



GOING FOR GOLD

On Our Way to Becoming a Great Retail Bank

About UnionBank

Union Bank of the Philippines (UnionBank), a publicly listed universal bank, embraces the future of banking. Largely regarded as the country's pioneer in digital banking, UnionBank remains a digital trailblazer and aspires to be a Great Retail Bank to best serve the growing needs of Filipinos everywhere.

UnionBank was the first among its peers to start a bank website; spearhead online banking; launch the Philippines' 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. The Bank 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:

- **"Marketing Company of the Year"**
by 42nd Agora Awards
- **6-time "Digital Bank of the Year" (2018-2023)**
by The Asset Triple A
- **"Asia Trailblazer Institution of the Year"**
from Retail Banker International
- **"Best Retail Bank in Southeast Asia 2023"**
from Capital Finance International
- **"Most Recommended Bank in the Philippines 2023"**
and **5-time "Best Retail Bank in the Philippines"**
from The Asian Banker
- **"40 Years of Excellence in Retail Banking Philippines 2023"**
from Global Banking and Finance
- **"Best Bank in the Philippines 2023"**
from Euromoney Real Estate Awards
- **"Best Private Bank, Philippines 2023"**
from The Digital Banker
- **"Asia Pacific's Digital Trailblazer"** by IDC Asia Pacific
- **"Top 2 Most Helpful Banks in Asia Pacific during COVID-19"** by BankQuality.com
- **"Bank of the Year 2020, in the Philippines"**
by The Banker
- **"Asia's Best Bank Transformation"** from Euromoney
- **"Three-time "Best Digital Bank-PH"** from Asiamoney
- **"Asia Pacific Retail Bank of the Year"**
by Retail Banker International
- **"Most Recommended Retail Bank in the PH"**
by BankQuality.com
- **"Domestic Retail Bank of the Year"**
by Asian Banking and Finance
- **"Best Universal Bank PH"**
from Capital Finance International
- **"Best Bank for SMEs"** by Asiamoney and
- **"Employer of the Year"** from Stevie Awards
for Great Employers, among many more.

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





VISION

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

PURPOSE

To co-create innovations for a better world

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

CORPORATE BRAND IDEA

Powering the Future of Banking

DISTINGUISHING BELIEFS

Forward-Thinking | Innovative | Open | Agile

EMPLOYER BRAND

Own the Future. Co-create Innovations.

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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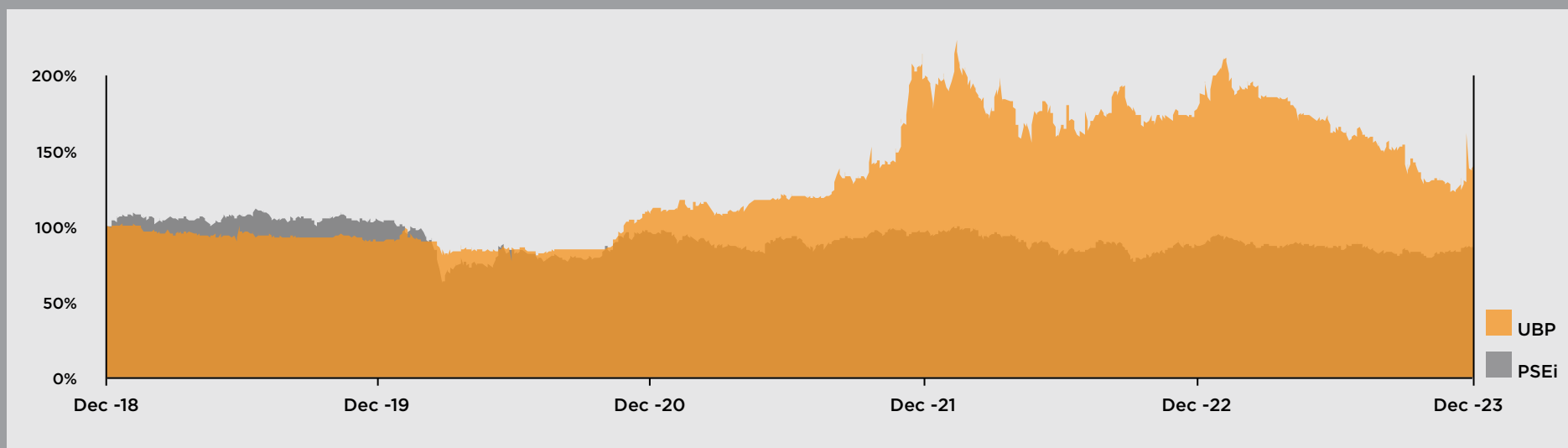
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Two-Year Financial Highlights

