated equity in total comprehensive income:			
Beginning balances	13,013,106	13,294,638	12,652,786
Share in net profit (Note 28)*	1,712,086	1,173,016	953,082
Dividends	(188,000)	(1,496,811)	—
Impairment on investment in FUPI (Note 28)	—	—	(290,002)
Share in other comprehensive income (loss) (Note 29)	82,778	38,774	(21,228)
Others	(4,384)	3,489	—
	<b>14,615,586</b>	13,013,106	13,294,638
Net investment in subsidiaries	<b>₱31,758,460</b>	₱23,082,955	₱21,867,987

\*The share in net profit for CSB in 2021 and 2020 is net of goodwill impairment charge of ₱529.6 million and ₱223.2 million, respectively.

The Parent Bank's direct subsidiaries are all incorporated in the Philippines. The principal place of business of these subsidiaries is in Metro Manila, Philippines except for CSB, which has its principal place of operations in Cebu, Philippines.

#### *Acquisition of shares of CFSI*

Citicorp Financial Services and Insurance Brokerage Philippines, Inc. is a domestic corporation organized to engage in the business of marketing insurance products and to act as a broker of debt and equity securities of every kind and description. CFSI is engaged in the brokerage of debt securities, third-party investment funds, and insurance products. On December 23, 2021, the CFSI's shareholders sold to Union Bank of the Philippines their respective ownership totaling to 100% of the shares as part of the acquisition, which was completed on August 1, 2022 (see Note 1).

#### *Purchase of preferred shares issued by FUPI*

In October 2020, the Parent Bank subscribed to FUPI's non-voting, non-cumulative and redeemable preferred shares for a total consideration of ₱290.0 million. The subscription was used to support FUPI in meeting its maturing pre-need plans during 2020. As of December 31, 2020, the Parent Bank assessed that the preferred shares will not be redeemed or settled in the foreseeable future, as FUPI will not be generating additional income or revenues moving forward. In 2020, the Parent Bank provided a full valuation allowance of ₱290.0 million, presented under Miscellaneous expense (see Note 28). This transaction is eliminated in consolidation and has no impact on the consolidated financial statements.

#### *Acquisition of Bangko Kabayan*

In February 2019, CSB and UIC acquired 70% ownership, with CSB owning 49% and UIC owning 21% (See Note 1). For convenience purposes, the Group used March 31, 2020 as the date of business combination.



The acquisition resulted in goodwill as follows (amounts in thousands):

Purchase price		₱681,745
Share in fair value of net assets acquired:		
Final fair values of net assets acquired	808,009	
Less: Proportionate share of non-controlling interest	242,403	565,606
<b>Final Goodwill</b>		<b>₱116,139</b>

The goodwill arising from the acquisition is attributed to expected synergies in the operations of the Group and Bangko Kabayan and the planned expansion of network to rural areas and extend the digital products offered by the Parent Bank. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of the loans and receivables acquired as part of the business combination amounted to ₱1.95 billion, with gross contractual amount of ₱2.04 billion. Net cash outflow related to the acquisition of Bangko Kabayan amounted to ₱38.09 million, net of cash acquired.

#### *Acquisition of PBI*

On January 5, 2018, CSB and UIC acquired 75% ownership of PBI (see Note 1).

The acquisition resulted in a gain on bargain purchase as follows (amounts in thousands):

Purchase price		₱58,000
Share in fair value of net assets acquired:		
Final fair values of net assets acquired	₱111,054	
Less: Proportionate share of non-controlling interest	27,763	83,291
<b>Gain on Bargain Purchase (Note 28)</b>		<b>₱25,291</b>

The fair value of the loans and receivables acquired as part of the business combination amounted to ₱252.41 million, with gross contractual amount of ₱360.56 million. Net cash inflow related to the acquisition of PBI amounted to ₱140.47 million, net of cash acquired.

#### UBX and UBX SG Investment Transactions

On November 27, 2020, the Parent Bank's BOD approved the additional capital infusion of ₱500 million into UBX. The capital infusion was approved by the BSP on February 15, 2021. The additional capital is intended to grow UBX' business operations and venture platforms.

#### Investments in Pacific Payments Pte. Ltd

On February 21, 2020, UBX SG acquired 25% of Pacific Payments Pte. Ltd. (PPPL)'s outstanding capital for a total consideration amounting to \$1.6 million (₱50.0 million). PPPL is a holding company that was incorporated in Singapore in November 2014.

On June 18, 2021, UBX SG sold its 25% stake in Pacific Payments Pte. Ltd.'s for a total consideration of \$5.4 million (₱262.4 million) resulting in a gain on sale of investment in associate amounting to \$3 million (₱156.0 million). UBX SG will use the proceeds to pursue growth and investments opportunities.



Investments in Integra Partners' Fund

On January 31, 2021, UBX SG subscribed \$2.5 million in Integra Partners' Fund II as a Limited Partner. Out of the \$2.5 million subscribed, UBX SG has paid \$286 thousands (₱13.7 million) or around 10% ownership. Integra Partners is a venture Capital (VC) firm based out of Singapore and is considered one of SE Asia's premier Fintech and Healthtech VC funds. UBX SG's investment in the fund indicates its commitment to invest in the fintech space and drive healthcare and financial inclusion in Southeast Asia. Additionally, the partnership further cements the existing strategic relationship with Integra Partners.

Investments in CC Mobile Financial Services Philippines, Inc.

On September 6, 2019, UBX acquired 35% of CC Mobile Financial Services Philippines, Inc. (CCPH) outstanding capital stock for a total consideration amounting to ₱50.0 million. CCPH was incorporated in the Philippines to engage in the business of a financing company by extending credit facilities, by discounting or factoring commercial paper or accounts receivable, by sales finance, by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by financial or operating leasing of movable as well as immovable property, and real estate mortgages, without engaging in quasi-banking functions or trust operations. CCPH is accounted for as an investment in associate in the Group's financial statements.

On June 11, 2021, UBX sold its 35% equity ownership in CC Mobile Financial Services Philippines, Inc. to Fintech Platform Ventures Pte Ltd. (FPV) pursuant to a corporate restructuring of the Finscore Group intended to consolidate the ownership of all its subsidiaries under one Singaporean holding company – FPV. UBX PH has agreed to assign the receivable from FPV arising from the sale to UBX SG. In exchange, UBX SG issued 64,760 Class A Redeemable Preferred Shares (RPS) ("UBX shares") at an issue price of \$1.04 million (₱53.03 million) to UBX PH. UBX SG has, in turn, entered into a Subscription and Shareholders' Agreement dated June 4, 2021 wherein it subscribed to 1,350,000 shares (31.98% equity ownership) in FPV, free from any encumbrances, for the aggregate subscription consideration of \$1.39 million (₱70.88 million). As of December 31, 2021, UBX SG has 31.98% ownership in FPV, which in turn has 100% ownership in CC Mobile Financial Services Philippines, Inc.

Investments with NYK Ventures Pte Ltd.

On August 2, 2021, UBX SG subscribed to 811 non-cumulative, non-convertible preference shares of NYK Ventures Pte Ltd. (NYK) at a price of \$317.79 per share or a total of \$0.26 million (₱12.80 million) in addition to its exiting interest in NYK. This additional subscription was an exercise of UBX SG's pro rata rights to maintain an equity stake in NYK's wholly-owned subsidiary, PDAX, Inc. of 2.58%.

Investment in Associates

As of December 31, 2022 and 2021, the Group has investment in associates with aggregate carrying amounts of ₱123,396 and ₱142,355, respectively. The aggregate share in losses on these associates amounted to ₱30,125, ₱14,186, and ₱3,665 in 2022, 2021, and 2020, respectively.

Subscription was an exercise of UBX SG's pro rata rights to maintain an equity stake in NYK's wholly-owned subsidiary, PDAX, Inc. of 2.58%.





Investment in Associates

As of December 31, 2022 and 2021, the Group has investment in associates with aggregate carrying amounts of ₱123,396 and ₱142,355, respectively. The aggregate share in losses on these associates amounted to ₱30,125, ₱14,186, and ₱3,665 in 2022, 2021, and 2020, respectively.

Summarized Financial Information

The following table presents the financial information for CSB, UnionDigital, PETNET, UBX, CFSI, UIC, Bangko Kabayan, FAIR Bank, and PBI as of and for the years ended December 31, 2022 and 2021:

	Assets	Liabilities	Revenues	Net Profit (Loss)
<b>2022</b>				
CSB	₱131,980,351	₱112,633,815	₱13,335,969	₱2,649,777
UnionDigital	12,908,553	10,357,201	408,801	(426,016)
PETNET	1,608,759	439,900	1,032,183	235,901
UBX	1,087,251	392,437	280,430	(220,944)
CFSI	1,511,034	204,336	295,014	117,317
UIC	1,145,003	70,566	173,615	88,894
Bangko Kabayan	3,597,388	3,027,477	435,462	76,853
FAIR Bank	299,029	226,998	72,518	(15,098)
PBI	180,755	185,658	45,098	(14,920)
	Assets	Liabilities	Revenues	Net Profit (Loss)
<b>2021</b>				
CSB	₱119,142,549	₱102,472,266	₱10,748,877	₱1,142,631
UnionDigital	1,000,000	29,000	—	(29,000)
PETNET	1,323,318	221,018	762,178	125,231
UBX	1,034,660	170,004	338,857	64,032
UIC	1,134,027	128,363	134,682	53,708
Bangko Kabayan	3,357,782	2,870,298	336,203	46,706
FAIR Bank	359,699	244,493	70,863	(28,314)
PBI	243,553	289,492	70,698	(114,293)

**16. Bank Premises, Furniture, Fixtures and Equipment**

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment as of December 31, 2022 and 2021 are shown below.

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold Rights and Improvements	
<b>December 31, 2022</b>						
Cost	₱850,660	₱5,070,587	₱5,314,628	₱3,416,378	₱1,852,361	₱16,504,614
Accumulated depreciation and amortization	—	(929,215)	(3,477,933)	(2,112,457)	(1,278,390)	(7,797,995)
<b>Net carrying amounts</b>	<b>₱850,660</b>	<b>₱4,141,372</b>	<b>₱1,836,695</b>	<b>₱1,303,921</b>	<b>₱573,971</b>	<b>₱8,706,619</b>
<b>December 31, 2021</b>						
Cost	₱850,660	₱3,061,143	₱4,946,472	₱2,817,848	₱1,748,553	₱13,424,676
Accumulated depreciation and amortization	—	(814,284)	(3,095,504)	(1,623,221)	(1,125,896)	(6,658,905)
<b>Net carrying amounts</b>	<b>₱850,660</b>	<b>₱2,246,859</b>	<b>₱1,850,968</b>	<b>₱1,194,627</b>	<b>₱622,657</b>	<b>₱6,765,771</b>



	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold Rights and Improvements	
<b>December 31, 2022</b>						
Cost	₱248,301	₱4,574,015	₱3,878,962	₱2,751,126	₱904,476	₱12,356,880
Accumulated depreciation and amortization	–	(671,565)	(2,348,595)	(1,682,023)	(418,663)	(5,120,846)
<b>Net carrying amounts</b>	<b>₱248,301</b>	<b>₱3,902,450</b>	<b>₱1,530,367</b>	<b>₱1,069,103</b>	<b>₱485,813</b>	<b>₱7,236,034</b>
<b>December 31, 2021</b>						
Cost	₱248,301	₱2,621,552	₱3,650,598	₱2,177,921	₱824,212	₱9,522,584
Accumulated depreciation and amortization	–	(596,994)	(2,027,948)	(1,221,229)	(340,087)	(4,186,258)
<b>Net carrying amounts</b>	<b>₱248,301</b>	<b>₱2,024,558</b>	<b>₱1,622,650</b>	<b>₱956,692</b>	<b>₱484,125</b>	<b>₱5,336,326</b>

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of this account (including right-of-use assets) is shown below:

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2022, net of accumulated depreciation and amortization	₱850,660	₱2,246,859	₱1,850,968	₱1,194,627	₱622,657	₱6,765,771
Additions	–	15,282	454,858	523,806	81,451	1,075,397
Disposals	–	–	(24,849)	–	–	(24,849)
Reclassifications/adjustments	–	23,476	(2,784)	136,607	(23,309)	133,990
Depreciation and amortization charges for the year	–	(96,708)	(494,052)	(620,499)	(152,494)	(1,363,753)
Effects of business combination (Note 1)	–	1,952,463	52,554	69,380	45,666	2,120,063
<b>Balances at December 31, 2022, net of accumulated depreciation and amortization</b>	<b>₱850,660</b>	<b>₱4,141,372</b>	<b>₱1,836,695</b>	<b>₱1,303,921</b>	<b>₱573,971</b>	<b>₱8,706,619</b>

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2021, net of accumulated depreciation and amortization	₱859,082	₱2,331,896	₱1,931,401	₱1,126,620	₱645,769	₱6,894,768
Additions	–	2,202	400,807	666,029	102,596	1,171,634
Disposals	(8,422)	(9,833)	(19,024)	–	–	(37,279)
Reclassifications/adjustments	–	(12,761)	(4,003)	(385)	(572)	(17,721)
Depreciation and amortization charges for the year	–	(64,645)	(458,213)	(597,637)	(125,136)	(1,245,631)
<b>Balances at December 31, 2021, net of accumulated depreciation and amortization</b>	<b>₱850,660</b>	<b>₱2,246,859</b>	<b>₱1,850,968</b>	<b>₱1,194,627</b>	<b>₱622,657</b>	<b>₱6,765,771</b>



	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2022, net of accumulated depreciation and amortization	<b>₱248,301</b>	<b>₱2,024,558</b>	<b>₱1,622,650</b>	<b>₱956,692</b>	<b>₱484,125</b>	<b>₱5,336,326</b>
Additions	–	–	273,418	514,000	34,597	822,015
Disposals	–	–	(17,318)	–	–	(17,318)
Reclassifications/adjustments	–	–	(1,393)	(250)	–	(1,643)
Depreciation and amortization charges for the year	–	(74,571)	(399,334)	(464,534)	(78,575)	(1,017,014)
Effects of business combination (Note 1)	–	1,952,463	52,344	63,195	45,666	2,113,668
Balances at December 31, 2022, net of accumulated depreciation and amortization	<b>₱248,301</b>	<b>₱3,902,450</b>	<b>₱1,530,367</b>	<b>₱1,069,103</b>	<b>₱485,813</b>	<b>₱7,236,034</b>
Balances at January 1, 2021, net of accumulated depreciation and amortization	₱248,301	₱2,084,184	₱1,732,358	₱935,946	₱524,577	₱5,525,366
Additions	–	–	285,567	431,171	31,824	748,562
Disposals	–	–	(13,643)	–	–	(13,643)
Reclassifications/adjustments	–	(15,062)	–	170	–	(14,892)
Depreciation and amortization charges for the year	–	(44,564)	(381,632)	(410,595)	(72,276)	(909,067)
Balances at December 31, 2021, net of accumulated depreciation and amortization	₱248,301	₱2,024,558	₱1,622,650	₱956,692	₱484,125	₱5,336,326

The Group has leases for branch offices, parking lots, stalls for specific events, signage and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a ROU asset and a lease liability.

Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contracts are cancellable upon mutual agreement of the parties or renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5% to 10%. As of December 31, 2022 and 2021, the Group has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

The Group's leasing activities qualified to recognize ROU assets mainly comprise of branch offices and parking lots with remaining lease terms ranging from 1 to 10 years.

The details of depreciation and amortization in the consolidated statements of income follow:

	Group		
	2022	2021	2020
Bank premises, furniture, fixtures and equipment*	<b>₱743,254</b>	₱647,994	₱658,806
Investment properties (Note 17)	<b>370,290</b>	406,421	358,351
Computer software (Note 19)	<b>349,683</b>	405,150	286,680
Foreclosed machineries and chattel	<b>144,646</b>	164,114	103,063
	<b>₱1,607,873</b>	₱1,623,679	₱1,406,900

\*Excluding depreciation of ROU asset presented in Occupancy amounting to ₱620,499 and ₱597,637 in 2022 and 2021, respectively.



## Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

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	Parent Bank		
	2022	2021	2020
Bank premises, furniture, fixtures and equipment*	₱552,480	₱498,472	499,189
Investment properties (Note 17)	358,600	394,241	350,290
Computer software (Note 19)	252,365	253,745	159,428
Foreclosed machineries and chattel	4,119	–	–
	<b>₱1,167,564</b>	<b>₱1,146,458</b>	<b>₱1,008,907</b>

\*Excluding depreciation of ROU asset presented in Occupancy amounting to ₱464,534 and ₱410,595 in 2022 and 2021, respectively.

In 2022, 2021, and 2020 depreciation charges amounted to ₱620.50 million, ₱597.64 million, and ₱521.52 million, respectively, for the ROU asset of the Group and ₱464.53 million, ₱410.60 million, and ₱438.31 million, respectively, for ROU of the Parent Bank. This is shown as part of Occupancy in the consolidated and parent bank statements of income.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the Parent Bank's unimpaired capital. As of December 31, 2022 and 2021, the Parent Bank has satisfactorily complied with this requirement.

### 17. Investment Properties

The Group's and the Parent Bank's investment properties include several parcels of land and buildings held for rentals and foreclosed properties. The composition of and movements in this account under the cost model are shown below.

	Group		Parent	
	As at December 31		As at December 31	
	2022	2021	2022	2021
Cost	₱11,432,533	₱11,700,174	₱10,129,917	₱10,288,745
Accumulated depreciation	(3,101,955)	(2,930,403)	(2,934,165)	(2,756,443)
Accumulated impairment loss	(71,705)	(96,427)	(71,703)	(96,425)
Net carrying amounts	<b>₱8,258,873</b>	<b>₱8,673,344</b>	<b>₱7,124,049</b>	<b>₱7,435,877</b>

The movements in the Group's and the Parent Bank's investment properties are shown below.

	Group		
	2022		
	Building Held for Lease	Foreclosed Properties	Total
<b>Cost</b>			
Balances at January 1	₱2,533,566	₱9,166,608	₱11,700,174
Reclassifications / adjustments	–	(41,189)	(41,189)
Additions	–	842,881	842,881
Disposals	–	(1,069,333)	(1,069,333)
Balances at December 31	<b>2,533,566</b>	<b>8,898,967</b>	<b>11,432,533</b>
<b>Accumulated depreciation and amortization</b>			
Balances at January 1	736,553	2,193,850	2,930,403
Reclassifications / adjustments	434	(9,042)	(8,608)
Depreciation	52,738	317,552	370,290
Disposals	–	(190,130)	(190,130)
Balances at December 31	<b>789,725</b>	<b>2,312,230</b>	<b>3,101,955</b>
<b>Accumulated impairment losses</b>			
Balance at January 1	–	96,427	96,427
Reversals on provision for impairment	–	(24,722)	(24,722)
Balances at December 31	–	<b>71,705</b>	<b>71,705</b>
<b>Net book values</b>	<b>₱1,743,841</b>	<b>₱6,515,032</b>	<b>₱8,258,873</b>



	Group 2021		
	Building Held for Lease	Foreclosed Properties	Total
<b>Cost</b>			
Balances at January 1	₱2,506,566	₱9,217,408	₱11,723,974
Reclassifications / adjustments	–	(785)	(785)
Additions	27,000	303,167	330,167
Disposals	–	(353,182)	(353,182)
<b>Balances at December 31</b>	<b>2,533,566</b>	<b>9,166,608</b>	<b>11,700,174</b>
<b>Accumulated depreciation and amortization</b>			
Balances at January 1	684,038	1,956,551	2,640,589
Reclassifications / adjustments	(20)	(66)	(86)
Depreciation	52,535	353,886	406,421
Disposals	–	(116,521)	(116,521)
<b>Balances at December 31</b>	<b>736,553</b>	<b>2,193,850</b>	<b>2,930,403</b>
<b>Accumulated impairment losses</b>			
Balance at January 1	–	161,019	161,019
Reclassifications / adjustments	–	57	57
Reversals on provision for impairment	–	(64,649)	(64,649)
<b>Balances at December 31</b>	<b>–</b>	<b>96,427</b>	<b>96,427</b>
<b>Net book values</b>	<b>₱1,797,013</b>	<b>₱6,876,331</b>	<b>₱8,673,344</b>

	Parent Bank 2022		
	Building Held for Lease	Foreclosed Properties	Total
<b>Cost</b>			
Balances at January 1	₱2,198,110	₱8,090,635	₱10,288,745
Reclassification	–	(1,224)	(1,224)
Additions	–	831,156	831,156
Disposals	–	(988,760)	(988,760)
<b>Balances at December 31</b>	<b>2,198,110</b>	<b>7,931,807</b>	<b>10,129,917</b>
<b>Accumulated depreciation and amortization</b>			
Balances at January 1	603,427	2,153,016	2,756,443
Depreciation	45,854	312,746	358,600
Disposals	–	(180,878)	(180,878)
<b>Balances at December 31</b>	<b>649,281</b>	<b>2,284,884</b>	<b>2,934,165</b>
<b>Accumulated impairment losses</b>			
Balances at January 1 and December 31	–	96,425	96,425
Reversals on provision for impairment	–	(24,722)	(24,722)
<b>Balances at December 31</b>	<b>–</b>	<b>71,703</b>	<b>71,703</b>
<b>Net book values</b>	<b>₱1,548,829</b>	<b>₱5,575,220</b>	<b>₱7,124,049</b>

	Parent Bank 2021		
	Building Held for Lease	Foreclosed Properties	Total
<b>Cost</b>			
Balances at January 1	₱2,171,110	₱8,128,628	₱10,299,738
Additions	27,000	261,438	288,438
Disposals	–	(299,431)	(299,431)
<b>Balances at December 31</b>	<b>2,198,110</b>	<b>8,090,635</b>	<b>10,288,745</b>
<b>Accumulated depreciation and amortization</b>			
Balances at January 1	557,796	1,918,321	2,476,117
Depreciation	45,631	348,610	394,241
Disposals	–	(113,915)	(113,915)
<b>Balances at December 31</b>	<b>603,427</b>	<b>2,153,016</b>	<b>2,756,443</b>
<b>Accumulated impairment losses</b>			
Balances at January 1 and December 31	–	161,074	161,074
Reversals on provision for impairment	–	(64,649)	(64,649)
<b>Balances at December 31</b>	<b>–</b>	<b>96,425</b>	<b>96,425</b>
<b>Net book values</b>	<b>₱1,594,683</b>	<b>₱5,841,194</b>	<b>₱7,435,877</b>



Real property taxes related to these investment properties paid by the Group and recognized as expense in 2022, 2021, and 2020 totaled ₱41,242, ₱33,676, and ₱44,653, respectively, and are presented as part of Taxes and licenses account under Other expenses in the statements of income.