In Php Bn, except ratios and per share data	Consolidated		Parent Bank	
	2023	2022	2023	2022
Profitability				
Total Net Interest Income	52.0	38.9	37.7	29.1
Total Non-Interest Income	18.8	13.3	18.9	13.1
Total Operating Income	70.8	52.2	56.6	42.2
Provision for Credit Losses	14.0	4.1	11.0	2.6
Total Operating Income After Provision for Credit Losses	56.7	48.1	45.6	39.6
Total Other Expenses	44.9	31.3	35.2	23.9
Net Income Before Tax	11.8	16.8	10.4	15.6
Income Tax Expense	2.6	4.0	1.5	3.0
Net Income Before Tax	9.2	12.7	8.8	12.6
Balance Sheet				
Liquid Assets	145.8	174.3	99.6	132.4
Trading & Investment Securities	357.3	333.0	347.7	323.5
Loans and Other Receivables, net	526.1	479.6	411.8	393.7
Other Assets	116.0	105.9	130.5	117.6
Total Assets	1,145.1	1,092.9	989.6	967.2
Deposits	712.6	711.3	597.6	623.9
Other Liabilities	256.9	233.4	217.0	195.7
Total Liabilities	969.5	944.7	814.5	819.6
Total Equity	175.6	148.2	175.1	147.6

In Php Bn, except ratios and per share data	Consolidated		Parent Bank	
	2023	2022	2023	2022
Selected Ratios				
Return on Average Equity	5.6%	9.7%	5.5%	9.7%
Return on Average Assets	0.8%	1.3%	0.9%	1.5%
CET1 Capital Ratio	13.9%	11.3%	13.2%	9.9%
Tier1 Capital Ratio	13.9%	11.3%	13.2%	9.9%
Capital Adequacy Ratio	15.7%	13.0%	15.3%	11.8%
Per CommonShare Data				
Cash Dividends**	0.8	2.0	0.8	2.0
Earnings:*				
Basic	3.06	4.95	2.97	4.95
Diluted	3.06	4.95	2.97	4.95
Book Value	59.2	58.2	59.0	57.9
<i>*Adjusted for the effect of stock dividends declared on April 28, 2023</i>				
<i>**Earned for the year but declared and paid the following year</i>				
Others				
Head Count				
Officers	6,354	6,254	4,819	4,800
Staff	2,156	2,147	663	669

UnionBank and PSEi Stock Performance (Base: 2018 Last Trading Date)