Rent income earned by the Group on its investment properties under operating leases amounted to ₱209,600, ₱108,047, and ₱142,033, in 2022, 2021, and 2020, respectively, and is included as part of Rental account under Miscellaneous income in the statements of income (see Note 28).

The gain from foreclosure of loan collaterals, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱466.39 million, ₱135.31 million, and ₱153.88 million, in 2022, 2021, and 2020, respectively, for the Group and the Parent Bank.

The gain (loss) on disposal of foreclosed properties, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱1,224.04 million, (₱43.69 million), and ₱229.15 million, in 2022, 2021, and 2020, respectively, for the Group, and ₱1,193.00 million, ₱207.36 million, and ₱195.47 million in 2022, 2021, and 2020, respectively, for the Parent Bank.

Information about the fair value of investment properties is presented in Note 7.

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**18. Goodwill**

Goodwill represents the excess of the acquisition cost over the fair value arising from the acquisitions of (a) former iBank's in April 2006; (b) CSB in January 2013, (c) PR Savings Bank by CSB in June 2018, (d) PETNET in December 2018, (e) Bangko Kabayan in March 2020, and (f) Citigroup Inc.'s consumer banking business in the Philippines in August 2022 (see Note 1).

For the 2022 acquisition of Citigroup's consumer banking business, the Group has provisionally determined the fair value of assets and liabilities acquired and the related goodwill, including determining any goodwill that is expected to be deductible for income tax purposes.

For impairment testing purposes, the goodwill of the Group acquired through business combinations is allocated to the following CGUs:

- a. With respect to acquisition of iBank, to the Parent Bank's Retail Banking and Parent Bank's Corporate and Commercial Banking;
- b. With respect to the goodwill from the acquisition of CSB and PR Savings Bank, to CSB's DepEd salary loans business and motorcycle loans business, respectively;
- c. With respect to the goodwill from the acquisition of PETNET, the separate cash generating unit of PETNET at entity level;
- d. With respect to the goodwill from the acquisition of Bangko Kabayan, the separate cash generating unit of Bangko Kabayan at entity level; and,
- e. With respect to the goodwill from the acquisition of Citigroup Inc.'s consumer banking business in the Philippines, the separate cash generating unit of (i) a group of CGU within the Consumer Banking Group; and (ii) CFSI at entity level



The following presents the movement of goodwill of the Group for 2022 and 2021:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	<b>₱14,818,932</b>	₱15,348,531
Acquisition of business and subsidiary (Note 1)	<b>47,491,355</b>	–
Impairment during the year (Note 28)	–	(529,599)
<b>Ending balance</b>	<b>₱62,310,287</b>	₱14,818,932

The goodwill of the Group is allocated to the following CGUs:

	<b>Group</b>		<b>Parent Bank</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Parent Bank</b>				
Parent Bank's Consumer Banking Business	<b>₱43,772,364</b>	₱–	<b>₱43,772,364</b>	₱–
Parent Bank's Corporate and Commercial Banking	<b>3,208,998</b>	3,208,998	<b>3,208,998</b>	3,208,998
Parent Bank's Retail Banking	<b>4,677,900</b>	4,677,900	<b>4,677,900</b>	4,677,900
	<b>51,659,262</b>	7,886,898	<b>51,659,262</b>	7,886,898
<b>CSB</b>				
CSB's DepEd Salary Loans Business*	<b>3,371,353</b>	3,371,353	–	–
CSB's Motorcycle Loans Business**	<b>2,729,424</b>	2,729,424	–	–
	<b>6,100,777</b>	6,100,777	–	–
<b>PETNET</b>	<b>715,118</b>	715,118	–	–
<b>CFSI</b>	<b>3,718,991</b>	–	–	–
<b>Bangko Kabayan</b>	<b>116,139</b>	116,139	–	–
	<b>₱62,310,287</b>	₱14,818,932	<b>₱51,659,262</b>	₱7,886,898

\*Arising from the acquisition of CSB amounting to ₱3.37 billion

\*\*Arising from the acquisition of PR Savings Bank amounting to ₱3.48 billion. Goodwill impairment recognized for CSB's motorcycle loans business amounted to ₱529.60 million and ₱223.17 million in 2021 and 2020, respectively

Refer to Note 15 for the discussions on the acquisition of and merger with PR Savings Bank and acquisition of Bangko Kabayan  
Refer to Note 1 for the discussion on the acquisition of the Citigroup Inc.'s consumer banking business

The Parent Bank's Consumer banking business relates to a group of CGUs which comprises of the consumer banking business acquired from Citibank N.A. (see Note 1), the Parent Bank's credit card banking business, and the asset backed-lending business. As of December 31, 2022, the Bank has yet to complete the allocation of goodwill to the individual CGUs. As allowed by PFRS, the Bank allocated the goodwill to the aggregation of the group of CGUs which are expected to benefit from the synergies arising from the acquisition. The Parent Bank expects to finalize the allocation of goodwill within 1 year from the acquisition date.

The Group performed its annual impairment test in December of each year, unless indicators for impairment warrant earlier reassessment. The Group considers various internal and external sources of information in assessing whether there is any indication that goodwill is impaired including if there are significant changes with an adverse effect on the CGUs that have taken place during the period in the technological, market, economic or legal environment in which the Group operates.

As a result of the ongoing economic uncertainty brought about by the COVID-19 pandemic, the results of the motorcycle lending business were lower than expected.

The volume of loan releases was lower and the motorcycle loans reported higher NPLs, indicating a potential impairment of goodwill.



The recoverable amount of the motorcycle loans' CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to loan growth rate and discount rate. Future cash flows and growth rates were based on historical experiences and strategies developed, including assessment of impact of the COVID-19 pandemic. The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to a comparable entity, market observable inputs and assumptions consistent with the valuation practice. Refer to Note 3 for the disclosure of assumptions used in the impairment assessment.

As a result of this analysis, management has recognized an impairment charge of ₱529.6 million in 2021 against goodwill with a carrying amount of ₱3,259.0 million as of December 31, 2020 and ₱223.2 million in 2020 against goodwill with a carrying amount of ₱3,482.2 million as of December 31, 2019. The impairment charge is recorded under Miscellaneous expenses in the statement of income. In 2022, the Group performed its annual impairment test and noted that there is no additional impairment to recognize for the motorcycle CGU.

## 19. Other Resources

The composition of Other resources account as of December 31 follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Deferred tax assets (Note 30)	<b>₱7,923,240</b>	₱7,046,605	<b>₱5,964,897</b>	₱5,677,282
Software under development	<b>6,190,999</b>	3,366,928	<b>6,190,999</b>	3,366,928
Computer software – net	<b>3,989,158</b>	2,335,558	<b>1,499,300</b>	1,722,139
Advances and other investments	<b>1,755,564</b>	1,640,920	<b>1,754,866</b>	1,597,023
Creditable withholding taxes	<b>1,604,581</b>	1,114,195	<b>1,400,877</b>	1,061,256
Prepaid expenses	<b>985,548</b>	701,181	<b>804,153</b>	427,183
Deferred charges	<b>561,734</b>	378,832	–	–
Documentary stamps	<b>363,585</b>	406,610	<b>329,892</b>	222,117
Non-current assets held for sale	<b>331,476</b>	333,917	–	–
Trust fund assets	<b>61,681</b>	62,802	–	–
Net retirement asset (Note 29)	<b>31,955</b>	62,899	–	–
Returned checks and other cash items	<b>29,999</b>	169,164	<b>29,999</b>	169,164
Miscellaneous	<b>2,555,092</b>	1,628,501	<b>1,663,750</b>	1,091,950
	<b>26,384,612</b>	19,248,112	<b>19,638,733</b>	15,335,042
Allowance for impairment (Note 20)	<b>(42,783)</b>	(66,449)	<b>(3,298)</b>	(26,964)
	<b>₱26,341,829</b>	₱19,181,663	<b>₱19,635,435</b>	₱15,308,078

Trust fund assets are maintained to cover pre-need liabilities of FUPI for pre-need plans computed based on the provisions of PAS 37 as required by the IC and validated by a qualified actuary in compliance with the rules and regulations of the IC based on the amended PNUCA. The trust fund assets are managed by the Parent Bank's Trust and Investment Services Group (TISG).





The details of FUPI's trust fund assets as of December 31 follow:

	2022	2021
Due from other banks*	<b>₱2,362</b>	₱16,241
Financial assets at FVTPL	<b>44,901</b>	33,519
Financial assets at FVOCI	<b>14,320</b>	14,450
Miscellaneous – net	<b>98</b>	(1,408)
	<b>₱61,681</b>	₱62,802

\*As of December 31, 2022 and 2021, due from other banks included under trust fund assets comprising placements with the Parent Bank and not included in the above amounted to ₱11.61 million and ₱17.05 million, respectively.

Financial assets at FVTPL comprise of investments in shares of listed companies, government securities and other corporate debt instruments. The trust fund generated income (loss) of (₱1.30 million), ₱0.21 million, and (₱14.98 million) in 2022, 2021, and 2020, respectively (see Note 28).

The movements in the Computer software account follow:

	Group		Parent Bank	
	2022	2021	2022	2021
Balance at beginning of year	<b>₱2,335,558</b>	₱1,495,492	<b>₱1,722,139</b>	₱1,013,475
Additions	<b>2,027,117</b>	1,255,269	<b>29,528</b>	962,409
Amortization charges for the year	<b>(349,683)</b>	(405,150)	<b>(252,365)</b>	(253,745)
Reclassifications	<b>(23,834)</b>	(10,053)	<b>(2)</b>	–
Balance at end of year	<b>₱3,989,158</b>	₱2,335,558	<b>₱1,499,300</b>	₱1,722,139

Miscellaneous includes foreclosed machineries, chattels, motorcycle and automobiles, security deposits and ongoing improvements on the Group's and the Parent Bank's branches and offices.

## 20. Allowance for Impairment

The breakdown of allowance for impairment is shown in the table below:

	Group		Parent Bank	
	2022	2021	2022	2021
Receivable from customers (Note 14)	<b>₱14,038,685</b>	₱13,435,022	<b>₱9,177,037</b>	₱10,035,885
Other receivables (Note 14)	<b>476,864</b>	497,833	<b>447,915</b>	464,156
Investments and placements (Notes 9, 12 and 13)	<b>335,663</b>	293,576	<b>331,543</b>	289,455
Others	<b>114,488</b>	162,876	<b>75,001</b>	123,389
	<b>₱14,965,700</b>	₱14,389,307	<b>₱10,031,496</b>	₱10,912,885

Allowance for impairment of investments and placements include the Group's and the Parent Bank's financial assets at amortized cost, debt financial assets at FVOCI, due from other banks and interbank loans receivables. Others refer to allowance for impairment of investment properties and other resources.

With the foregoing level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance for any losses that the Group may incur from the non-collection or nonrealization of its receivables and other risk assets.



The reconciliation of allowance for the total receivables from customers follows.

Total Receivables from Customers - Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱1,460,927	₱861,913	₱11,112,182	₱13,435,022
Newly originated assets that remained in Stage 1 as at December 31, 2022	1,658,539	–	–	1,658,539
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	632,846	1,893,670	2,526,516
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,313,814)	795,907	(910,571)	(1,428,478)
Amounts written-off	1,202,776	(498,644)	(704,132)	–
Transfers to Stage 1	619,827	(447,721)	(172,106)	–
Transfers to Stage 2	(356,893)	(213,335)	570,228	–
Transfers to Stage 3	(779,436)	(88,775)	1,348,038	479,827
Impact on ECL of exposures transferred between stages	(16,799)	(4,383)	(2,611,559)	(2,632,741)
<b>Balances at end of year</b>	<b>₱2,475,127</b>	<b>₱1,037,808</b>	<b>₱10,525,750</b>	<b>₱14,038,685</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱1,789,161	₱784,234	₱7,900,469	₱10,473,864
Newly originated assets that remained in Stage 1 as at December 31, 2021	969,433	–	–	969,433
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	101,461	1,927,323	2,028,784
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,922,757)	(400,158)	2,445,450	122,535
Amounts written-off	–	–	(1,659,357)	(1,659,357)
Transfers to Stage 1	1,383,303	(61,985)	(1,321,318)	–
Transfers to Stage 2	(32,285)	490,466	(458,181)	–
Transfers to Stage 3	(88,197)	(59,047)	147,244	–
Impact on ECL of exposures transferred between stages	(637,731)	6,942	2,130,552	1,499,763
<b>Balances at end of year</b>	<b>₱1,460,927</b>	<b>₱861,913</b>	<b>₱11,112,182</b>	<b>₱13,435,022</b>



Total Receivables from Customers – Parent Bank

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱522,406	₱758,099	₱8,755,380	₱10,035,885
Newly originated assets that remained in Stage 1 as at December 31, 2022	1,020,405	–	–	1,020,405
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	448,013	1,081,563	1,529,576
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,367,151)	732,291	(991,410)	(1,626,270)
Transfers to Stage 1	1,199,324	(495,056)	(704,268)	–
Transfers to Stage 2	638,024	(466,129)	(171,895)	–
Transfers to Stage 3	458,270	(59,499)	(398,771)	–
Impact on ECL of exposures transferred between stages	(773,454)	(88,554)	1,347,808	485,800
Amounts written-off	(21)	(3)	(2,268,335)	(2,268,359)
<b>Balances at end of year</b>	<b>₱1,697,803</b>	<b>₱829,162</b>	<b>₱6,650,072</b>	<b>₱9,177,037</b>

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱695,641	₱696,176	₱6,299,830	₱7,691,647
Newly originated assets that remained in Stage 1 as at December 31, 2021	421,378	–	–	421,378
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	4,296	1,381,647	1,385,943
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(537,120)	22,868	1,085,105	570,853
Transfers to Stage 1	639,247	(55,944)	(583,303)	–
Transfers to Stage 2	(31,408)	126,184	(94,776)	–
Transfers to Stage 3	(27,600)	(42,423)	70,023	–
Impact on ECL of exposures transferred between stages	(637,732)	6,942	2,130,553	1,499,763
Amounts written-off	–	–	(1,533,699)	(1,533,699)
<b>Balances at end of year</b>	<b>₱522,406</b>	<b>₱758,099</b>	<b>₱8,755,380</b>	<b>₱10,035,885</b>



Reconciliation of the allowance for impairment by class follows:

Corporate Loans - Group and Parent Bank

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱109,824	₱595,309	₱1,436,992	₱2,142,125
Newly originated assets that remained in Stage 1 as at December 31, 2022	26,340	–	–	26,340
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	3,564	16,182	19,746
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(87,059)	(273,367)	(285,686)	(646,112)
Transfers to Stage 1	96,869	(96,869)	–	–
Transfers to Stage 2	(1,708)	1,708	–	–
Transfers to Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	(95,755)	2,952	–	(92,803)
Amounts written-off	–	–	(1,025,902)	(1,025,902)
<b>Balances at end of year</b>	<b>₱48,511</b>	<b>₱233,297</b>	<b>₱141,586</b>	<b>₱423,394</b>

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱120,932	₱511,583	₱781,968	₱1,414,483
Newly originated assets that remained in Stage 1 as at December 31, 2021	89,983	–	–	89,983
Newly originated assets that moved to Stage 3 as at December 31, 2021	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(73,593)	(35,708)	401,514	292,213
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(27,478)	49,144	(21,666)	–
Transfers to Stage 3	(20)	–	20	–
Impact on ECL of exposures transferred between stages	–	70,290	275,156	345,446
Amounts written-off	–	–	–	–
<b>Balances at end of year</b>	<b>₱109,824</b>	<b>₱595,309</b>	<b>₱1,436,992</b>	<b>₱2,142,125</b>



Commercial Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱236,600	₱140,537	₱2,202,547	₱2,579,684
Newly originated assets that remained in Stage 1 as at December 31, 2022	308,773	–	–	308,773
Newly originated assets that moved to Stage 2 & 3 as at December 31, 2022	–	235,401	180,066	415,467
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(224,944)	(125,034)	247,975	(102,003)
Transfers to Stage 1	85,256	(533)	(84,723)	–
Transfers to Stage 2	–	42,776	(42,776)	–
Transfers to Stage 3	(5,527)	(4,863)	10,390	–
Impact on ECL of exposures transferred between stages	(85,109)	(42,757)	383,315	255,449
Amounts written-off	–	–	–	–
<b>Balances at end of year</b>	<b>₱315,049</b>	<b>₱245,527</b>	<b>₱2,896,794</b>	<b>₱3,457,370</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱171,096	₱60,333	₱1,808,878	₱2,040,307
Newly originated assets that remained in Stage 1 as at December 31, 2021	230,047	–	–	230,047
Newly originated assets that moved to Stage 3 as at December 31, 2021	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(163,661)	81,053	191,398	108,790
Transfers to Stage 1	28,653	(15)	(28,638)	–
Transfers to Stage 2	(57)	57	–	–
Transfers to Stage 3	(1,183)	(953)	2,136	–
Impact on ECL of exposures transferred between stages	(28,295)	62	273,770	245,537
Amounts written-off	–	–	(44,997)	(44,997)
<b>Balances at end of year</b>	<b>₱236,600</b>	<b>₱140,537</b>	<b>₱2,202,547</b>	<b>₱2,579,684</b>

In 2022, there were no write-offs for corporate loans.



## Home Loans - Group and Parent Bank

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱28,163	₱13,510	₱2,147,296	₱2,188,969
Newly originated assets that remained in Stage 1 as at December 31, 2022	322,534	–	–	322,534
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	4,492	49,243	53,735
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	112,530	2,082	(730,590)	(615,978)
Transfers to Stage 1	491,523	(7,213)	(484,310)	–
Transfers to Stage 2	(196)	90,171	(89,975)	–
Transfers to Stage 3	(390)	(2,998)	3,388	–
Impact on ECL of exposures transferred between stages	(478,968)	(66,213)	355,503	(189,678)
Amounts written-off	–	–	(2,899)	(2,899)
<b>Balances at end of year</b>	<b>₱475,196</b>	<b>₱33,831</b>	<b>₱1,247,656</b>	<b>₱1,756,683</b>

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱44,774	₱49,512	₱1,503,801	₱1,598,087
Newly originated assets that remained in Stage 1 as at December 31, 2021	18,009	–	–	18,009
Newly originated assets that moved to Stage 3 as at December 31, 2021	–	1,470	49,035	50,505
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(33,025)	(5,794)	336,434	297,615
Transfers to Stage 1	509,549	(26,268)	(483,281)	–
Transfers to Stage 2	(376)	63,544	(63,168)	–
Transfers to Stage 3	(1,877)	(16,321)	18,198	–
Impact on ECL of exposures transferred between stages	(508,891)	(52,633)	841,529	280,005
Amounts written-off	–	–	(55,252)	(55,252)
<b>Balances at end of year</b>	<b>₱28,163</b>	<b>₱13,510</b>	<b>₱2,147,296</b>	<b>₱2,188,969</b>



Consumer Products - Group and Parent Bank

Consumer Products include auto loans, business line, credit cards and the acquired credit card and the acquired credit card and personal loan portfolio from Citibank.

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱24,322	₱4,732	₱2,362,695	₱2,391,749
Newly originated assets that remained in Stage 1 as at December 31, 2022	270,921	–	–	270,921
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	59,936	824,492	884,428
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,059,607)	1,129,937	(133,045)	(62,715)
Transfers to Stage 1	524,413	(390,089)	(134,324)	–
Transfers to Stage 2	639,929	(601,577)	(38,352)	–
Transfers to Stage 3	468,188	(50,749)	(417,439)	–
Impact on ECL of exposures transferred between stages	(112,417)	15,913	573,457	476,953
Amounts written-off	(20)	(3)	(896,785)	(896,808)
<b>Balances at end of year</b>	<b>₱755,729</b>	<b>₱168,100</b>	<b>₱2,140,699</b>	<b>₱3,064,528</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱286,507	₱64,162	₱1,699,675	₱2,050,344
Newly originated assets that remained in Stage 1 as at December 31, 2021	6,257	–	–	6,257
Newly originated assets that moved to Stage 3 as at December 31, 2021	–	256	1,257,487	1,257,743
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(249,073)	(15,855)	217,392	(47,536)
Transfers to Stage 1	94,047	(25,223)	(68,823)	–
Transfers to Stage 2	(2,165)	8,374	(6,209)	–
Transfers to Stage 3	(17,393)	(20,053)	37,445	–
Impact on ECL of exposures transferred between stages	(93,858)	(6,929)	646,997	546,210
Amounts written-off	–	–	(1,421,269)	(1,421,269)
<b>Balances at end of year</b>	<b>₱24,322</b>	<b>₱4,732</b>	<b>₱2,362,695</b>	<b>₱2,391,749</b>



Other Consumer Products - Citi

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances as of acquisition date	P–	P–	P–	P–
Newly originated assets that remained in Stage 1 as at December 31, 2022	53,523	–	–	53,523
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	11,561	211	11,772
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,430,693)	1,131,267	548,439	249,013
Transfers to Stage 1	407,167	(389,656)	(17,511)	–
Transfers to Stage 2	640,004	(604,393)	(35,611)	–
Transfers to Stage 3	468,620	(49,947)	(418,673)	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Amounts written-off	–	–	–	–
<b>Balances at end of year</b>	<b>₱138,621</b>	<b>₱98,832</b>	<b>₱76,855</b>	<b>₱314,308</b>

CSB Salary Loans – Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱157,803	₱86,678	₱644,341	₱888,822
Newly originated assets that remained in Stage 1 as at December 31, 2022	217,944	–	–	217,944
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	156,532	187,114	343,646
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	4,882	(37,605)	(83,561)	(116,284)
Transfers to Stage 1	2,576	(2,446)	(130)	–
Transfers to Stage 2	(15,629)	16,043	(414)	–
Transfers to Stage 3	(80,335)	(40,447)	120,782	–
Amounts written-off	(16,441)	(4,258)	(18,996)	(39,695)
<b>Balances at end of year</b>	<b>₱270,800</b>	<b>₱174,497</b>	<b>₱849,136</b>	<b>₱1,294,433</b>





	2021			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱84,326	₱23,036	₱272,213	₱379,575
Newly originated assets that remained in Stage 1 as at December 31, 2021	128,013	–	–	128,013
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	85,014	120,267	205,281
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(150,515)	(47,869)	489,963	291,579
Transfers to Stage 1	153,373	(1,469)	(151,904)	–
Transfers to Stage 2	(428)	40,567	(40,139)	–
Transfers to Stage 3	(56,966)	(12,601)	69,567	–
Amounts written-off	–	–	(115,626)	(115,626)
<b>Balances at end of year</b>	<b>₱157,803</b>	<b>₱86,678</b>	<b>₱644,341</b>	<b>₱888,822</b>

Other Receivables from CustomersGroup

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱904,215	₱21,145	₱2,318,313	₱3,243,673
Newly originated assets that remained in Stage 1 as at December 31, 2022	512,027	–	–	512,027
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	172,921	636,573	809,494
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(59,616)	99,894	74,336	114,614
Transfers to Stage 1	2,139	(1,494)	(645)	–
Transfers to Stage 2	(2,569)	3,158	(589)	–
Transfers to Stage 3	(738,829)	(114,278)	853,107	–
Impact on ECL of exposures transferred between stages	(7,187)	1,330	35,763	29,906
Amounts written-off	(338)	(122)	(666,977)	(667,437)
<b>Balances at end of year</b>	<b>₱609,842</b>	<b>₱182,554</b>	<b>₱3,249,881</b>	<b>₱4,042,277</b>



	2021			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱1,081,526	₱75,608	₱1,833,934	₱2,991,068
Newly originated assets that remained in Stage 1 as at December 31, 2021	497,124	–	–	497,124
Newly originated assets that moved to Stage 3 as at December 31, 2021	–	14,720	500,534	515,254
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,252,889)	(375,985)	808,748	(820,126)
Transfers to Stage 1	597,683	(9,010)	(588,673)	–
Transfers to Stage 2	(1,782)	328,780	(326,998)	–
Transfers to Stage 3	(10,759)	(9,119)	19,878	–
Impact on ECL of exposures transferred between stages	(6,688)	(3,849)	93,103	82,566
Amounts written-off	–	–	(22,213)	(22,213)
<b>Balances at end of year</b>	<b>₱904,215</b>	<b>₱21,145</b>	<b>₱2,318,313</b>	<b>₱3,243,673</b>

Parent Bank

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	<b>₱123,498</b>	<b>₱4,009</b>	<b>₱605,851</b>	<b>₱733,358</b>
Newly originated assets that remained in Stage 1 as at December 31, 2022	<b>91,837</b>	–	–	<b>91,837</b>
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	<b>144,620</b>	<b>11,580</b>	<b>156,200</b>
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	<b>(108,071)</b>	<b>(1,327)</b>	<b>(90,064)</b>	<b>(199,462)</b>
Transfers to Stage 1	<b>1,263</b>	<b>(352)</b>	<b>(911)</b>	–
Transfers to Stage 2	<b>(1)</b>	<b>793</b>	<b>(792)</b>	–
Transfers to Stage 3	<b>(4,001)</b>	<b>(889)</b>	<b>4,890</b>	–
Impact on ECL of exposures transferred between stages	<b>(1,205)</b>	<b>1,551</b>	<b>35,533</b>	<b>35,879</b>
Amounts written-off	<b>(1)</b>	–	<b>(342,749)</b>	<b>(342,750)</b>
<b>Balances at end of year</b>	<b>₱103,319</b>	<b>₱148,405</b>	<b>₱223,338</b>	<b>₱475,062</b>



	2021			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱72,332	₱10,586	₱505,508	₱588,426
Newly originated assets that remained in Stage 1 as at December 31, 2021	77,082	–	–	77,082
Newly originated assets that moved to Stage 3 as at December 31, 2021	–	2,569	75,125	77,694
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(17,766)	(828)	(61,635)	(80,229)
Transfers to Stage 1	6,999	(4,438)	(2,561)	–
Transfers to Stage 2	(1,333)	5,065	(3,732)	–
Transfers to Stage 3	(7,128)	(5,096)	12,224	–
Impact on ECL of exposures transferred between stages	(6,688)	(3,849)	93,103	82,566
Amounts written-off	–	–	(12,181)	(12,181)
<b>Balances at end of year</b>	<b>₱123,498</b>	<b>₱4,009</b>	<b>₱605,851</b>	<b>₱733,358</b>

Investments and PlacementsGroup

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱58,265	₱235,311	₱–	₱293,576
Newly originated assets that remained in Stage 1 as at December 31, 2022	392	–	–	392
Effect of collections and other movements in receivable balance (excluding write-offs)	(14,481)	56,176	–	41,695
Impact of changes in ECL model and assumptions	–	–	–	–
<b>Balances at end of year</b>	<b>₱44,176</b>	<b>₱291,487</b>	<b>₱–</b>	<b>₱335,663</b>

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱47,489	₱320,249	₱–	₱367,738
Newly originated assets that remained in Stage 1 as at December 31, 2021	22,046	–	–	22,046
Effect of collections and other movements in receivable balance (excluding write-offs)	–	235,311	–	235,311
Impact of changes in ECL model and assumptions	(11,270)	(320,249)	–	(331,519)
<b>Balances at end of year</b>	<b>₱58,265</b>	<b>₱235,311</b>	<b>₱–</b>	<b>₱293,576</b>



Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	<b>₱54,144</b>	<b>₱235,311</b>	<b>₱-</b>	<b>₱289,455</b>
Newly originated assets that remained in Stage 1 as at December 31, 2022	<b>392</b>	-	-	<b>392</b>
Newly originated assets that moved to Stage 2 as at December 31, 2022	-	-	-	-
Effect of collections and other movements in receivable balance (excluding write-offs)	<b>(14,480)</b>	<b>56,176</b>	-	<b>41,696</b>
Amounts written-off	-	-	-	-
Impact of changes in ECL model and assumptions	-	-	-	-
<b>Balances at end of year</b>	<b>₱40,056</b>	<b>₱291,487</b>	<b>₱-</b>	<b>₱331,543</b>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱43,368	₱320,249	₱-	₱363,617
Newly originated assets that remained in Stage 1 as at December 31, 2021	22,046	-	-	22,046
Newly originated assets that moved to Stage 2 as at December 31, 2021	-	235,311	-	235,311
Effect of collections and other movements in receivable balance (excluding write-offs)	(11,270)	(320,249)	-	(331,519)
Amounts written-off	-	-	-	-
Impact of changes in ECL model and assumptions	-	-	-	-
<b>Balances at end of year</b>	<b>₱54,144</b>	<b>₱235,311</b>	<b>₱-</b>	<b>₱289,455</b>

**21. Deposit Liabilities**

The breakdown of deposit liabilities account follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Due to banks:				
Demand	<b>₱1,729,960</b>	₱1,678,258	<b>₱1,729,960</b>	₱1,677,428
Savings	<b>195,453</b>	248,022	<b>195,396</b>	218,560
Time	<b>159,893</b>	283,161	<b>157,364</b>	241,148
Long-term certificate of deposits	<b>10,000</b>	10,000	<b>10,000</b>	10,000
	<b>2,095,306</b>	2,219,441	<b>2,092,720</b>	2,147,136
Due to customers:				
Demand	<b>230,351,833</b>	202,882,728	<b>231,635,193</b>	204,576,762
Savings	<b>194,825,277</b>	136,181,999	<b>188,285,189</b>	131,856,271
Time	<b>281,041,526</b>	226,226,724	<b>198,917,930</b>	151,489,012
Long-term certificate of deposits	<b>2,990,000</b>	2,990,000	<b>2,990,000</b>	2,990,000
	<b>709,208,636</b>	568,281,451	<b>621,828,312</b>	490,912,045
	<b>₱711,303,942</b>	₱570,500,892	<b>₱623,921,032</b>	₱493,059,181



The breakdown of deposit liabilities account as to currency follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Philippine pesos	<b>₱619,749,669</b>	₱474,511,262	<b>₱532,366,759</b>	₱397,069,551
Foreign currencies	<b>91,554,273</b>	95,989,630	<b>91,554,273</b>	95,989,630
	<b>₱711,303,942</b>	₱570,500,892	<b>₱623,921,032</b>	₱493,059,181

Deposit liabilities bear annual interest rates ranging from 0.00% to 7.00% in 2022, from 0.00% to 8.00% in 2021, and from 0.00% to 9.5% in 2020 for the Group and from 0.00% to 5.75% in 2022, from 0.00% to 5.75% in 2021, and from 0.39% to 1.65% in 2020 for the Parent Bank. Demand and savings deposits usually have either fixed or variable interest rates while time deposits have fixed interest rates.

#### *Long Term Negotiable Certificate of Deposits (LTNCD)*

On December 12, 2017, the MB of the BSP approved the Parent Bank's issuance of up to ₱20,000,000 of Long-term Negotiable Certificate of Deposits (LTNCD). Out of the approved amount, ₱3,000,000 were issued on February 21, 2018 at a fixed coupon rate of 4.375% per annum, payable quarterly and will mature on August 21, 2023. The net proceeds were utilized to further improve the Parent Bank's maturity profile and support business expansion plans.

Interest expense on the deposit liabilities amounted to ₱6,021,671, ₱2,967,692, and 5,616,821, in 2022, 2021, and 2020 respectively, in the Group's statements of income, and ₱4,196,509, ₱1,805,424, and ₱4,256,480 in 2022, 2021, and 2020, respectively, in the Parent Bank's statements of income.

Under existing BSP regulations, non-FCDU deposit liabilities of the Bank are subject to unified reserve requirement equivalent to 14.0% (under BSP Circulars 1041, 1056 and 1063) as at December 31, 2019. In 2020, BSP Circulars 1082 and 1092 were issued reducing the reserve requirement to 12.0%, 3.0% and 2.0% for universal and commercial banks, thrift banks, and rural banks, respectively. BSP Circulars 1083, 1087, and 1100 were issued in 2020 to provide guidelines allowing the use of eligible loans to MSME and large enterprises for alternative compliance to required reserves for deposit liabilities.

LTNCDs are subject to required reserves of 4.0% under BSP Circular 1041. As of December 31, 2022 and 2021, the Group is in compliance with such regulations.

Regular reserves as of December 31, 2022 and 2021 amounted to ₱62,263,916 and ₱46,511,088, respectively, for the Group, and ₱59,250,130 and ₱44,334,946, respectively, for the Parent Bank (see Note 8).

## 22. Bills Payable

Bills payable consist of borrowings from:

	Group		Parent Bank	
	2022	2021	2022	2021
Banks, other financial institutions and individuals	<b>₱131,571,232</b>	₱47,399,884	<b>₱98,043,240</b>	₱26,323,437
Others	<b>1,275,557</b>	3,768,254	<b>1,265,884</b>	2,254,337
	<b>₱132,846,789</b>	₱51,168,138	<b>₱99,309,124</b>	₱28,577,774



Bills payable to banks and other financial institutions consist mainly of amortized cost balance of short-term borrowings. Certain bills payable to banks and other financial institutions are collateralized by investment securities (see Notes 12 and 38).

Other bills payable of the Group mainly pertain to availments of short-term loan lines from certain related parties (see Note 32).

The breakdown of bills payable as to currency follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Foreign currencies	<b>₱99,303,162</b>	₱28,569,107	<b>₱99,303,162</b>	₱28,569,107
Philippine pesos	<b>33,543,627</b>	22,599,031	<b>5,962</b>	8,667
	<b>₱132,846,789</b>	₱51,168,138	<b>₱99,309,124</b>	₱28,577,774

The breakdown of interest expense on bills payable, which is presented as part of Interest expense on bills payable and other liabilities account in the statements of income, follows:

	Group			Parent Bank		
	2022	2021	2020	2022	2021	2020
Banks, other financial institutions and individuals	<b>₱3,002,685</b>	₱1,229,757	₱1,628,474	<b>₱1,621,975</b>	₱175,039	₱702,463
BSP	–	21	52,614	–	21	52,614
Others	<b>485</b>	762	1,211	<b>485</b>	762	1,211
	<b>₱3,003,170</b>	₱1,230,540	₱1,682,299	<b>₱1,622,460</b>	₱175,822	₱756,288

In November 2022, the Parent Bank raised \$358 million 3-year syndicated loan facility. The proceeds will be used to partially refinance the USD Senior Medium Term Notes, which matured on November 29, 2022 (see Note 23).

The range of interest rates of bills payable per currency follows:

	Group and Parent Bank		
	2022	2021	2020
Philippine pesos	<b>1.00% to 8.37%</b>	1.00% to 8.28%	3.34% to 4.50%
Foreign currencies	<b>1.06% to 5.23%</b>	0.10% to 3.05%	0.04% to 3.05%



### 23. Notes and Bonds Payable

The Group's and the Parent Bank's notes and bonds payable as of December 31, 2022 and 2021 consist of the following:

	Coupon Interest	Principal Amount	Outstanding Balance		Issue Date	Maturity Date	Redemption Date
			December 31, 2022	December 31, 2021			
USD Senior Medium Term Notes Due 2022	3.369%	₱27,877,500	₱-	₱25,488,553	November 29, 2017	November 29, 2022	
USD Senior Medium Term Notes Due 2025	2.125%	16,726,500	16,659,943	15,219,465	October 22, 2020	October 22, 2025	
Peso Digital Bonds	3.250%	11,000,000	10,937,832	-	June 2, 2022	December 2, 2023	
Peso Senior Series C Bonds Due 2023	2.750%	8,115,000	8,097,039	8,073,690	December 9, 2020	December 9, 2023	December 9, 2023
USD Social Bonds Due 2028	4.061%*	8,363,250	8,312,899	7,589,032	July 23, 2021	July 23, 2028	
Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025	5.250%	6,800,000	6,756,565	6,750,838	February 24, 2020	May 24, 2030	May 24, 2030
Peso Senior Series B Bonds Due 2022	6.000%	5,800,000	-	5,790,951	June 3, 2019	June 3, 2022	June 3, 2022
Peso Senior Series D Bonds Due 2026	3.375%	885,000	880,047	877,307	December 9, 2020	March 9, 2026	March 9, 2026
<b>Total for Parent Bank</b>		85,567,250	51,644,325	69,789,836			
Loans payable	5.750%	150,000	-	64,150	May 31, 2018	May 31, 2023	
<b>Total for Group</b>		₱85,717,250	₱51,644,325	₱69,853,986			

\*floating interest rate based on LIBOR

#### USD Senior Medium Term Notes Due 2022

The USD500 million Senior Medium Term Notes Due 2022 were issued under the Parent Bank's USD One Billion Medium Term Note (MTN) Programme and were rated Baa2 by Moody's.

The Notes were listed on the Singapore Exchange Securities Trading Limited (SGX-ST) and constitute direct, unconditional, unsubordinated and unsecured obligations of the Parent Bank and will rank *pari passu* among themselves and equally with all other unsecured obligations of the Parent Bank from time to time outstanding. In November 2022, the Notes have matured and were refinanced through a syndicated loan facility (see Note 22).

#### USD Senior Medium Term Notes Due 2025

These USD300 million Senior Medium Term Notes Due 2025 were issued under the updated USD 2 Billion MTN Programme of the Parent Bank and were also rated Baa2 by Moody's. The Notes were also listed on the SGX-ST.

The Notes will constitute direct, unconditional, unsubordinated and (subject to the Terms and Conditions of the issuance) unsecured obligations of the Parent Bank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Parent Bank from time to time outstanding.



Peso Digital Bonds Due 2023

On June 2, 2022, the Parent Bank successfully issued the country's first-ever offering of Peso Digital Bonds amounting to ₱11.0 billion. The Digital Bonds with a tenor of 1.5 years and a fixed rate of 3.25% per annum were issued out of the Bank's existing ₱39 billion Bond Program. The Digital Bonds were listed and available for trading on PDEX.

A first for the Philippines, this digital public bond offering and issuance marks a milestone and the success of this Proof of Concept and paves the way for future utilization of Distributed Ledger / Blockchain Technology towards more automated and operationally efficient local capital markets. The Digital Bonds were issued through the digital registry and digital depository of the Phil. Depository & Trust Corp. utilizing infrastructure powered by #STACS blockchain and which new digital infrastructure is kept interoperable with the traditional trading to clearing infrastructure of the Phil. Dealing & Exchange Corp. Fixed Income Market.