Five-Year Financial Highlights

Total Resources



Total Loans



Total Deposits



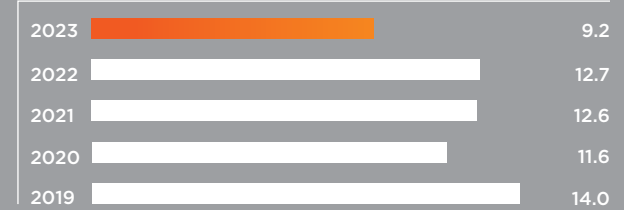
Net Revenues



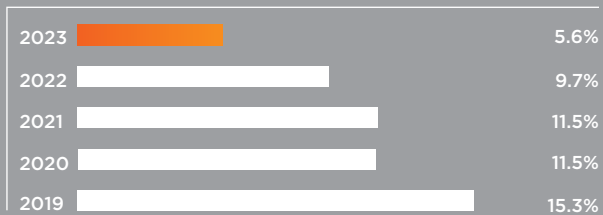
Operating Expenses



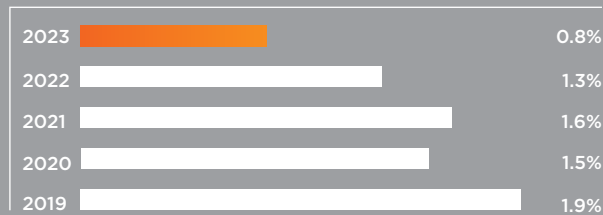
Net Income



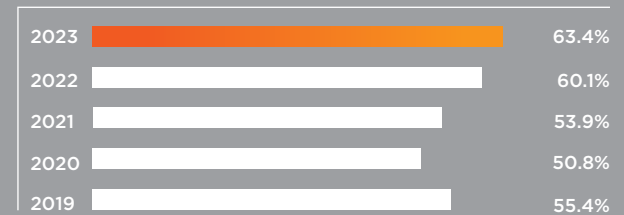
Return on Average Equity



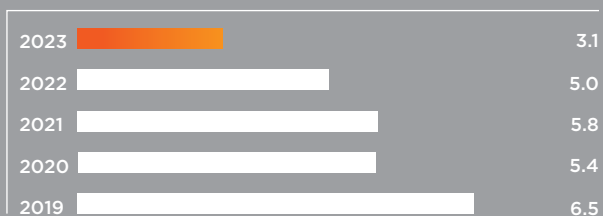
Return on Average Assets



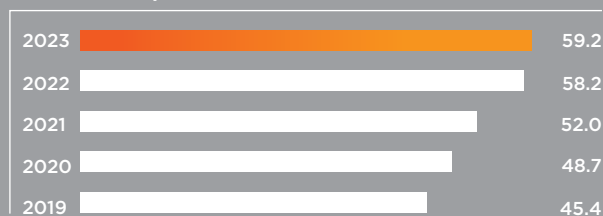
Cost to Income



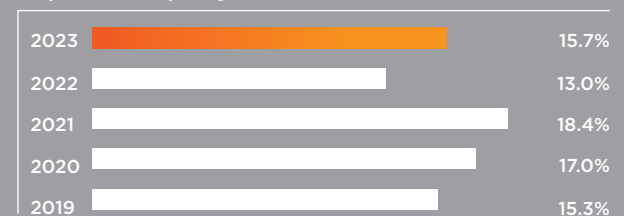
Earnings per Share



Book Value per Share



Capital Adequacy Ratio





Chairman's Message

GAINING TRACTION



Now, with over 14 million retail customers, UnionBank has overtaken its bigger banking peers and shows no signs of slowing-down towards achieving its vision to become the country's Greatest Retail Bank. This is a feat that could not have been achieved without the contributions of all the Bank's stakeholders.

Chairman's Message



I offer my sincerest gratitude to all UnionBankers for their untiring commitment to remain customer-centric and continue their passion for innovation to be at an all-time high.

In creating a Bank of Enduring Greatness, we embarked on a journey aimed to scale up and become a leader in an evolving business environment. Our goal was not just to stay competitive but to redefine the way we do banking. This required us to rethink our own practices and disrupt traditional banking. Our efforts revolved around three key initiatives:



Through Digital Transformation, we transformed the way we delivered financial services to consumers and corporate clients.



We expanded our market presence through the Ecosystem approach via anchor institutional clients to scale faster and more efficiently.



We maintained a customer-centric mindset that had us deliver superior customer experience required by customers involving them in the design process to enhance their banking experience with us.

While we have achieved much since embarking on our transformative journey last 2016, there is still much to do towards our aspiration to be a Great Retail Bank. Entering a new phase, we aim to unlock our full potential of digital banking - no boundaries, close to zero marginal costs, and highly scalable. Leveraging on these advantages aligns perfectly with our mission of financial inclusion, particularly reaching out to the underserved and unbanked segments of society.

Now, with over 14 million retail customers, UnionBank has overtaken its bigger banking peers and shows no signs of slowing-down towards achieving its vision to become the country's Greatest Retail Bank. This is a feat that could not have been achieved without the contributions of all the Bank's stakeholders.

I offer my sincerest gratitude to all UnionBankers for their untiring commitment to remain customer-centric and continue their passion for innovation to be at an all-time high.

To our loyal customers, we are grateful to you for growing and learning with us as we continue to innovate to deliver delightful services.

To our shareholders, thank you for your unwavering support in achieving our strategic objectives. We are grateful to the regulators for their support in maintaining UnionBank's corporate governance posture of fairness, transparency, and accountability in the way we conduct business.

We remain committed to championing financial inclusion through digital means as we continue to cultivate the spirit of innovation, resiliency, agility, and sustainability.

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



Erramon J. Aboitiz
Chairman



SCALING UP AS WE GO FOR GOLD



With the successful migration of the acquired Citi consumer business and ongoing expansion of our retail operations, we anticipate significant revenue and cost synergies for the remainder of the year and the years to come.

Report of the President & CEO

In 2022, we made a bold statement that we aim to become the largest and most profitable retail bank. We aspire to be a Great Retail Bank! This aspiration is built around expanding our customer base and increasing lifetime value with innovative products and services delivered through digital platforms. In just the first year of this road map, the Bank has gained significant traction in terms of retail market reach and top line revenue growth.