Peso Senior Series C Bonds Due 2023

The ₱8.12 billion worth of fixed rate Senior Series C Bonds were issued as part of the dual-tranche issuance of the Bank on December 9, 2020 under its existing ₱39 Billion Bond Program. The bonds were listed on the PDEX.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date.

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

USD Social Bonds Due 2028

The International Finance Corporation (IFC) invested in a USD 150 million social bond issued by the Bank under its sustainable finance framework. The social bond carries a floating rate interest and is unsecured. It is the first social bond by the Parent Bank and its longest-term USD-denominated bond to date. Proceeds from the bond will be used to finance loans to micro, small and medium-sized enterprises (MSMEs).

The Parent Bank shall at all times maintain, and abstain from any action which may result in the breach of, several financial parameters provided in the subscription agreement with IFC.

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.





Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting “Tier 2” capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting “Tier 1” capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

#### Peso Senior Series B Bonds Due 2022

These ₱5.8 billion worth of Senior Corporate Series B Bonds were issued under the Parent Bank’s ₱39 Billion Corporate Bonds Program. These fixed rate Bonds were issued in scripless form and were listed in the PDEX.

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

The Bank may redeem the Bonds in whole and not only in part on the Early Redemption Date at the face value of the Bonds, plus accrued and unpaid interest as of but excluding the Early Redemption Date. The Bonds were redeemed at par on maturity date on June 3, 2022.

#### Peso Senior Series D Bonds Due 2026

These fixed rate Senior Series Bonds Due 2026 worth ₱885.0 million formed part of the Bank’s dual-tranche issuance on December 9, 2020. The Bonds were issued under the existing ₱39 Billion Corporate Bonds Program of the Bank.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date.

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Bank.



Loans Payable

On May 31, 2018, UIC availed of a term loan in the amount of ₱150,000 with a local bank. The loan is unsecured and carries a fixed interest rate of 5.75% per annum payable semi-annually. The term of the loan is five (5) years and is payable in seven (7) equal semi-annual amortization commencing at the end of the second year from availment. UIC prepaid the remaining balance of the loan before its maturity date on November 29, 2022.

The interest expense on notes and bonds payable amounted to ₱2,490,116, ₱2,197,668, and ₱2,431,837 in 2022, 2021, and 2020, respectively, for the Group, and ₱2,465,079, ₱2,173,188, and ₱2,408,257 in 2022, 2021, and 2020, respectively, for the Parent Bank. These are included under Interest Expense on Bills payable and other liabilities account in the statements of income.

As of December 31, 2022 and 2021, the Group is in compliance with all the debt covenants on the above notes and bonds.

**24. Other Liabilities**

Other liabilities consist of the following as of December 31:

	Group		Parent Bank	
	2022	2021	2022	2021
Accounts payable	<b>₱15,322,620</b>	₱5,799,285	<b>₱13,765,817</b>	₱4,827,329
Accrued taxes and other expenses	<b>10,718,444</b>	5,663,843	<b>8,825,604</b>	4,611,427
Manager's checks	<b>7,333,511</b>	6,894,499	<b>7,319,745</b>	6,894,499
Bills purchased - domestic and foreign	<b>3,180,968</b>	458,312	<b>3,180,968</b>	458,312
Other dormant credits	<b>2,831,198</b>	2,330,284	<b>2,742,792</b>	2,235,569
Derivative liabilities (Note 11)	<b>1,546,773</b>	750,009	<b>1,546,773</b>	750,009
Lease liabilities	<b>1,424,530</b>	1,382,880	<b>1,177,555</b>	1,043,850
Post-employment defined benefit obligation (Note 29)	<b>998,997</b>	1,026,250	<b>910,109</b>	893,028
Unearned income - bancassurance (Note 32)	<b>715,710</b>	733,333	<b>715,710</b>	733,333
Payment orders payable	<b>614,557</b>	485,268	<b>614,557</b>	485,268
Withholding taxes payable	<b>451,502</b>	183,284	<b>358,269</b>	142,249
Pre-need reserves	<b>12,346</b>	15,127	–	–
Miscellaneous	<b>3,649,330</b>	1,636,843	<b>3,488,317</b>	1,357,936
	<b>₱48,800,486</b>	₱27,359,217	<b>₱44,646,216</b>	₱24,432,809

The unearned income represents the unamortized portion of the Exclusive Access Fees (EAF) arising from the Parent Bank's bancassurance agreement with a related party (see Note 32).

Set out below is the carrying amount of lease liabilities and the movements during the year:

	Group		Parent Bank	
	2022	2021	2022	2021
As at January 1	<b>₱1,382,880</b>	₱1,219,584	<b>₱1,043,850</b>	₱1,004,057
Payments	<b>(659,030)</b>	(579,065)	<b>(496,312)</b>	(446,112)
Additions	<b>567,389</b>	673,608	<b>514,000</b>	431,142
Accretion of interest (Note 34)	<b>67,851</b>	68,753	<b>56,240</b>	54,763
Effect of business combination (Note 1)	<b>65,440</b>	–	<b>59,777</b>	–
As at December 31	<b>₱1,424,530</b>	₱1,382,880	<b>₱1,177,555</b>	₱1,043,850



Accretion of interest is included as part of Interest expense on bills payable and other liabilities account in the statements of income.

As at December 31, 2022 and 2021, the Group has no lease commitments which have not yet commenced.

The breakdown of Accrued taxes and other expenses account follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Accrued interest payable	<b>₱1,801,913</b>	₱787,447	<b>₱1,418,309</b>	₱626,544
Accrued income and other taxes	<b>1,044,520</b>	613,119	<b>663,356</b>	330,028
Other accruals	<b>7,872,011</b>	4,263,277	<b>6,743,939</b>	3,654,855
	<b>₱10,718,444</b>	₱5,663,843	<b>₱8,825,604</b>	₱4,611,427

Other accruals represent mainly fringe and other personnel benefits.

## 25. Capital Funds

### Capital Stock

The Parent Bank's capital stock as of December 31, 2022 and 2021 consists of the following:

	Shares		Amount	
	2022	2021	2022	2021
Common – ₱10 par value				
Authorized	<b>2,530,785,238</b>	2,530,785,238	<b>₱25,307,852</b>	₱25,307,852
Issued and outstanding				
As at beginning of the year	<b>1,219,362,818</b>	1,218,471,467	<b>12,193,628</b>	12,184,715
Shares issued	<b>922,743,946</b>	891,351	<b>9,227,440</b>	8,913
As at end of the year	<b>2,142,106,764</b>	1,219,362,818	<b>21,421,068</b>	12,193,628
Preferred – ₱100 par value, non-voting				
Authorized	<b>100,000,000</b>	100,000,000	<b>₱10,000,000</b>	₱10,000,000
Issued and outstanding	–	–	–	–

On June 29, 1992, the Bank was originally listed with the then Makati Stock Exchange, now PSE. A total of 89.7 million shares were issued at an issue price of ₱22.50. As of December 31, 2022 and 2021, there are 2,139.6 million shares and 1,219.4 million shares listed at the PSE. The number of holders and the closing price of the said shares is 4,961 and ₱86.10 per share as of December 31, 2022, respectively, and 4,949 and ₱99.50 per share as of December 31, 2021, respectively.

### *Issuance of Shares under the Employee Stock Plan*

The Bank issued 199,964 and 516,435 common shares on January 28, 2022 and February 4, 2022, respectively, 891,351 common shares on January 29, 2021, and 861,906 common shares on January 24, 2020, to qualified employees under the Parent Bank's Employee Stock Payment Plan.



*Distribution of Stock Dividends*

On January 5, 2022, the Parent Bank issued 304,838,842 common shares at par value of ₱10 for whole shares and paid ₱0.14 million for 1,862.5 fractional shares in relation to the 25% stock dividends approved by the Bank's BOD and stockholders on June 25, 2021 and August 11, 2021, respectively.

*Issuance of Shares through Stock Rights*

On May 16, 2022, the Parent Bank issued approximately 617.2 million common shares priced at ₱64.81 per share. The shares were offered to eligible shareholders as of record date of April 11, 2022 at a ratio of 1 right share for every 2.4707 existing common shares. The newly issued shares were listed at the PSE on the same date. Net proceeds to the Parent Bank from the Offer amounted to ₱39.80 billion.

Surplus Free

On August 11, 2021, the Parent Bank held a special stockholders meeting and approved the following matters:

- a. Amendment of the Parent Bank's Articles of Incorporation (AOI) to increase the authorized capital stock from ₱23.1 billion to ₱35.3 billion, with the increase of ₱12.2 billion equivalent to 1,219,362,818 common shares with a par value of ₱10.00.
- b. Declaration of 25% stock dividends in the amount of ₱3.0 billion equivalent to 304,840,705 common shares with a par value of ₱10.00, to comply with the required 25% subscription of the increase in authorized capital stock.

The stock dividend is presented as Stock dividend distributable in the statement of financial position as of December 31, 2021.

On October 14, 2021 and November 17, 2021, the Parent Bank obtained the BSP and the SEC approval, respectively, for the increase in the authorized capital stock and for the issuance of common shares to stockholders of record as of December 9, 2021 and payment date on January 5, 2022 (see Note 36).

Fractional shares resulting from the stock dividend declaration will be paid in cash based on the closing rate of ₱74.90 as of June 25, 2021, the date of approval by the BOD of the stock dividend declaration and computed up to two (2) decimal places.

The following is a summary of the cash dividends declared and distributed by the Parent Bank in 2022, 2021, and 2020:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
January 28, 2022	February 14, 2022	N/A	March 2, 2022	₱2.80	1,524,918,059	₱4,269,771
January 29, 2021	February 15, 2021	N/A	March 4, 2021	3.50	1,219,362,818	4,267,770
January 24, 2020	February 7, 2020	N/A	February 24, 2020	3.50	1,218,471,467	4,264,650

In compliance with BSP regulations, the Parent Bank ensures that adequate reserves are in place for future bank expansion requirements. The foregoing cash dividend declarations were made within the BSP's allowable limit of dividends.



Surplus Reserves

The amended PNUCA requires that the portion of retained earnings representing Trust fund income of FUPI be automatically restricted to payments of benefits of plan holders and related payments as allowed in the amended PNUCA. The accumulated Trust Fund income, net of releases representing the amount of Trust fund income that pertains to the matured and pre-terminated plans of planholders which have been withdrawn from the trust fund during the year, should be appropriated and presented separately as Surplus Reserves in the statements of changes in capital funds. FUPI transferred out ₱55.79 million, ₱0.66 million, and ₱1,458.7 million from appropriated reserves for the years ended December 31, 2022, 2021, and 2020, respectively.

In compliance with BSP regulations, a portion of the Group's income from trust operations is setup as Surplus Reserves. For the years ended December 31, 2022, 2021, and 2020, the Group and the Parent Bank appropriated ₱31.7 million, ₱24.0 million, and ₱17.1 million, respectively.

Included in this account is the difference between the 1% general loan loss provision (GLLP) over the computed ECL allowance for credit losses related to Stage 1 accounts, as a required BSP appropriation. As of December 31, 2022 and 2021, surplus reserves related to the difference between GLLP over ECL allowance amounted to ₱2.12 billion and ₱2.44 billion, respectively, for the Group and, ₱1.7 billion and ₱2.02 billion, respectively, for the Parent Bank.

**26. Maturity Profile of Assets and Liabilities**

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	<b>Group</b>					
	<b>2022</b>			<b>2021</b>		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
<b>Financial Assets</b>						
Cash and other cash items	₱9,891,536	₱-	₱9,891,536	₱8,904,903	₱-	₱8,904,903
Due from BSP	94,610,308	-	94,610,308	103,407,946	-	103,407,946
Due from other banks	46,258,411	-	46,258,411	54,290,872	-	54,290,872
IBLR	-	-	-	17,492,657	-	17,492,657
SPURRA	23,553,973	-	23,553,973	23,420,742	-	23,420,742
Trading and investment securities						
at FVTPL	8,653,516	-	8,653,516	5,640,005	-	5,640,005
at amortized cost - gross	431,164	244,501,669	244,932,833	3,956,003	162,655,314	166,611,317
at FVOCI	6,127,961	73,633,801	79,761,762	36,405	65,636,205	65,672,610
Loans and receivables - net of unearned discounts	206,542,153	287,631,294	494,173,447	102,745,416	247,541,328	350,286,744
Other resources	245,340	1,787,617	2,032,957	233,374	1,702,411	1,935,785
	<b>396,314,362</b>	<b>607,554,381</b>	<b>1,003,868,743</b>	<b>320,128,323</b>	<b>477,535,258</b>	<b>797,663,581</b>

(Forward)



	Group					
	2022			2021		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
<b>Nonfinancial Assets</b>						
Investment in associates	₱–	₱123,396	₱123,396	₱–	₱142,355	₱142,355
Bank premises, furniture, fixtures and equipment	–	16,504,614	16,504,614	–	13,424,676	13,424,676
Investment properties	–	11,432,533	11,432,533	–	11,700,174	11,700,174
Goodwill	–	62,310,287	62,310,287	–	14,818,932	14,818,932
Other resources	2,953,714	21,397,941	24,351,655	2,653,680	14,658,647	17,312,327
	2,953,714	111,768,771	114,722,485	2,653,680	54,744,784	57,398,464
	<u>₱399,268,076</u>	<u>₱719,323,152</u>	<u>₱1,118,591,228</u>	<u>₱322,782,003</u>	<u>₱532,280,042</u>	<u>₱855,062,045</u>
Allowance for credit losses and impairment (Notes 20)			14,953,413			14,377,276
Accumulated depreciation (Notes 16 and 17)			10,899,950			9,589,308
			<u>25,853,363</u>			<u>23,966,584</u>
			<u>₱1,092,737,865</u>			<u>₱831,095,461</u>
<b>Financial Liabilities</b>						
Deposit liabilities	₱649,537,302	₱61,766,640	₱711,303,942	₱509,088,972	₱61,411,920	₱570,500,892
Bills payable	107,029,992	25,816,797	132,846,789	37,518,356	13,649,782	51,168,138
Notes and bonds payable	8,097,039	43,547,286	51,644,325	31,279,504	38,574,482	69,853,986
Other liabilities	38,313,521	4,625,903	42,939,424	20,074,647	1,787,707	21,862,354
	802,977,854	135,756,626	938,734,480	597,961,479	115,423,891	713,385,370
<b>Nonfinancial Liabilities</b>						
Accrued income and other taxes	1,044,520	–	1,044,520	613,119	–	613,119
Other liabilities	451,502	4,365,040	4,816,542	183,284	4,700,460	4,883,744
	1,496,022	4,365,040	5,861,062	796,403	4,700,460	5,496,863
	<u>₱804,473,876</u>	<u>₱140,121,666</u>	<u>₱944,595,542</u>	<u>₱598,757,882</u>	<u>₱120,124,351</u>	<u>₱718,882,233</u>

	Parent Bank					
	2022			2021		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
<b>Financial Assets</b>						
Cash and other cash items	₱8,924,249	₱–	₱8,924,249	₱7,988,517	₱–	₱7,988,517
Due from BSP	66,588,121	–	66,588,121	67,478,389	–	67,478,389
Due from other banks	42,277,856	–	42,277,856	51,337,269	–	51,337,269
IBLR	–	–	–	17,492,657	–	17,492,657
SPURRA	14,634,811	–	14,634,811	15,541,296	–	15,541,296
Trading and investment securities						
at FVTPL	8,583,178	–	8,583,178	5,571,270	–	5,571,270
at amortized cost - gross	356,113	235,349,487	235,705,600	3,877,699	158,510,888	162,388,587
at FVOCI	6,108,089	73,359,589	79,467,678	–	65,370,691	65,370,691
Loans and receivables - net of unearned discounts	197,799,858	205,590,687	403,390,545	89,910,665	196,166,281	286,076,946
Other resources	183,757	1,754,866	1,938,623	169,164	1,597,023	1,766,187
	345,456,032	516,054,629	861,510,661	259,366,926	421,644,883	681,011,809

(Forward)



**Maturity Profile of Assets and Liabilities and Service Charges, Fees and Commissions**

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	Parent Bank					
	2022			2021		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
<b>Nonfinancial Assets</b>						
Investment in subsidiaries	₱-	₱31,758,460	₱31,758,460	₱-	₱23,082,955	₱23,082,955
Bank premises, furniture, fixtures and equipment	-	12,356,880	12,356,880	-	9,522,584	9,522,584
Investment properties	-	10,129,917	10,129,917	-	10,288,745	10,288,745
Goodwill	-	51,659,262	51,659,263	-	7,886,898	7,886,898
Other resources	2,534,922	15,165,189	17,700,111	2,141,413	11,427,442	13,568,855
	<u>2,534,922</u>	<u>121,069,708</u>	<u>123,604,630</u>	<u>2,141,413</u>	<u>62,208,624</u>	<u>64,350,037</u>
	<u>₱347,990,954</u>	<u>₱637,124,337</u>	<u>₱985,115,291</u>	<u>₱261,508,339</u>	<u>₱483,853,507</u>	<u>₱745,361,846</u>
Allowance for credit losses and impairment			10,019,209			10,900,854
Accumulated depreciation (Notes 16 and 17)			8,055,011			6,942,701
			<u>18,074,220</u>			<u>17,843,555</u>
			<u>₱967,041,071</u>			<u>₱727,518,291</u>
<b>Financial Liabilities</b>						
Deposit liabilities	584,787,370	39,133,662	623,921,032	443,573,142	49,486,039	₱493,059,181
Bills payable	88,265,362	11,043,762	99,309,124	23,646,105	4,931,669	28,577,774
Notes and bonds payable	8,097,039	43,547,286	51,644,325	31,279,504	38,510,332	69,789,836
Other liabilities	35,164,978	4,255,586	39,420,564	18,271,686	1,362,008	19,633,694
	<u>716,314,749</u>	<u>97,980,296</u>	<u>814,295,045</u>	<u>516,770,437</u>	<u>94,290,048</u>	<u>611,060,485</u>
<b>Nonfinancial Liabilities</b>						
Accrued income and other taxes	663,356	-	663,356	330,028	-	330,028
Other liabilities	358,269	4,204,027	4,562,296	142,249	4,326,838	4,469,087
	<u>1,021,625</u>	<u>4,204,027</u>	<u>5,225,652</u>	<u>472,277</u>	<u>4,326,838</u>	<u>4,799,115</u>
	<u>₱717,336,374</u>	<u>₱102,184,323</u>	<u>₱819,520,697</u>	<u>₱517,242,714</u>	<u>₱98,616,886</u>	<u>₱615,859,600</u>

**27. Service Charges, Fees and Commissions**

This account is broken down as follows:

	Group			Parent Bank		
	2022	2021	2020	2022	2021	2020
Service charges	₱5,308,086	₱2,817,479	₱1,402,768	₱4,812,508	₱1,850,655	₱1,040,199
Commissions from						
bancassurance (Note 32)	528,592	230,570	148,338	528,592	230,570	148,338
Bank commissions	241,109	189,630	190,677	218,555	157,510	128,194
Others	703,884	535,632	604,856	126,107	253,621	406,889
	<u>₱6,781,671</u>	<u>₱3,773,311</u>	<u>₱2,346,639</u>	<u>₱5,685,762</u>	<u>₱2,492,356</u>	<u>₱1,723,620</u>

Others include various commission income from securities brokering and management fees.



## 28. Miscellaneous Income and Expenses

Miscellaneous Income

Miscellaneous income is composed of the following:

	<b>Group</b>		
	2022	2021	2020
Foreign exchange gains - net	P2,151,194	P1,295,539	P535,536
Gain (loss) on sale of investment properties (Note 17)	1,224,045	(43,689)	229,148
Recoveries from charged-off assets	579,130	164,270	94,523
Gain on foreclosure of investment properties (Note 17)	466,388	135,309	153,876
Income from trust operations (Note 31)	316,939	239,994	171,271
Fines and penalties	289,138	175,877	209,382
Rental (Notes 17 and 34)	218,019	116,450	154,077
Gain (loss) on sale of property and equipment	(14,849)	18,108	(8,641)
Dividend	6,076	145,789	200,671
Trust fund income (loss) (Note 19)	(1,301)	212	(14,976)
Gain on sale of investments in associates and subsidiary (Note 15)	-	167,332	-
Gain from bargain purchase (Note 15)	-	-	25,291
Others	1,363,805	446,624	328,838
	<b>P6,598,584</b>	<b>P2,861,815</b>	<b>P2,078,996</b>

	<b>Parent Bank</b>		
	2022	2021	2020
Share in net profit of subsidiaries (Note 15)	P1,712,086	P1,173,016	P953,082
Foreign exchange gains - net	1,523,650	869,122	242,388
Gain on sale of investment properties (Note 17)	1,193,004	207,360	195,471
Recoveries from charged-off assets	533,616	131,843	48,258
Gain on foreclosure of investment properties (Note 17)	466,388	135,309	153,876
Income from trust operations (Note 31)	316,939	239,994	171,271
Fines and penalties	289,138	175,877	209,382
Rental (Notes 17 and 34)	154,907	132,734	164,177
Dividend	2,768	145,789	200,671
Gain (loss) on sale of property and equipment	(429)	1,900	6,236
Others	1,305,788	329,884	220,236
	<b>P7,497,855</b>	<b>P3,542,828</b>	<b>P2,565,048</b>

Miscellaneous Expenses

The breakdown of miscellaneous expenses follows:

	<b>Group</b>		
	2022	2021	2020
Information technology	P3,115,086	P1,559,722	P1,072,710
Advertising and publicity	2,653,507	1,078,193	657,220
Insurance	1,353,558	1,095,425	1,085,667
Outside services	1,260,553	1,304,352	882,658
Management and professional fees	1,062,648	424,333	421,616
Card related expenses	730,958	493,255	326,021
Supervision and compliance costs	684,576	597,197	579,870
Communication	460,209	434,029	279,268
Provision for impairment of non-current assets held for sale	372,323	383,288	181,410
Stationery and supplies	360,432	369,415	221,047
Transportation and travel	334,164	175,810	177,591
Litigation	183,726	73,377	189,844
Repairs and maintenance	169,308	129,711	168,584
Fines and penalties	87,503	65,679	49,665
Representation and entertainment	74,712	43,165	39,516
Reversal of impairment on investment properties (Note 17)	(24,695)	(64,649)	-
Impairment on goodwill (Note 18)	-	529,599	223,172
Others	1,873,129	1,585,169	1,193,207
	<b>P14,751,697</b>	<b>P10,277,070</b>	<b>P7,749,066</b>





	Parent Bank		
	2022	2021	2020
Information technology	₱2,937,704	₱1,475,863	₱1,015,784
Advertising and publicity	2,585,483	1,052,145	619,558
Insurance	1,176,892	952,327	967,995
Outside services	863,284	706,927	607,103
Card related expenses	730,958	493,255	326,021
Management and professional fees	676,020	337,332	320,891
Supervision and compliance costs	660,929	517,116	553,058
Communication	324,773	287,329	143,293
Stationery and supplies	292,157	322,034	173,489
Transportation and travel	171,298	80,497	92,934
Litigation	170,532	69,306	189,347
Repairs and maintenance	124,642	92,144	122,550
Representation and entertainment	63,983	36,471	34,107
Reversal of impairment on investment properties (Note 17)	(24,722)	(64,649)	-
Provision for impairment of investment in subsidiaries (Note 15)	-	-	290,002
Others	1,147,982	789,174	670,331
	<b>₱11,901,915</b>	<b>₱7,147,271</b>	<b>₱6,126,463</b>

## 29. Salaries and Employee Benefits

### Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are as follows:

	Group		
	2022	2021	2020
Short-term benefits:			
Salaries and wages	₱5,581,557	₱4,378,637	₱4,042,160
Bonuses and fringe benefits	3,304,037	3,279,091	2,964,199
Social security costs	267,273	209,543	172,358
Other benefits	200,104	250,263	175,912
Post-employment and other long-term benefits	677,742	529,168	454,575
	<b>₱10,030,713</b>	<b>₱8,646,702</b>	<b>₱7,809,204</b>

	Parent Bank		
	2022	2021	2020
Short-term benefits:			
Salaries and wages	₱4,234,232	₱3,167,844	₱2,958,540
Bonuses and fringe benefits	2,480,198	2,712,001	2,359,984
Social security costs	164,995	123,634	101,542
Other benefits	159,729	160,551	114,174
Post-employment and other long-term benefits	513,582	427,390	376,741
	<b>₱7,552,736</b>	<b>₱6,591,420</b>	<b>₱5,910,981</b>

### Post-employment Defined Benefit Plan and Defined Contribution Plan

#### *(a) Characteristics of the Defined Benefit Plan*

The Group maintains funded, tax-qualified, noncontributory pension plans covering all regular full-time employees that are being administered by appointed trustee banks, including the Parent Bank's TISG, for the Parent Bank, UIC, CSB, FUIFAI, Bangko Kabayan, PBI, and PETNET. Under these pension plans, all covered employees are entitled to cash benefits after satisfying certain age and service requirements.



The Group maintains various retirement plans. Two of which are being maintained for UnionBank and former iBank employees, hence, the Parent Bank presents pension information in its financial statements separately for the three plans. The other pension plans are for UIC, CSB, FUIFAI, Bangko Kabayan, PBI, PETNET, CFSI and former Citigroup Inc.'s consumer banking business employees.

#### UnionBank Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 55, or age 50 with the completion of at least ten years of service. However, late retirement is subject to the approval of the Parent Bank's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly salary for each year of credited service.

#### Former iBank Plan

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement subject to the approval of the Parent Bank's BOD on a case-to-case basis. Normal retirement benefit is an amount equivalent to 125% of the final monthly covered compensation for every year of credited service.

#### UIC Plan

The optional retirement age is 60 and the compulsory retirement age is 65. Both must have a minimum of five years of credited service. Both have retirement benefit equal to one-half month's salary as of the date of retirement multiplied by the employee's year of service. Upon retirement of an employee, whether optional or compulsory, his services may be continued or extended on a case to case basis upon agreement of management and employee.

This is based on the retirement plan benefits provided in the Retirement Law (R.A. No. 7641). Under the law, unless the parties provide for broader inclusions, the term one-half (1/2) month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than (5) days of service incentive leaves.

#### CSB Plan

The normal retirement age is 60 or completion of 30 years of service whichever is earlier. The service of any member, however, may be extended from year-to-year beyond the normal retirement date, provided such an extension of service is with the consent of the member and the express approval of CSB. The plan also provides for an early retirement after completion of at least ten years of service. Normal retirement benefit is an amount equivalent to 100% of the final basic monthly salary multiplied by the number of years of service prior to January 1, 2008 and 150% of the final basic monthly salary for services rendered starting January 1, 2008.

#### FUIFAI Plan

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of FUIFAI's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.



PETNET Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement beyond age 60. However, early and late retirement are subject to the approval of the company. Retirement benefit is an amount equivalent to 92% of the final monthly salary for each year of continuous service.

Bangko Kabayan Plan

The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 100%, 125% or 150% of the latest basic monthly salary for each year of credited service if the years of service is 10 years but less than 15 years, 15 years but less than 20 years, and 20 years or more, respectively.

PBI Plan

The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 22.5 days pay for every year of credited service.

Former Citibank, N.A., PH Consumer Business PlansFund B and Fund C

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of continuous service. Normal retirement benefit is an amount equivalent to 200% of the final average covered monthly salary for each year of credited service.

The Parent Bank and Citigroup, Inc. agreed that the previous tenure of Citi employees will be continued upon joining with the Group.

*(b) Characteristics of the Defined Contribution Plans*

The Group maintains a defined contribution plan covering all regular and permanent employees. Starting on the date of membership of an employee in the Plan, the employer shall contribute to the retirement fund 8% of the member's salary as defined every month. As this plan operates in the Philippines, it is subject to R.A. No. 7641, which requires a minimum benefit equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Former Citibank, N.A., PH Consumer Business PlanFund D

Fund D is an allocated fund established to hold contributions on behalf of and made by the employees and the corresponding earnings and losses on such contributions. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of continuous service. Normal retirement benefit is an amount equivalent to the sum of (a) 100% of the balance in the Member's Individual Account Balances (IAB) attributable to the employer's contributions as of most recent valuation prior to his retirement date adjusted for subsequent contributions and earnings and (b) 100% of the balance in the Member's IAB attributable to the employee's contributions as of most recent valuation prior to his retirement date adjusted for subsequent contributions and earnings.



CFSI Plan

The unfunded, contributory defined contribution retirement plan covers all regular full-time employees. Contribution to the plan is equal to 8% of the annual basic salary of each covered employee.

*(c) Analysis of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the subsequent pages are based on the actuarial valuation reports obtained from independent actuaries in 2022 and 2021.

The amounts of post-employment defined benefit obligation (net retirement asset) recognized in the statements of financial position are determined as follows (see Notes 19 and 24):

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
Present value of the obligation	<b>₱6,194,063</b>	₱5,285,027
Fair value of plan assets	<b>5,227,021</b>	4,321,676
	<b>₱967,042</b>	₱963,351

As of December 31, 2022 and 2021, the net retirement obligation amounting to ₱967,042 and ₱963,351 is separately shown as Net retirement asset of ₱31,955 and ₱62,899, respectively (see Note 19), and as Post-employment defined benefit obligation of ₱998,997 and ₱1,026,250, respectively (see Note 24).

	<b>Parent Bank – UnionBank Plan</b>	
	<b>2022</b>	<b>2021</b>
Present value of the obligation	<b>₱3,669,196</b>	₱3,876,193
Fair value of plan assets	<b>2,958,901</b>	3,017,887
	<b>₱710,295</b>	₱858,306

	<b>Parent Bank – Former iBank Plan</b>	
	<b>2022</b>	<b>2021</b>
Present value of the obligation	<b>₱564,801</b>	₱638,772
Fair value of plan assets	<b>538,071</b>	604,050
	<b>₱26,730</b>	₱34,722

	<b>Parent Bank – Former Citibank PH Consumer Business Plans</b>	
	<b>2022</b>	
Present value of the obligation	<b>₱1,234,712</b>	
Fair value of plan assets	<b>1,061,628</b>	
	<b>₱173,084</b>	



The movements in the present value of the post-employment benefit obligation recognized in the financial statements are as follows:

	<b>Group</b>		
	2022	2021	2020
Balance at beginning of year	<b>₱5,285,027</b>	₱5,225,149	₱3,912,530
Current service cost	<b>579,173</b>	529,168	456,544
Interest expense	<b>244,198</b>	158,374	182,222
Past service cost	-	-	(1,969)
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	<b>(917,442)</b>	(524,992)	747,764
Experience adjustments	<b>27,707</b>	60,611	(190)
Changes in demographic assumptions	<b>(3,246)</b>	977	4,095
Benefits paid	<b>(375,742)</b>	(164,260)	(157,627)
Effects of business combinations*(Note 1)	<b>1,354,388</b>	-	81,780
Balance at end of year	<b>₱6,194,063</b>	₱5,285,027	₱5,225,149

\* represents retirement obligation of employees from the acquired business at the date of business combination

	<b>Parent Bank - UnionBank Plan</b>		
	2022	2021	2020
Balance at beginning of year	<b>₱3,876,193</b>	₱3,861,379	₱2,862,263
Current service cost	<b>382,470</b>	393,374	347,923
Interest expense	<b>176,416</b>	135,011	126,301
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	<b>(599,271)</b>	(400,963)	601,247
Experience adjustments	<b>1,911</b>	74,233	7,076
Changes in demographic assumptions	-	-	7,660
Benefits paid	<b>(168,523)</b>	(186,841)	(91,091)
Balance at end of year	<b>₱3,669,196</b>	₱3,876,193	₱3,861,379

	<b>Parent Bank - Former iBank Plan</b>		
	2022	2021	2020
Balance at beginning of year	<b>₱638,772</b>	₱683,325	₱550,665
Current service cost	<b>30,598</b>	34,016	28,818
Interest expense	<b>28,868</b>	22,387	24,807
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	<b>(86,572)</b>	(71,578)	108,630
Experience adjustments	<b>(3,563)</b>	6,241	1,006
Changes in demographic assumptions	-	1,134	(5,280)
Benefits paid	<b>(43,302)</b>	(36,753)	(25,321)
Balance at end of year	<b>₱564,801</b>	₱638,772	₱683,325

	<b>Parent Bank – Former Citibank PH Consumer Business Plans</b>	
	2022	
Balance at beginning of year	₱-	
Effect of business combination (Note 1)	1,332,245	
Current service cost	46,423	
Interest expense	30,592	
Remeasurements:		
Actuarial losses (gains) arising from		
Changes in financial assumptions	(191,487)	
Experience adjustments	16,939	
Balance at end of year	<b>₱1,234,712</b>	



The movements in the fair value of plan assets are presented below.

	<b>Group</b>		
	2022	2021	2020
Balance at beginning of year	<b>₱4,321,676</b>	₱4,113,808	₱3,572,539
Interest income	<b>208,245</b>	118,247	167,778
Return on plan asset (excluding amounts included in net interest)	<b>(520,217)</b>	39,271	117,046
Contributions to the plan	<b>417,379</b>	219,028	353,473
Benefits paid	<b>(261,690)</b>	(168,678)	(157,625)
Effects of business combinations (Note 1)	<b>1,061,628</b>	-	60,597
Balance at end of year	<b>₱5,227,021</b>	₱4,321,676	₱4,113,808

	<b>Parent Bank - UnionBank Plan</b>		
	2022	2021	2020
Balance at beginning of year	<b>₱3,017,887</b>	₱2,857,169	₱2,471,361
Interest income	<b>143,174</b>	96,851	111,781
Return on plan asset (excluding amounts included in net interest)	<b>(426,421)</b>	20,665	109,553
Contributions to the plan	<b>392,784</b>	230,043	255,565
Benefits paid	<b>(168,523)</b>	(186,841)	(91,091)
Balance at end of year	<b>₱2,958,901</b>	₱3,017,887	₱2,857,169

	<b>Parent Bank - Former iBank Plan</b>		
	2022	2021	2020
Balance at beginning of year	<b>₱604,050</b>	₱582,491	₱541,311
Interest income	<b>27,177</b>	18,888	24,212
Return on plan asset (excluding amounts included in net interest)	<b>(73,813)</b>	16,291	22,019
Contributions to the plan	<b>23,959</b>	23,133	20,270
Benefits paid	<b>(43,302)</b>	(36,753)	(25,321)
Balance at end of year	<b>₱538,071</b>	₱604,050	₱582,491

	<b>Parent Bank - Former Citibank PH Consumer Business Plans</b>	
	2022	
Balance at beginning of year	₱-	
Effect of business combination (Note 1)	<b>1,061,628</b>	
Interest income	<b>25,088</b>	
Return on plan asset (excluding amounts included in net interest)	<b>(25,088)</b>	
Balance at end of year	<b>₱1,061,628</b>	



The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<b>Group</b>	
	2022	2021
Bank deposits	<b>₱403,505</b>	₱453,805
Quoted equity securities:		
Financial and insurance activities	2,614,648	2,114,621
Real estate activities	68,099	159,786
Electricity, gas and water	35,533	15,192
Wholesale and retail trade	13,376	7,366
Others	123,645	160,451
	<b>2,855,301</b>	2,457,416
Debt securities:		
Corporate bonds	813,103	1,123,070
Philippine government bonds	40,124	132,660
	<b>853,227</b>	1,255,730
Receivable related to the plan assets of the employees from the acquired business (Note 1)	1,061,628	-
Others	53,360	154,725
	<b>₱5,227,021</b>	₱4,321,676
	<b>Parent Bank - UnionBank Plan</b>	
	2022	2021
Bank deposits	<b>₱337,013</b>	₱382,607
Quoted equity securities:		
Financial and insurance activities	1,854,600	1,408,610
Real estate activities	54,953	130,001
Electricity, gas and water	21,170	7,264
Wholesale and retail trade	10,799	5,815
Others	99,570	137,445
	<b>2,041,092</b>	1,689,135
Debt securities:		
Corporate bonds	552,495	867,833
Philippine government bonds	20,364	65,640
	<b>572,859</b>	933,473
Others	7,937	12,672
	<b>₱2,958,901</b>	₱3,017,887
	<b>Parent Bank - Former iBank Plan</b>	
	2022	2021
Bank deposits	<b>₱43,396</b>	₱39,799
Quoted equity securities:		
Financial intermediation	353,260	350,903
Real estate activities	13,143	29,781
Wholesale and retail trade	2,577	1,551
Others	29,351	22,916
	<b>398,331</b>	405,151
Debt securities:		
Corporate bonds	95,256	150,598
Philippine government bonds	-	7,508
	<b>95,256</b>	158,106
Others	1,088	994
	<b>₱538,071</b>	₱604,050



Equity securities under the fund are primarily investments in corporations listed in the PSE, which include ₱352,208 and ₱277,114 investments in the shares of stocks of the Parent Bank as of December 31, 2022 and 2021, respectively, while debt securities represent investments in government and corporate bonds, which include ₱354,516 and ₱479,891 investment in the notes of the Parent Bank as of December 31, 2022 and 2021, respectively (see Note 32).

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The retirement fund neither provides any guarantee or surety for any obligation of the Parent Bank nor its investments in the Bank's shares of stocks covered by any restriction and liens. Bank deposits are maintained with reputable financial institutions, which include ₱348,462 and ₱394,281 deposits with the Parent Bank as of December 31, 2022 and 2021, respectively (see Note 32).

Actual returns on plan assets amounted to (₱311,972) in 2022, ₱157,518 in 2021, and ₱284,824 in 2020 for the Group. Actual returns on plan assets amounted to (₱283,247) in 2022, ₱117,517 in 2021, and ₱221,334 in 2020 for UnionBank Plan and (₱46,636) in 2022, ₱35,179 in 2021, and ₱46,231 in 2020 for Former iBank Plan.

The amounts recognized in the statements of income in respect of the post-employment defined benefit plan are as follows:

	<b>Group</b>		
	<b>2022</b>	2021	2020
Current service cost	<b>₱579,173</b>	₱529,168	₱456,544
Past service cost	-	-	(1,969)
Net interest expense (income)	<b>35,953</b>	40,127	14,444
	<b>₱615,126</b>	₱569,295	₱469,019
<b>Parent Bank - UnionBank Plan</b>			
	<b>2022</b>	2021	2020
Current service cost	<b>₱382,470</b>	₱393,374	₱347,923
Net interest expense (income)	<b>33,242</b>	38,160	14,520
	<b>₱415,712</b>	₱431,534	₱362,443
<b>Parent Bank - Former iBank Plan</b>			
	<b>2022</b>	2021	2020
Current service cost	<b>₱30,598</b>	₱34,016	₱28,818
Net interest expense (income)	<b>1,691</b>	3,499	595
	<b>₱32,289</b>	₱37,515	₱29,413
<b>Parent Bank - Former Citibank PH Consumer Business Plans</b>			
	<b>2022</b>		
Current service cost	<b>₱46,423</b>		
Net interest expense (income)	<b>5,504</b>		
	<b>₱51,927</b>		





The amounts recognized in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	<b>Group</b>		
	2022	2021	2020
Actuarial losses (gains) arising from changes in:			
Financial assumption	(₱917,442)	(₱524,992)	₱747,764
Experience adjustments	27,707	60,611	(190)
Demographic assumptions	(3,246)	977	4,095
Return on plan assets (excluding amounts included in net interest)	520,217	(39,271)	(117,046)
	<b>(₱372,764)</b>	<b>(₱502,675)</b>	<b>₱634,623</b>

	<b>Parent Bank - UnionBank Plan</b>		
	2022	2021	2020
Actuarial losses (gains) arising from changes in:			
Financial assumption	(₱599,271)	(₱400,963)	₱601,247
Experience adjustments	1,911	74,233	7,076
Demographic assumptions	-	-	7,660
Return on plan assets (excluding amounts included in net interest)	426,421	(20,665)	(109,553)
	<b>(₱170,939)</b>	<b>(₱347,395)</b>	<b>₱506,430</b>

	<b>Parent Bank - Former iBank Plan</b>		
	2022	2021	2020
Actuarial losses (gains) arising from changes in:			
Financial assumption	(₱86,572)	(₱71,578)	₱108,630
Experience adjustments	(3,563)	6,241	1,006
Demographic assumptions	-	1,134	(5,280)
Return on plan assets (excluding amounts included in net interest)	73,813	(16,291)	(22,019)
	<b>(₱16,322)</b>	<b>(₱80,494)</b>	<b>₱82,337</b>

	<b>Parent Bank - Former Citibank PH Consumer Business Plans</b>		
	2022		
Actuarial losses (gains) arising from changes in:			
Financial assumption			(₱191,487)
Experience adjustments			16,939
Return on plan assets (excluding amounts included in net interest)			25,088
			<b>(₱149,460)</b>

In addition to the above items, the Parent Bank also recognized its share of the other comprehensive income of subsidiaries in respect of the post-employment defined benefit plan amounting to ₱30,406 gain, ₱38,907 gain, and ₱21,228 loss in 2022, 2021, and 2020, respectively (see Note 15).

The Group and the Parent Bank expect to contribute ₱715,489 and ₱609,131, respectively, in 2023.



In determining the retirement benefits, the following actuarial assumptions were used:

	<b>Group</b>		
	<b>2022</b>	2021	2020
Retirement age	<b>60</b>	60	60
Average remaining working life	<b>5-26 years</b>	6-27 years	6-19 years
Discount rate	<b>4.00%-7.56%</b>	3.88%-5.15%	3.37%-3.98%
Expected rate of salary increase	<b>2.00%-7.00%</b>	2.00%-6.00%	3.50%-6.00%
Employee turnover rate	<b>0%-26%</b>	0%-22%	0%-22%

	<b>Parent Bank - UnionBank Plan</b>		
	<b>2022</b>	2021	2020
Retirement age	<b>60</b>	60	60
Average remaining working life	<b>10 years</b>	10 years	10 years
Discount rate	<b>7.23%</b>	5.02%	3.80%
Expected rate of salary increase	<b>6.00%</b>	6.00%	6.00%
Employee turnover rate	<b>0%-18%</b>	0%-18%	0%-18%

	<b>Parent Bank - Former iBank Plan</b>		
	<b>2022</b>	2021	2020
Retirement age	<b>60</b>	60	60
Average remaining working life	<b>9 years</b>	9 years	9 years
Discount rate	<b>7.05%</b>	4.87%	3.47%
Expected rate of salary increase	<b>6.00%</b>	6.00%	6.00%
Employee turnover rate	<b>0%-15%</b>	0%-15%	0%-16%

	<b>2022</b>
<b>Parent Bank – Former Citibank Consumer PH Business Plan</b>	<b>2022</b>
Retirement age	<b>60</b>
Average remaining working life	<b>8 to 15 years</b>
Discount rate	<b>7.25%</b>
Expected rate of salary increase	<b>7.00%</b>
Employee turnover rate	<b>0%-16%</b>

Assumptions regarding future mortality and disability are based on published statistics and mortality tables. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(d) *Risk Associated with the Retirement Plan*

The plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

- *Investment and Interest Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plans are mostly invested in equity securities. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.



- *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(e) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

- *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

**Group**

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<b>December 31, 2022</b>			
Discount rate	+/-1.0%	(₱828,743)	₱1,028,688
Salary growth rate	+/-1.0%	1,082,018	(913,920)
Turn-over rate	+/-20.0%	218,908	(219,330)
<b>December 31, 2021</b>			
Discount rate	+/-1.0%	(₱380,097)	₱445,039
Salary growth rate	+/-1.0%	485,262	(441,600)
Turn-over rate	+/-20.0%	(77,292)	86,152

**UnionBank Plan**

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<b>December 31, 2022</b>			
Discount rate	+/-1.0%	(₱408,525)	₱535,066
Salary growth rate	+/-1.0%	567,417	(448,200)
Turn-over rate	+/-20.0%	(11,449)	10,234
<b>December 31, 2021</b>			
Discount rate	+/-1.0%	(₱277,799)	₱322,564
Salary growth rate	+/-1.0%	334,843	(293,992)
Turn-over rate	+/-20.0%	(30,641)	32,356



**Former iBank Plan**

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<b>December 31, 2022</b>			
Discount rate	+/-1.0%	(P33,091)	P33,091
Salary growth rate	+/-1.0%	39,756	(36,030)
Turn-over rate	+/-20.0%	2,295	(2,488)
<b>December 31, 2021</b>			
Discount rate	+/-1.0%	(P43,844)	P49,790
Salary growth rate	+/-1.0%	51,843	(46,517)
Turn-over rate	+/-20.0%	(2,388)	2,568

**Former Citibank Consumer PH Business Plans**

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<b>December 31, 2022</b>			
Discount rate	+/-1.0%	(80,949)	106,031
Salary growth rate	+/-1.0%	109,062	(84,810)
Turn-over rate	+/-20.0%	(11,035)	12,894

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

- *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Retirement Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets as of December 31, 2022 and 2021 consists of equity securities and bonds, although the Group also invests in bank deposits. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a diversified portfolio of investments in corporations listed in the PSE.



There has been no change in the Group's strategies to manage its risks from previous periods.

- *Funding Arrangements and Expected Benefit Payment*

There is no minimum funding requirement in the country.

The maturity profile of undiscounted expected benefits payments from the plan follows:

### **Group**

	2022	2021
Within one year	P1,048,430	P829,934
More than one year to five years	1,813,795	1,732,138
More than five years to ten years	3,162,944	2,900,740
More than ten years to 15 years	3,496,334	3,232,845
More than 15 years to 20 years	4,245,541	3,803,723
More than 20 years	9,593,251	8,990,049
	<b>P23,360,295</b>	<b>P21,489,429</b>

### **UnionBank Plan**

	2022	2021
Within one year	P855,865	P680,507
More than one year to five years	1,445,904	1,364,443
More than five years to ten years	2,488,192	2,296,339
More than ten years to 15 years	2,555,103	2,425,424
More than 15 years to 20 years	2,973,476	2,586,973
More than 20 years	7,092,184	6,584,739
	<b>P17,410,724</b>	<b>P15,938,425</b>

### **Former iBank Plan**

	2022	2021
Within one year	P111,905	P92,016
More than one year to five years	200,496	215,090
More than five years to ten years	366,961	345,267
More than ten years to 15 years	337,843	328,879
More than 15 years to 20 years	256,911	286,944
More than 20 years	104,205	156,389
	<b>P1,378,321</b>	<b>P1,424,585</b>

### **Former Citibank Consumer PH Business Plans**

	2022
Within one year	P129,138
More than one year to five years	443,752
More than five years to ten years	842,952
More than ten years to 15 years	1,385,234
More than 15 years to 20 years	1,723,058
More than 20 years	3,321,125
	<b>P7,845,259</b>

The weighted average duration of the defined benefit obligation is 16 years in 2022 and 19 years in 2021.



## 30. Income Taxes

Current and Deferred Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2022, 2021, and 2020 are as follows:

	<b>Group</b>		
	2022	2021	2020
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax	₱2,231,917	₱1,269,860	₱1,162,262
Regular corporate income tax (RCIT)	1,333,468	826,288	706,944
MCIT	1,467	74,426	295,570
	<b>3,566,852</b>	2,170,574	2,164,776
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	364,589	236,495	(1,383,396)
	<b>₱3,931,441</b>	₱2,407,069	₱781,380
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	₱93,191	₱193,286	(₱190,387)
	<b>Parent Bank</b>		
	2022	2021	2020
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax	₱2,029,648	₱1,158,225	₱991,134
RCIT	108,513	35,941	18,358
MCIT	-	74,108	292,860
	<b>2,138,161</b>	1,268,274	1,302,352
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	789,832	420,188	(1,232,987)
	<b>₱2,927,993</b>	₱1,688,462	₱69,365
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	₱84,180	₱174,589	(₱176,630)



The reconciliation of the statutory income tax rate and the effective income tax rate follows:

	<b>Group</b>		
	<b>2022</b>	2021	2020
Statutory income tax rate	<b>25.00%</b>	25.00%	30.00%
Adjustment for income subjected to lower income tax rates	<b>(3.20)</b>	(2.11)	(3.04)
CREATE related adjustments	-	6.25	-
Tax effects of:			
FCDU income before tax	<b>(1.73)</b>	(17.72)	(15.04)
Non-taxable income	<b>(0.89)</b>	(0.76)	(17.04)
Non-deductible expenses	<b>3.20</b>	3.06	5.77
Others	<b>1.29</b>	2.34	5.69
<b>Effective income tax rate</b>	<b>23.67%</b>	16.06%	6.34%

	<b>Parent Bank</b>		
	<b>2022</b>	2021	2020
Statutory income tax rate	<b>25.00%</b>	25.00%	30.00%
Adjustment for income subjected to lower income tax rates	<b>(3.15)</b>	(1.97)	(2.94)
CREATE related adjustments	-	5.68	-
Tax effects of:			
FCDU income before tax	<b>(1.86)</b>	(18.79)	(16.38)
Non-taxable income	<b>(3.68)</b>	(0.27)	(18.56)
Non-deductible expenses	<b>3.31</b>	2.07	5.69
Others	<b>(0.68)</b>	(0.23)	2.80
<b>Effective income tax rate</b>	<b>18.94%</b>	11.90%	0.61%

The components of the net deferred tax assets presented under Other resources (see Note 19) as of December 31, 2022, and 2021 follow:

	<b>Group</b>	
	<b>2022</b>	2021
Deferred tax assets:		
Allowance for impairment	<b>₱4,088,549</b>	₱3,154,151
Accrued other expenses	<b>1,203,425</b>	844,124
Net operating loss carry over (NOLCO)	<b>477,682</b>	1,031,132
Deferred service fees	<b>405,965</b>	313,598
Excess MCIT	<b>368,069</b>	589,621
Investment properties	<b>353,181</b>	312,034
Unrealized foreign exchange loss	<b>169,644</b>	107,845
Others	<b>1,190,370</b>	860,670
	<b>8,256,885</b>	7,213,175
Deferred tax liabilities:		
Unrealized foreign exchange gain	<b>126,653</b>	66,705
Capitalized interest	<b>22,880</b>	21,965
Others	<b>184,112</b>	77,900
	<b>333,645</b>	166,570
<b>Net deferred tax assets</b>	<b>₱7,923,240</b>	₱7,046,605



	<b>Parent Bank</b>	
	<b>2022</b>	<b>2021</b>
Deferred tax assets:		
Allowance for credit losses	<b>₱3,055,124</b>	₱2,359,049
Accrued other expenses	<b>1,196,466</b>	814,379
Net operating loss carry-over (NOLCO)	<b>466,729</b>	1,025,934
Excess MCIT	<b>366,968</b>	588,491
Investment properties	<b>276,990</b>	301,229
Unrealized foreign exchange loss	<b>169,646</b>	103,683
Others	<b>690,645</b>	614,327
	<b>6,222,568</b>	5,807,092
Deferred tax liabilities:		
Unrealized foreign exchange gain	<b>123,159</b>	66,705
Capitalized interest	<b>22,880</b>	21,965
Others	<b>111,632</b>	41,140
	<b>257,671</b>	129,810
Net deferred tax assets	<b>₱5,964,897</b>	₱5,677,282

Other deferred tax asset includes post-retirement obligation and other future deductible items.

The Parent Bank's NOLCO follows:

<b>Year incurred</b>	<b>Amount</b>	<b>Expired</b>	<b>Applied</b>	<b>Balances</b>	<b>Availment period</b>
2018	₱644,228	₱644,228	₱-	₱-	2019-2021
2019	1,736,818	-	1,736,818	-	2020-2022
2020	2,211,455	-	500,000	1,711,455	2021-2025*
2021	155,461	-	-	155,461	2022-2026*
	<b>₱4,747,962</b>	<b>₱644,228</b>	<b>₱2,236,818</b>	<b>₱1,866,915</b>	

\*The NOLCO can be carried over as a deduction from gross income for the next five consecutive taxable years from the year it was incurred pursuant to Revenue Regulations No. 25-2020 (RR 25-2020), implementing Section 4(bbbb) of Republic Act No. 11494 or the Bayanihan to Recover as One Act.

The Parent Bank's MCIT follows:

<b>Year incurred</b>	<b>Amount</b>	<b>Expired</b>	<b>Applied</b>	<b>Balances</b>	<b>Availment period</b>
2018	₱182,501	₱182,501	₱-	₱-	2019-2021
2019	221,523	-	221,523	-	2020-2022
2020	214,453	-	-	214,453	2021-2023
2021	152,515	-	-	152,515	2022-2024
	<b>₱770,992</b>	<b>₱182,501</b>	<b>₱221,523</b>	<b>₱366,968</b>	

The Parent Bank's MCIT can be applied against regular corporate income tax liability for the next three consecutive years after the MCIT was incurred.

#### Relevant Tax Regulations

##### *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill*

As a result of the changes brought about by CREATE, applicable tax rates for future taxable and deductible amounts for purposes of deferred tax measurement were reduced from 30% to 25%.





This resulted in a reduction in the provision for current income tax in 2021 by ₱156.36 million and by ₱78.41 million for the Group and the Parent Bank, respectively, that is recognized in the 2021 statement of income. In addition, as a result of the change in the tax rate, the deferred tax balances have been remeasured from 30% to 25%, resulting in reduction in net deferred tax asset of ₱1,156.01 million and ₱948.86 million for the Group and the Parent Bank, respectively, increase in provision for deferred income tax by ₱1,088.04 million and ₱881.24 million for the Group and the Parent Bank, respectively, in the 2021 statement of income, and decrease in other comprehensive income by ₱68.01 million and ₱67.62 million for the Group and the Parent Bank, respectively, in the 2021 statement of comprehensive income.

The following are the relevant tax regulations affecting the Group:

#### *Income Tax*

- (a) MCIT, computed at 1% gross income from July 1, 2020 to June 30, 2023, net of allowable deductions as defined under the tax regulations, or to RCIT of 25% effective July 1, 2020, whichever is higher;
- (b) FCDU transactions with non-residents of the Philippines are tax-exempt, while interest income on foreign currency loans from residents other than depository banks under the expanded system is subject to 10% income tax;
- (c) Withholding tax of 15% is imposed on interest earned under the expanded foreign currency deposit system; and,
- (d) NOLCO can be claimed as deductions against taxable income within three years after NOLCO is incurred. The excess of the MCIT over income tax due may be carried over to the three succeeding taxable years and credited against income tax due provided the Bank is in RCIT position. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

#### *Gross Receipts Tax*

Banks are subject to gross receipts tax under Sec. 121 of the National Internal Revenue Code as amended.

#### *Documentary Stamp Tax*

Documentary stamp taxes (DST) (at varying rates) are imposed on the following:

- (a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
- (b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government of any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;
- (c) Acceptance of bills of exchange and letters of credit; and,
- (d) Bills of lading or receipt.



The significant provisions relating to DST under TRAIN are summarized below:

- (a) On every original issue of debt instruments, there shall be collected a DST of 1.50 on each 200 or fractional part thereof of the issue price of any such debt instrument; provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days; provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.
- (b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of 1.50 on each 200, or fractional part thereof, of the par value of such stock.
- (c) On all bills of exchange (between points within the Philippines) or drafts, there shall be collected a DST of 0.60 on each 200, or fractional part thereof, of the face value of any such bill of exchange or draft.
- (d) The following instruments, documents and papers shall be exempt from DST:
  - Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
  - Loan agreements or promissory notes, the aggregate of which does not exceed 250,000 or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
  - Sale, barter or exchange of shares of stock listed and traded through the local stock exchange (as amended by RA No. 9648);
  - Fixed income and other securities traded in the secondary market or through an exchange;
  - Derivatives including repurchase agreements and reverse repurchase agreements;
  - Bank deposit accounts without a fixed term or maturity; and,
  - Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

Itemized Deduction

In 2022, 2021 and 2020, the Parent Bank opted to claim itemized deductions.

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**31. Trust Operations**

The following securities and other properties held by the Parent Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the accompanying statement of financial position since these are not properties of the Parent Bank.

	<b>2022</b>	2021
Investments	<b>₱88,449,123</b>	₱86,667,533
Others	<b>3,199,964</b>	3,308,879
	<b>₱91,649,087</b>	₱89,976,412



In compliance with the requirements of the General Banking Act relative to the Parent Bank's trust functions:

- (a) Investment in government securities with a total face value of ₱1,210,600 and ₱1,000,000 as of December 31, 2022 and 2021, respectively, are deposited with BSP as security for the Parent Bank's faithful compliance with its fiduciary obligations (see Note 12); and,
- (b) Ten percent of the Parent Bank's trust income is transferred to Surplus reserves. This yearly transfer is required until the surplus reserves for trust function is equivalent to 20% of the Parent Bank's authorized capital stock. No part of such reserves shall at anytime be paid out as dividends, but losses accruing in the course of business may be charged against such surplus. As of December 31, 2022 and 2021, the reserve for trust functions amounted to ₱336,655 and ₱304,961, respectively, and is included as part of Surplus reserves in the statements of financial position (see Note 25).

Income from trust operations of the Group and the Parent Bank amounted to ₱316,939, ₱239,994, and ₱171,271 in 2022, 2021 and 2020, respectively. These are shown as Income from trust operations account under Miscellaneous income in the statements of income (see Note 28).

### 32. Related Party Transactions

The Group's and Parent Bank's related parties include subsidiaries, stockholders, key management personnel and others as described below.

The Parent Bank's transactions with related parties, except deposit transactions, are reviewed and approved by the Bank's RPT Management Review Committee (for non-material transactions), endorsed by the RPT Board Committee, and ultimately approved or confirmed by the BOD. The terms and prices are benchmarked against market prices, non-RPT transactions and on a cost-plus basis as practiced by the market if market prices are not available. In other instances, valuations are made by appraisers and third party consultants in determining prices.

The summary of the Group's significant transactions with its related parties as of and for the years ended December 31, 2022 and 2021 are as follows:

Related Party Category	2022		2021		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
<b>Applicable to the Parent Bank</b>					
<b>Subsidiaries</b>					
Lease of properties:					
Lease income	₱33,550	₱-	₱34,069	₱-	Lease renewed every 5 years with 5% escalation rate
Refundable deposits	2,356	2,356	1,959	1,959	
Management services	161,188	-	51,660	-	Project management fee, management services, commission and service charges paid to/by subsidiaries
Deposit liabilities:					
Outstanding balance	-	1,961,153	-	3,202,201	
Net movements	(1,241,048)	-	1,779,947	-	
Interest expense on deposits	76,410	-	2,530	-	With interest rate based on average daily bank deposit rate.

(Forward)



Related Party Category	2022		2021		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Receivables purchase agreements:					
Purchase of receivables	₱9,979,340	₱-	₱-	₱-	Purchase of DepEd receivables from CSB
Sale of receivables	6,682,351	-	-	-	Sale of qualified Quick Loan Accounts to UnionDigital
Interbank borrowing					
Net movements	3,000,521	-	-	-	Short-term borrowing with annual fixed rate ranging from 2.125% in 2022. No outstanding balances as of 2022 and 2021.
Interest expense	531	-	-	-	
Advances:					
Outstanding balance	-	79,573	-	71,201	Various expenses advanced by the Bank
Net movements	8,372	-	54,906	-	
Other liabilities	-	375,978	-	38,411	Various expenses and service fees
<b>Applicable to the Group and the Parent Bank</b>					
<b>Stockholders and related parties under common ownership</b>					
Deposit liabilities:					
Outstanding balance	-	6,709,215	-	25,459,765	With interest rate based on average daily bank deposit rate
Net movements	(18,750,550)	-	19,173,145	-	
Interest expense on deposits	37,919	-	12,714	-	
Bills payable:					
Outstanding balance	-	13,936	-	13,916	Long term liability with annual fixed rate of 4%
Net movements	20	-	19	-	
Interest expense	56,658	-	64,428	-	
Income from bancassurance business:					
Commission income	377,657	-	230,570	-	Income recognized on sale of insurance policies in accordance with the bancassurance agreement
Unearned income	-	715,710	-	733,333	Unearned income from Exclusive Access Fees arising from the bancassurance agreement
Sale of Investment properties					
Sales contract receivable	591,410	413,987	-	-	
Gain on disposal	226,901	-	-	-	Sale of foreclosed property
Unearned income	52,004	52,004	-	-	
Loans receivable	(8,829)	909	9,738	9,738	Secured borrowings with annual interest of 8.0% and 12.0% in 2022 and 2021
<b>Key management personnel Directors, officers and other related interests:</b>	<b>2,973,832</b>	<b>-</b>	<b>2,460,301</b>	<b>-</b>	Employee benefits related to key management personnel.
Loans	639,635	639,635	535,780	535,780	Employee fringe benefit loans with annual fixed interest rate from 0.00% to 8.0% in 2022 and 2021
Accounts receivable	156,659	156,659	144,509	144,509	Fringe benefits related to employee cars and laptop lease.

Outstanding receivables from and payables to related parties, if any, arising from lease of properties, management services and advances are unsecured and generally settled in cash within 12 months or upon demand.



#### Lease of Properties

In February 2014, the Parent Bank entered into a lease agreement with UIC, whereby the latter, as a lessee, leases one of the Parent Bank's investment properties for a period of five years. In October 2019, the lease agreement was amended to reduce the area of UIC's leased premises upon the renewal of the lease agreement. In 2022, the lease agreement was further amended to reduce the area of UIC's leased premises, reduce the number of parking slots and reduce the rental rate upon the renewal of the lease agreement. UIC pays the Parent Bank a monthly rent of ₱100 with 5% annual escalation rate, exclusive of VAT.

CSB leases certain investment properties with the Parent Bank with lease term covering five years. CSB pays the Parent Bank a fixed monthly rent for its leases with 5% annual escalation rate. In May 2020, CSB renewed one of its lease agreements for another five years.

In June 2019, the Parent Bank entered into a lease agreement with UBX for a period of five years. UBX pays the Parent Bank a fixed monthly rent with 5% annual escalation rate.

#### Management Services

The Parent Bank entered into service agreements with CSB, UIC, FAIR Bank, PETNET, UBX, and UnionDigital to perform to perform various services including corporate accounting, human resource, legal, corporate secretarial, operations support, IT-related and data science.

#### Deposit Liabilities and Interest Expense

The deposit accounts of subsidiaries and stockholders with the Parent Bank generally earn interest based on daily bank deposit rates.

#### Advances

The Parent Bank also has advances to CSB, FUIFAI, UnionDigital, CFSI, PETNET and UBX as of December 31, 2022 and 2021. These are generally settled in cash upon demand.

#### Bills Payable and Interest Expense

In 2020, CSB availed of a loan with Aboitiz Foundation, Inc., amounting to ₱14 million which is payable in five years and bears an annual interest rate of 4.0%. This borrowing had an outstanding balance of ₱13.94 million and ₱13.92 million (net of unamortized debt issue costs) as of December 31, 2022 and 2021, respectively.

In 2022 and 2021, CSB availed of short-term borrowings from AEVI, Aboitiz Power Corporation, and Aboitiz and Co., Inc., related parties under common ownership, amounting to ₱2.10 billion, ₱23.82 billion, and nil, respectively, and ₱3.35 billion, ₱31.87 billion, and ₱12.64 billion, respectively. Availments have been paid in full as of end of the reporting period.

#### Bancassurance Agreement

On January 27, 2017, the Parent Bank and its subsidiary, CSB, entered into a bancassurance partnership (the Agreement) with Insular Life Assurance Company, Ltd. (Insular Life). Under the Agreement, Insular Life paid the Parent Bank an amount representing Exclusive Access Fee (EAF) with a term of 15 years. In the event that the cumulative annualized premium earned (APE) sold during the first five-year period is less than the agreed minimum amount, the Parent Bank shall refund the proportion of EAF that equals the proportion by which the cumulative APE is less the minimum amount. As of December 31, 2022, there are ongoing negotiations on a revised agreement and is currently being reviewed by the parties.



EAF recognized for 2022 is presented as Commission from bancassurance under Service charges, fees and commissions account in the statements of income. Unearned income arising from this transaction is presented as Unearned Income - bancassurance under Other liabilities account in the statements of financial position (see Note 24).

Under the distribution agreement, Insular Life will have exclusive access to the branch network of the Parent Bank and CSB. Additionally, the Parent Bank’s sales force, composed of relationship managers and financial advisors, shall be trained and licensed to sell life insurance products. Under the same Agreement, the Parent Bank shall earn commissions on all insurance policies sold by the Parent Bank. Commissions earned in 2022 and 2021 are presented as part of Commissions from bancassurance under Service charges, fees and commissions account in the statements of income (see Note 27).

Receivables Purchase Agreements

*Department of Education (DepEd) Loans*

On February 28, 2022, the Parent Bank entered into an agreement with CSB to purchase, in a true sale and without recourse basis, and for cash consideration, certain DepEd loans in one or more tranches for up to a maximum outstanding principal amount of ₱10 billion. The Parent Bank completed the purchase of the first tranche of receivables with outstanding principal of ₱99.31 million on April 8, 2022, and the second tranche of receivables with outstanding principal of ₱9.98 billion on July 4, 2022.

*Quick Loans*

On August 1, 2022 (the “Effective Date”), the Parent Bank entered into an agreement (the “Agreement”) with UnionDigital to sell, in a true sale and without recourse basis, and for cash consideration, loan accounts from the Parent Bank’s Quick Loans portfolio that are existing and granted as of the Effective Date and during the Term of the Agreement, which pass the eligibility criteria including the credit score, borrower profile, loan tenors and terms acceptable to UnionDigital. The Agreement shall remain valid and subsisting until terminated by the Parties as defined and allowed under the Agreement. The total outstanding principal sold to UnionDigital in 2022 amounted to ₱6.68 billion.

Sale of Investment Properties

In June 2022, the Parent Bank sold to Lima Land, Inc., a related party under common ownership, parcels of foreclosed land with carrying value of ₱312.50 million for a consideration of ₱591.41 million, payable until 2027. The Bank recognized Gain on disposal of investment properties amounting to ₱226.91 million and Unearned income of ₱52.00 million on the date of sale. As of December 31, 2022, the sales contract receivable had an outstanding balance of ₱413.99 million.

Key Management Personnel Compensation

The compensation of key management personnel for the Group and Parent Bank follows:

	<b>Group</b>		
	<b>2022</b>	2021	2020
Short-term benefits	<b>₱2,565,550</b>	₱2,298,705	₱2,097,510
Post-employment benefits	<b>197,044</b>	91,915	103,265
Other long-term benefits	<b>211,238</b>	69,681	13,163
	<b>₱2,973,832</b>	₱2,460,301	₱2,213,938



	Parent Bank		
	2022	2021	2020
Short-term benefits	<b>₱2,126,299</b>	₱1,885,566	₱1,783,964
Post-employment benefits	<b>182,200</b>	74,477	87,882
Other long-term benefits	<b>205,565</b>	63,703	7,786
	<b>₱2,514,064</b>	₱2,023,746	₱1,879,632

Directors' fees incurred by the Group amounted to ₱130,788, ₱141,415, and ₱91,830 in 2022, 2021 and 2020, respectively, and by the Parent Bank amounted to ₱100,687, ₱118,039, and ₱80,010 in 2022, 2021 and 2020.

#### Loans and Other Transactions

In the ordinary course of business, the Group has loans, deposits and other transactions with its related parties and with certain DOSRI. Under the Group's existing policies, these transactions are made substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Group. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Group, whichever is lower.

The following additional information is presented relative to DOSRI loans:

	Group		Parent Bank	
	2022	2021	2022	2021
Total DOSRI loans	<b>₱640,544</b>	₱545,518	<b>₱616,127</b>	₱507,225
Unsecured DOSRI loans	<b>272,992</b>	247,341	<b>263,012</b>	223,880
% of DOSRI loans to total loan portfolio	<b>0.13%</b>	0.16%	<b>0.16%</b>	0.18%
% of unsecured DOSRI loans to total DOSRI loans	-%	-%	-%	-%
% of past due DOSRI loans to total DOSRI loans	-%	-%	-%	-%
% of non-accruing DOSRI accounts to total DOSRI loans	-%	-%	-%	-%

The total unsecured DOSRI loans above include loans extended to employees treated as fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB. Accordingly, the percentage of unsecured DOSRI loans to total DOSRI loans as presented above is nil.

On January 31, 2007, BSP issued Circular No. 560 which provides 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, the total outstanding exposures to each of the Parent Bank's subsidiaries and affiliates shall not exceed 10% of bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank.

#### Transactions with the Retirement Plan

The retirement fund of the Group covered under defined benefit post-employment plan maintained for qualified employees is administered by the Retirement Committee. The members of the Retirement Committee are Senior Executives and officers of the Parent Bank as approved by the Chairman/Chief Executive Officer. Through its Retirement Committee, it has appointed TISG as one of its trustees for the retirement fund which is covered by trust agreements.



The composition of the retirement plan assets in the actuarial valuation reports of the Parent Bank and its subsidiaries as of December 31, 2022 and 2021 are disclosed in Note 29. As of December 31, 2022 and 2021, total assets of the retirement plan managed by the TISG of the Parent Bank as contained in the actuarial valuation reports amounted to ₱4.03 billion and ₱4.16 billion, respectively.

As of December 31, 2022 and 2021, the carrying value of the fund is equivalent to its fair value.

The Parent Bank and its subsidiaries' retirement plans have transactions directly and indirectly with the Parent Bank as of December 31, 2022 and 2021 as follows:

	2022		2021	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	<b>₱75,094</b>	<b>₱352,208</b>	₱90,904	₱277,114
Investments in Parent Bank notes payable:				
Outstanding balance	–	<b>354,516</b>	–	479,891
Net movements	<b>(125,375)</b>	–	35,792	–
Interest income	<b>17,093</b>	–	23,393	–
Accrued interest income	–	<b>6,486</b>	–	2,232
Deposit liabilities:				
Outstanding balance	–	<b>348,462</b>	–	394,281
Net movements	<b>(45,819)</b>	–	40,684	–
Interest income on deposits	<b>11,397</b>	–	12,427	–
Dividend income	<b>9,064</b>	–	9,064	–

The investment in Parent Bank shares are primarily held for re-sale and the Group's retirement fund does not intend to exercise its voting rights over those shares. The terms of the investment in notes payable are discussed in Note 23.

#### Group Health Insurance from a Related Party

The Parent Bank entered into a contract with Insular Life for its group health insurance. The group health insurance package amounted to ₱166,093 and ₱122,774, covering October 2021 to September 2022 and October 2020 to September 2021, respectively.

#### Receivable from Kingswood Project

UIC acts as the project and fund manager of Kingswood Project. As fund manager, UIC is responsible for the treasury and money management as well as arranging the necessary facilities and accounting for the development of the project. UIC also receives a certain percentage of the sales price related to Kingswood Project as sales commission and to compensate for the marketing expenses incurred. As of December 31, 2022 and 2021, the receivable of UIC from Kingswood Project amounted to ₱33.2 million and ₱29.30 million, respectively.





### 33. Earnings Per Share

In 2022, 2021 and 2020, the Group and the Parent Bank have no outstanding potentially dilutive securities, hence, basic earnings per share are equal to diluted earnings per share.

As a result of the stock dividends declared by the Parent Bank on August 11, 2021 to stockholders of record as of December 9, 2021 and paid on January 5, 2022 (see Notes 25 and 36), the weighted average number of outstanding common shares have been adjusted retrospectively. As required under PFRS, the Bank is required to adjust the weighted average number of shares for purposes of computing the basic earnings per share for all periods presented when there are stock dividends are issued after reporting period but before the financial statements have been authorized for issue.

The basic and diluted earnings per share were computed as follows:

	<b>Group</b>		
	<b>2022</b>	2021	2020
Net profit attributable to Parent Bank's stockholders	<b>₱12,529,248</b>	₱12,525,376	₱11,553,430
Divided by:			
Weighted average number of outstanding common shares	<b>1,911,431</b>	1,219,289	1,218,400
Adjustment related to stock dividend	—	304,839	304,839
Weighted average number of outstanding common shares, after adjustment for stock dividends	<b>1,911,431</b>	1,524,128	1,523,239
Basic and diluted earnings per share	<b>₱6.55</b>	₱8.22	₱7.58
	<b>Parent Bank</b>		
	<b>2022</b>	2021	2020
Net profit	<b>₱12,529,248</b>	₱12,525,376	₱11,263,423
Divided by:			
Weighted average number of outstanding common shares	<b>1,911,431</b>	1,219,289	1,218,400
Adjustment related to stock dividend	—	304,839	304,839
Weighted average number of outstanding common shares, after adjustment for stock dividends	<b>1,911,431</b>	1,524,128	1,523,239
Basic and diluted earnings per share	<b>₱6.55</b>	₱8.22	₱7.39



## 34. Commitments and Contingent Liabilities

Leases*Group as Lessee*

The Group leases various branch premises for an average period of seven years. The lease contracts are cancellable upon mutual agreement of the parties or renewable at the Parent Bank's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5%. Some leases include a clause to enable adjustment of the rental charge on an annual basis based on prevailing market rates. As of December 31, 2022 and 2021, the Parent Bank has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2022 and 2021 as required by PFRS 16:

	Group		Parent Bank	
	2022	2021	2022	2021
1 year or less	<b>₱532,912</b>	₱544,131	<b>₱419,854</b>	₱422,382
more than 1 years to 2 years	<b>391,940</b>	432,768	<b>307,215</b>	335,421
more than 2 years to 3 years	<b>237,140</b>	280,220	<b>199,287</b>	214,405
more than 3 years to 4 years	<b>89,969</b>	81,764	<b>78,118</b>	49,877
more than 5 years	<b>22,077</b>	33,895	<b>16,331</b>	324

The following are the amounts recognized in profit or loss for the years ended December 31, 2022 and 2021:

	Group		Parent Bank	
	2022	2021	2022	2021
Amortization expense of ROU assets (Note 16)	<b>₱620,499</b>	₱597,637	<b>₱464,534</b>	₱410,595
Interest expense on lease liabilities (Note 24)	<b>67,851</b>	68,753	<b>56,240</b>	54,763
Expenses relating to short term – leases	<b>171,523</b>	130,223	<b>132,394</b>	152,513
Total amount recognized in profit or loss	<b>₱859,873</b>	₱796,613	<b>₱653,168</b>	₱617,871

*Group as Lessor*

The Group has entered into commercial property leases on the Group's surplus offices. These non-cancellable leases have remaining non-cancellable lease terms of one to four years.

Total rent income earned included under Miscellaneous income account in the statements of income (see Note 28) by the Group and the Parent Bank for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Group	<b>₱218,019</b>	₱116,450	₱154,077
Parent Bank	<b>154,907</b>	132,734	164,177



The estimated minimum future annual rentals receivable under non-cancellable operating leases follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
Within one year	<b>₱142,891</b>	₱121,058
Beyond one year but within five years	<b>257,160</b>	242,240
	<b>₱400,051</b>	<b>₱363,298</b>

	<b>Parent Bank</b>	
	<b>2022</b>	<b>2021</b>
Within one year	<b>₱133,423</b>	₱107,316
Beyond one year but within five years	<b>246,878</b>	229,575
	<b>₱380,301</b>	<b>₱336,891</b>

**Others**

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, which are not reflected in the accompanying financial statements. The Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2022, no additional material losses or liabilities are required to be recognized in the accompanying financial statements as a result of the above commitments and transactions.

There are several suits, assessments or notices and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.

**35. Notes to the Statements of Cash Flows**

Presented below is the supplemental information on the Group's and the Parent Bank's liabilities arising from financing activities:

	<b>Group</b>				<b>Total</b>
	<b>LTNCD</b>	<b>Bills Payable</b>	<b>Notes and Bonds Payable</b>	<b>Lease Liabilities*</b>	
<b>Balances at January 1, 2022</b>	<b>₱3,000,000</b>	<b>₱51,168,138</b>	<b>₱69,853,986</b>	<b>₱1,382,880</b>	<b>₱125,405,004</b>
Cash flows from financing activities:					
Additions	-	306,504,535	13,904,476	-	320,409,011
Repayment of borrowings	-	(225,725,630)	(38,183,199)	(659,030)	(264,567,859)
Non-cash financing activities:					
Effects of foreign exchange rate changes	-	899,746	5,982,985	-	6,882,731
New lease arrangements	-	-	-	567,389	567,389
Effect of business combination	-	-	-	65,440	65,440
Amortization of debt issue costs and accretion of interest	-	-	86,077	67,851	153,928
<b>Balances as of December 31, 2022</b>	<b>₱3,000,000</b>	<b>₱132,846,789</b>	<b>₱51,644,325</b>	<b>₱1,424,530</b>	<b>₱188,915,644</b>

*\*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities*



	Group				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
Balances at January 1, 2021	₱3,000,000	₱54,223,543	₱59,853,656	₱1,219,584	₱118,296,783
Cash flows from financing activities:					
Additions	–	127,075,530	11,057,895	–	138,133,425
Repayment of borrowings	–	(131,247,110)	(3,473,520)	(579,065)	(135,299,695)
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	1,116,175	2,403,418	–	3,519,593
New lease arrangements	–	–	–	673,608	673,608
Amortization of debt issue costs and accretion of interest	–	–	12,537	68,753	81,290
<b>Balances as of December 31, 2021</b>	<b>₱3,000,000</b>	<b>₱51,168,138</b>	<b>₱69,853,986</b>	<b>₱1,382,880</b>	<b>₱125,405,004</b>

\*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

	Parent Bank				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
<b>Balances at January 1, 2022</b>	<b>₱3,000,000</b>	<b>₱28,577,774</b>	<b>₱69,789,836</b>	<b>₱1,043,850</b>	<b>₱102,411,460</b>
Cash flows from financing activities:					
Additions	–	247,352,242	10,932,289	–	258,284,531
Repayment of borrowings	–	(177,520,637)	(35,112,500)	(496,312)	(213,129,449)
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	899,745	5,948,623	–	6,848,368
New lease arrangements	–	–	–	514,000	514,000
Effect of business combination	–	–	–	59,777	59,777
Amortization of debt issue costs and accretion of interest	–	–	86,077	56,240	142,317
<b>Balances as of December 31, 2022</b>	<b>₱3,000,000</b>	<b>₱99,309,124</b>	<b>₱51,644,325</b>	<b>₱1,177,555</b>	<b>₱155,131,004</b>

\*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

	Parent Bank				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
Balances at January 1, 2021	₱3,000,000	₱34,502,422	₱59,746,856	₱1,004,057	₱98,253,335
Cash flows from financing activities:					
Additions	–	62,765,158	7,650,000	–	70,415,158
Repayment of borrowings	–	(69,805,980)	–	(446,112)	(70,252,092)
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	1,116,174	2,380,651	–	3,496,825
New lease arrangements	–	–	–	431,142	431,142
Amortization of debt issue costs and accretion of interest	–	–	12,329	54,763	67,092
<b>Balances as of December 31, 2021</b>	<b>₱3,000,000</b>	<b>₱28,577,774</b>	<b>₱69,789,836</b>	<b>₱1,043,850</b>	<b>₱102,411,460</b>

\*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

Non-cash investing activities of the Group for the years ended December 31, 2022 and 2021 include additions to investment properties in settlement of loans and receivables amounting to ₱376.49 million and ₱245.00 million, respectively, and disposals of properties with carrying values of ₱1,482.10 million and ₱87.63 million, respectively, through sales contract receivables.



### 36. Events After the End of the Reporting Period

#### Reclassification of Financial Assets at FVOCI into Financial Assets at Amortized cost

The acquisition of Citigroup Inc.'s consumer banking business in the Philippines (the Acquisition) in August 2022 substantially altered the Parent Bank's balance sheet composition on both the asset and liability side. The Acquisition resulted in significant increase in the Parent Bank's consumer loan and the Parent Bank expects that its foray into consumer segment will continue to increase in the coming years. The Acquisition resulted in significant change in the FCDU deposit profile and together with the existing diversified funding structure in the FCDU resulted in the change in the management of financial assets in the FCDU moving forward and allowing the FCDU to hold investment securities to maturity.

These developments have led the Parent Bank to reevaluate its asset and liability management strategies and proactively manage its balance sheet and ensure that its capital remain adequate and stable. Existing bank assets, including those in the FVOCI Business Model have been reviewed on how they should be managed moving forward, including the re-assessment on their accounting classification and the related impact to capital. As a result of these substantial changes in the balance sheet, the Parent Bank has determined that there have been fundamental changes to its existing business model for managing FVOCI securities. As part of the Parent Bank's governance process, the business model change has been presented to the Market Risk Committee and Risk Management Committee for review, and for approval and endorsement to the BOD. In line with this, the Parent Bank's BOD in its meeting held on December 16, 2022, approved the reclassification of FCDU FVOCI (excluding the FX Liquidity sub-portfolio) to FCDU HTC.

As required by PFRS 9, the reclassification was effected prospectively on January 1, 2023, the first day of the reporting period following the change in business model. The reclassification on January 1, 2023 resulted in (1) the decrease in FCDU FVOCI securities with fair value of \$903.21 million (₱50.36 billion), (2) reversal of related net unrealized fair value losses on FVOCI amounting to \$185.36 million (₱10.33 billion) and (3) increase in FCDU HTC financial assets at amortized cost amounting to \$1.09 billion (₱60.69 billion), as if the investment securities had always been carried at amortized cost.

#### Dividend Declaration

On February 1, 2023, the Parent Bank's BOD approved the declaration of cash dividends at ₱2.00 per share for a total of ₱4,707,549 in favor of all stockholders of the Bank, payable from the unrestricted retained earnings of the Bank as of December 31, 2022. Record date for stockholders entitled to the cash dividend is February 15, 2023 and payment is expected to be made on February 27, 2023.

#### Issuance of Shares through Stock Rights

On February 6, 2023, the Bank issued approximately 210.97 million common shares priced at ₱56.88 per share. The shares were offered to eligible shareholders as of the record date of January 12, 2023 at a ratio of 1 rights share for every 10.1536 existing common shares. The newly issued shares were listed on the PSE on the same date.

#### Issuance of Shares under the Employee Stock Plan

The Parent Bank issued 697,339 common shares to qualified employees under the Parent Bank's Employee Stock Payment Plan on February 6, 2023.



**37. Supplementary Information Required Under Revenue Regulations 15-2010**

Presented below is the supplementary information required by the Bureau of Internal Revenue (BIR) under RR 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Gross Receipts Tax

In lieu of the value-added tax (VAT), the Parent Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Section 121 of the Tax Code.

The Parent Bank reported total GRT amounting to ₱1.81 billion in 2022 as shown under Taxes and Licenses account. Total GRT payable as of December 31, 2022 amounted to ₱0.64 billion and is included as part of Accrued taxes and other expenses under Other liabilities account in the 2022 statement of financial position.

Documentary Stamp Tax

The Bank is enrolled under the Electronic DST System. In general, the Parent Bank's DST transactions arise from the execution of debt instruments, security documents, and bills of exchange.

For the year ended December 31, 2022, DST affixed amounted to ₱2.20 billion.

Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2022 are shown below:

Final	₱1,221,197
Expanded	265,820
Compensation and benefits	1,356,221
	₱2,843,238

Taxes and Licenses

The details of taxes and licenses in 2022 of the Parent Bank are as follows:

GRT	₱1,805,035
DST	799,397
Real property tax	35,250
Fringe benefit tax (FBT)	59,041
Local and business permits	38,143
Miscellaneous	61,012
Less:	
FBT charged to employee benefits	59,041
	₱2,738,837

Excise Taxes

The Parent Bank does not have excise taxes accrued since it did not have any transactions subject to excise tax.

Other Required Tax Information

The Parent Bank has not paid or accrued any excise taxes or customs' duties and tariff fees as it had no importation for the year ended December 31, 2022.

The Parent Bank has no pending tax assessment and case in courts or other regulatory bodies outside of the BIR as at December 31, 2022.



## 38. Supplementary Information Required Under BSP Circular 1074

Presented below is the supplementary information required by the BSP under BSP Circular 1074.

Basic quantitative indicators of financial performance

<b>Group</b>	<b>2022</b>	2021	2020
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}^*}$	<b>9.7%</b>	11.6%	11.5%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}^*}$	<b>1.3%</b>	1.6%	1.5%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}^*}$	<b>4.9%</b>	4.6%	4.5%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>49.63%</b>	53.9%	56.3%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	<b>6.4:1</b>	6.4:1	6.4:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	<b>7.4:1</b>	7.4:1	7.4:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	<b>2.4:1</b>	3.3:1	2.2:1

\*Average amount is calculated based on current year-end and previous year-end balances



<b>Parent Bank</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}^*}$	<b>9.7%</b>	11.6%	11.1%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}^*}$	<b>1.5%</b>	1.6%	1.6%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}^*}$	<b>4.2%</b>	3.9%	4.0%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>48.51%</b>	50.6%	55.4%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	<b>5.5:1</b>	5.5:1	5.6:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	<b>6.5:1</b>	6.5:1	6.6:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	<b>2.8:1</b>	4.3:1	2.5:1

\*Average amount is calculated based on current year-end and previous year-end balances





Capital instruments issued

The Parent Bank's capital instruments consist of the following:

*Capital stock*

As of December 31, 2022 and 2021, the Parent Bank has outstanding capital stock shown below (peso amounts in thousands):

	Shares		Amount	
	2022	2021	2022	2021
Common – ₱10 par value				
Authorized	<b>2,530,785,238</b>	2,530,785,238	<b>₱25,307,852</b>	₱25,307,852
Issued and outstanding				
As at beginning of the year	<b>1,219,362,818</b>	1,218,471,467	<b>12,193,628</b>	12,184,715
Shares issued	<b>922,743,946</b>	891,351	<b>9,227,440</b>	8,913
As at end of the year	<b>2,142,106,764</b>	1,219,362,818	<b>21,421,068</b>	12,193,628
Preferred – ₱100 par value, non-voting				
Authorized	<b>100,000,000</b>	100,000,000	<b>₱10,000,000</b>	₱10,000,000
Issued and outstanding	–	–	–	–

*Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025*

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting “Tier 2” capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting “Tier 1” capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.



Concentration of credit exposures

An analysis of concentrations of credit risk for loans and other receivables and investment securities (grossed up for any allowance for credit losses and unearned discounts) of the Group and the Parent Bank by industry and by geographic location as of December 31, 2022 and 2021 is shown below (amounts in thousands):

	<b>Group</b>			
	<b>2022</b>			
	<b>Loans and Other Receivables</b>		<b>Trading and Investment Securities</b>	<b>Total</b>
	<b>Amount</b>	<b>%</b>		
<i>Concentration by industry</i>				
Financial and insurance activities	₱34,819,473	7.07	₱451,417,807	₱486,237,280
Real estate activities	90,231,828	18.33	7,150,000	97,381,828
Information and communication	35,095,786	7.13	-	35,095,786
Wholesale and retail trade, repair of motor vehicles	32,282,632	6.56	-	32,282,632
Manufacturing	28,515,108	5.79	2,665,228	31,180,336
Transportation and storage	21,836,091	4.44	1,884,539	23,720,630
Arts, entertainment and recreation	12,627,793	2.57	-	12,627,793
Electricity, gas steam and air conditioning supply	13,090,565	2.66	24,106,204	37,196,769
Other service activities	15,924,128	3.24	2,845,681	18,769,809
Construction	6,110,416	1.24	-	6,110,416
Activities of households as employers and undifferentiated goods and services	4,320,351	0.88	-	4,320,351
Agriculture, forestry and fishing	2,284,137	0.46	-	2,284,137
Accommodation and food service activities	1,540,725	0.31	-	1,540,725
Professional, scientific and technical activities	472,896	0.10	-	472,896
Other consumption	97,556,795	19.82	-	97,556,795
Others	95,486,796	19.40	2,782,659	98,269,455
	<b>₱492,195,520</b>	<b>100.00</b>	<b>₱492,852,118</b>	<b>₱985,047,638</b>
<i>Concentration by location</i>				
Philippines	₱492,195,520	100.00	₱398,026,315	₱890,221,835
Others - Asia	-	-	23,944,279	23,944,279
South America	-	-	6,061,624	6,061,624
North America	-	-	7,441,164	7,441,164
United States	-	-	50,591,184	50,591,184
Europe	-	-	6,787,552	6,787,552
	<b>₱492,195,520</b>	<b>100.00</b>	<b>₱492,852,118</b>	<b>₱985,047,638</b>



	Group			
	2021			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱31,360,342	9.00	₱369,049,548	₱400,409,890
Real estate activities	71,096,154	20.40	7,938,117	79,034,271
Information and communication	39,474,234	11.32	–	39,474,234
Wholesale and retail trade, repair of motor vehicles	31,380,275	9.00	–	31,380,275
Manufacturing	27,322,891	7.84	2,531,824	29,854,715
Transportation and storage	18,861,331	5.41	2,204,090	21,065,421
Arts, entertainment and recreation	14,639,649	4.20	–	14,639,649
Electricity, gas steam and air conditioning supply	13,690,875	3.93	25,214,821	38,905,696
Other service activities	7,918,474	2.27	–	7,918,474
Construction	4,337,687	1.24	–	4,337,687
Activities of households as employers and undifferentiated goods and services	2,384,261	0.68	–	2,384,261
Agriculture, forestry and fishing	1,679,982	0.48	–	1,679,982
Accommodation and food service activities	1,455,059	0.42	–	1,455,059
Professional, scientific and technical activities	702,425	0.20	–	702,425
Other consumption	11,947,034	3.43	–	11,947,034
Others	70,333,736	20.18	3,360,048	73,693,784
	<b>₱348,584,409</b>	<b>100.00</b>	<b>₱410,298,448</b>	<b>₱758,882,857</b>
<i>Concentration by location</i>				
Philippines	₱348,584,409	100.00	₱298,874,158	₱647,458,567
Others - Asia	–	–	29,545,178	29,545,178
South America	–	–	5,622,054	5,622,054
North America	–	–	9,725,349	9,725,349
United States	–	–	54,686,572	54,686,572
Europe	–	–	11,845,137	11,845,137
	<b>₱348,584,409</b>	<b>100.00</b>	<b>₱410,298,448</b>	<b>₱758,882,857</b>

	Parent Bank			
	2022			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱40,015,301	10.01	₱401,020,548	₱441,035,849
Other consumption	97,115,155	24.30	–	97,115,155
Real estate activities	89,587,397	22.42	7,150,000	96,737,397
Information and communication	35,091,072	8.78	–	35,091,072
Wholesale and retail trade, repair of motor vehicles	31,351,303	7.85	–	31,351,303
Manufacturing	28,359,410	7.10	2,665,228	31,024,638
Transportation and storage	21,735,910	5.44	1,884,539	23,620,449
Other service activities	15,761,449	3.94	2,845,681	18,607,130
Electricity, gas steam and air conditioning supply	13,090,425	3.28	24,106,204	37,196,629
Arts, entertainment and recreation	12,626,780	3.16	–	12,626,780
Construction	5,993,159	1.50	–	5,993,159
Activities of households as employers and undifferentiated goods and services	4,317,198	1.08	–	4,317,198
Accommodation and food service activities	1,347,158	0.34	–	1,347,158
Agriculture, forestry and fishing	1,193,414	0.30	–	1,193,414
Professional, scientific and technical activities	465,180	0.11	–	465,180
Others	1,542,640	0.39	2,782,659	4,325,299
	<b>₱399,592,951</b>	<b>100.00</b>	<b>₱442,454,859</b>	<b>₱842,047,810</b>
<i>Concentration by location</i>				
Philippines	₱399,592,951	100.00	₱347,629,056	₱747,222,007
Others - Asia	–	–	23,944,279	23,944,279
South America	–	–	6,061,624	6,061,624
North America	–	–	7,441,164	7,441,164
United States	–	–	50,591,184	50,591,184
Europe	–	–	6,787,552	6,787,552
	<b>₱399,592,951</b>	<b>100.00</b>	<b>₱442,454,859</b>	<b>₱842,047,810</b>



	Parent Bank			
	2021			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱31,284,376	11.05	₱325,797,652	₱357,082,028
Real estate activities	70,604,445	24.93	7,938,117	78,542,562
Information and communication	39,469,530	13.94	–	39,469,530
Wholesale and retail trade, repair of motor vehicles	30,431,511	10.74	–	30,431,511
Manufacturing	27,198,763	9.6	2,531,824	29,730,587
Transportation and storage	18,718,271	6.61	2,204,090	20,922,361
Arts, entertainment and recreation	14,638,343	5.17	–	14,638,343
Electricity, gas steam and air conditioning supply	13,690,729	4.83	25,214,821	38,905,550
Other service activities	7,730,986	2.73	–	7,730,986
Construction	4,251,467	1.50	–	4,251,467
Activities of households as employers and undifferentiated goods and services	2,325,684	0.82	–	2,325,684
Accommodation and food service activities	1,285,301	0.45	–	1,285,301
Professional, scientific and technical activities	700,048	0.25	–	700,048
Agriculture, forestry and fishing	372,018	0.13	–	372,018
Other consumption	11,752,569	4.15	–	11,752,569
Others	8,775,218	3.10	3,246,816	12,022,034
	<b>₱283,229,259</b>	<b>100.00</b>	<b>₱366,933,320</b>	<b>₱650,162,579</b>
<i>Concentration by location</i>				
Philippines	₱283,229,259	100.00	₱255,509,030	₱538,738,289
Others - Asia	–	–	29,545,178	29,545,178
South America	–	–	5,622,054	5,622,054
North America	–	–	9,725,349	9,725,349
United States	–	–	54,686,572	54,686,572
Europe	–	–	11,845,137	11,845,137
	<b>₱283,229,259</b>	<b>100.00</b>	<b>₱366,933,320</b>	<b>₱650,162,579</b>

### Breakdown of total loans as to security and status

#### As to security

The breakdown of total loans and other receivables (net of unearned discounts) as to secured, with corresponding collateral types, and unsecured loans follows (amounts in thousands):

	Group		Parent Bank	
	2022	2021	2022	2021
<b>Secured:</b>				
Real estate	<b>₱12,265,747</b>	₱10,306,870	<b>₱10,408,920</b>	₱8,781,142
Deposit hold-out	<b>374,133</b>	441,795	<b>331,529</b>	404,783
Chattel mortgage	<b>84,735</b>	484,577	–	430,580
Others	<b>66,576,638</b>	35,608,038	<b>65,419,101</b>	35,572,532
	<b>79,301,253</b>	46,841,280	<b>76,159,550</b>	45,189,037
<b>Unsecured</b>	<b>414,872,194</b>	326,866,206	<b>327,230,996</b>	256,429,206
	<b>₱494,173,447</b>	₱373,707,486	<b>₱403,390,546</b>	₱301,618,243

The breakdown as to secured and unsecured of non-accruing loans of the Group and the Parent Bank as of December 31 follows:

	Group		Parent Bank	
	2022	2021	2022	2021
<b>Secured</b>	<b>₱8,869,679</b>	₱4,657,991	<b>₱8,706,112</b>	₱4,310,580
<b>Unsecured</b>	<b>13,010,007</b>	14,291,767	<b>5,014,561</b>	8,564,337
	<b>₱21,879,686</b>	₱18,949,758	<b>₱13,720,673</b>	₱12,874,917



*As to status*

Non-performing loans (NPLs) of the Group and the Parent Bank as of December 31, 2022 and 2021 are presented below, net of the related allowance for credit losses in compliance with BSP Circular 855, respectively (amounts in thousands).

	Group		Parent Bank	
	2022	2021	2022	2021
Gross NPLs	<b>₱21,879,686</b>	₱18,949,758	<b>₱13,720,673</b>	₱12,874,917
Specific allowance for credit losses on NPLs	<b>(10,791,956)</b>	(10,072,401)	<b>(6,951,092)</b>	(7,529,574)
	<b>₱11,087,730</b>	₱8,877,357	<b>₱6,769,581</b>	₱5,345,343

Under BSP Circular 941, an account or exposure is considered non-performing, even without any missed contractual payments, when it is deemed impaired under existing applicable accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, in the case of secured accounts. All other accounts, even if not considered impaired, shall be considered non-performing if any contractual principal and/or interest are past due for more than ninety (90) days, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans, investment, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is a 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 six (6) months; or (b) written-off.

Information on the amounts of performing and non-performing loans and receivables (gross of allowance for impairment and credit losses) per product line of the Group and Parent Bank are as follows:

	Group			Parent Bank		
	2022		Total	2021		Total
	Performing	Non-Performing		Performing	Non-Performing	
Corporate loans	<b>₱130,325,055</b>	<b>₱174,917</b>	<b>₱130,499,972</b>	₱117,506,723	₱1,167,863	₱118,674,586
Consumer products*	<b>95,958,602</b>	<b>3,243,884</b>	<b>99,202,486</b>	15,700,041	2,419,612	18,119,653
Commercial loans	<b>71,273,065</b>	<b>3,959,433</b>	<b>75,232,498</b>	66,908,763	3,033,984	69,942,747
Home loans	<b>59,923,287</b>	<b>5,736,182</b>	<b>65,659,469</b>	52,407,938	5,806,732	58,214,670
CSB salary loans	<b>58,843,468</b>	<b>5,185,814</b>	<b>64,029,282</b>	42,268,532	3,356,560	45,625,092
Other receivables from customers**	<b>42,292,399</b>	<b>3,579,456</b>	<b>45,871,855</b>	26,146,411	3,165,007	29,311,418
Total receivables from customers	<b>₱458,615,876</b>	<b>₱21,879,686</b>	<b>₱480,495,562</b>	₱320,938,408	₱18,949,758	₱339,888,166

\*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

\*\*Comprised of HR loans, quick loans and Home Credit receivables



	Parent Bank					
	2022			2021		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Corporate loans	₱130,325,055	₱174,917	₱130,499,972	₱117,506,723	₱1,167,863	₱118,674,586
Consumer products*	95,958,602	3,243,884	99,202,486	15,700,041	2,419,612	18,119,653
Commercial loans	71,273,065	3,959,433	75,232,498	66,908,763	3,033,984	69,942,747
Home loans	59,923,287	5,736,182	65,659,469	52,407,938	5,806,732	58,214,670
Other receivables from customers**	19,395,834	606,257	20,002,091	13,575,477	446,726	14,022,203
Total receivables from customers	₱376,875,843	₱13,720,673	₱390,596,516	₱266,098,942	₱12,874,917	₱278,973,859

\*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

\*\*Comprised of HR loans, quick loans and Home Credit receivables

### Related party loans

As of December 31, 2022 and 2021, the Group's and the Parent Bank's related party loans solely consist of DOSRI loans, as shown below (peso amounts in thousands):

	Group		Parent Bank	
	2022	2021	2022	2021
Total DOSRI loans	₱640,544	₱545,518	₱616,127	₱507,225
Unsecured DOSRI loans	272,992	247,341	263,012	223,880
Total related party loans (including DOSRI loans)	640,544	545,518	616,127	507,225
Unsecured related party loans (including DOSRI loans)	272,992	247,341	263,012	223,880
% of DOSRI/related party loans to total loan portfolio	0.13%	0.16%	0.16%	0.18%
% of unsecured DOSRI/related party loans to total DOSRI loans	—%	—%	—%	—%
% of past due DOSRI/related party loans to total DOSRI loans	—%	—%	—%	—%
% of non-accruing DOSRI/related party accounts to total DOSRI loans	—%	—%	—%	—%

The total unsecured DOSRI loans above include loans extended to employees treated as fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB. Accordingly, the percentage of unsecured DOSRI loans to total DOSRI loans as presented above is nil.

### Secured liability and assets pledged as security

The Group's and the Parent Bank's bills payable under repurchase agreements amounted to ₱78.23 billion and ₱18.67 billion as of December 31, 2022 and 2021, respectively.

Investment securities of both the Group and the Parent Bank with carrying values of ₱106.71 million and ₱23.47 million as of December 31, 2022 and 2021, respectively, were pledged against bills payable under repurchase agreement.



Commitments and contingencies

Following is a summary of the Group and Parent Bank's commitments and contingent accounts (amounts in thousands):

	<b>Group</b>		<b>Parent Bank</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
Trust department accounts	<b>₱91,649,087</b>	₱89,976,412	<b>₱91,649,087</b>	₱89,976,412
Forward exchange bought	<b>74,853,141</b>	31,946,925	<b>74,853,141</b>	31,946,925
Forward exchange sold	<b>25,708,489</b>	22,392,884	<b>25,708,489</b>	22,392,884
Commitments	<b>50,820,675</b>	61,930,576	<b>50,773,475</b>	61,840,156
Inward bills for collections	<b>17,307,197</b>	13,342,960	<b>17,307,197</b>	13,342,960
Other derivatives	<b>13,801,894</b>	12,738,173	<b>13,801,894</b>	12,738,173
Unused standby letters of credit	<b>8,986,154</b>	5,849,338	<b>8,986,154</b>	5,849,338
Spot exchange bought	<b>3,378,510</b>	1,332,437	<b>3,378,510</b>	1,332,437
Spot exchange sold	<b>3,530,275</b>	4,086,222	<b>3,530,275</b>	4,086,222
Outstanding guarantees issued	<b>1,426,923</b>	1,208,727	<b>1,426,685</b>	1,208,675
Other commitment and contingent accounts	<b>111,295</b>	64,607	<b>48,960</b>	10,910