Digital distinction

The investments we have made towards digital transformation have positioned us as a leader in digital banking solutions. However, the true gauge of our success as a digitally transformed bank is best measured in terms of customer experience and shareholder return.

Consumers have taken notice of the superior experience we deliver across our platforms and channels. Our customer base has grown to 14 million, with an average annual increase of 2 million customers since 2019, making us the leading distributor of debit cards and one of the leaders in terms of digital transactions. The growth in number of users is reflected in the strength of our brand relationships and mobile apps, as evidenced by our leading Net Promoter Score (NPS) vs our banking peers. UnionBank Online is the most downloaded and highest rated banking app in Google Play Store.

In 2023, a significant shift occurred in our business model. This shift resulted in core earnings now coming from recurring revenues: net interest income and fee-based income. Business fundamentals remain strong as shown in our record-high topline revenues. However, we still carry the one-time integration cost associated with the acquired Citi consumer business, resulting in a temporary decline in shareholder return. We expect profitability to normalize to historical levels once we complete the integration this year and exceed them as we realize synergies arising from the expanded consumer business of the Bank.

Record-high topline revenues

We now boast the fourth-largest consumer loan portfolio among our peers, comprising 58% of our total loan portfolio -almost triple the industry average. This strategic shift has enabled us to transition towards a more predictable recurring income business model.

The growth in our topline is attributable to a 73 bps expansion of the bank's net interest margin (NIM) to 5.5%, resulting in a significant 34% increase in net interest income reaching Php 52 billion. Non-interest income saw a substantial increase of 41% to Php 19 billion, with fee-based income growing by 54% to Php 10 billion. These are coming from the growth in customer transactions in both the parent bank and our key subsidiaries.

Investing in our future

The bank's operating expenses were up by 43% to Php 45 billion on account of the full-year impact of the investments we made on the acquisition of the Citi consumer business and on UnionDigital. These new businesses were only included as part of the banking group in the second half of 2022.

Total one-time integration costs of the acquired Citi consumer business amounted to Php 5 billion, with Php 3.5 billion coming from the Transition Services Agreement (TSA) payment to Citi. This led the bank to operate two systems during the initial years: maintaining operations on the Citi platform while completing feature builds and migrating customers to the UBP systems.

The growth in operating expenses, particularly the one-time integration costs related to the acquired Citi consumer business, resulted for the Bank to book a lower ROE vs historical average. The said costs are expected and all within our control. As of this writing, we have successfully completed the migration. Hence, we expect lower operating expenses moving forward and full synergies to be realized by 2025.

We are also confident in our ability to scale up the business, which means we will continue to book record-high topline in the next few years, while keeping operating expense at a minimum. Our strategic focus on maximizing core revenues and optimizing operational expenses is aimed at enhancing our aspiration as the most profitable retail bank. The migration of Citi customers plays a crucial role in our growth strategy, as it enables us to introduce cross-selling initiatives aimed at enhancing their lifetime value.

Unlock growth opportunities of the acquired Citi consumer business

In addition to cost savings, the migration will enable the bank to enhance services for Citi customers with features such as one-click account opening, expanded branch access, and improved mobile app offerings.

Notably, the Citi consumer business has consistently surpassed expectations, evident in our credit card portfolio's growth to Php 96.5 billion, marking a 21% increase compared to the previous year. This growth was primarily driven by a various marketing campaigns focused on acquiring new-to-bank clients and encouraging usage among existing customers. As a result, the business now contributes to approximately one-third of the Bank's income and post migration the business can easily double its performance.

We are committed in maintaining and enhancing the benefits that Citi customers have come to expect.

Harness the full potential of UnionDigital

In its inaugural year, UnionDigital emerged as the market leader in the digital banking space, evidenced by its robust total loan portfolio of Php 12 billion, a deposit base of Php 18 billion, and achieving profitability within its first year of operations, a remarkable feat for a startup. This success was achieved by leveraging the Banking group's ecosystem to extend financial services to the underserved working population. The strategic execution of this initiative focused on delivering cost-effective services while expanding high yielding earning assets to boost profitability.

The achievements of UnionDigital were made possible through substantial capital in technology, data science, and credit operations. These initiatives have already started yielding positive outcomes, leading to improved operations and capabilities. As a result, valuable insights and enhancements have been made in areas such as underwriting, credit processes, and collections.

UnionDigital plans to expand its reach by forming partnerships with local government units (LGUs) and entering new ecosystems. For instance, the collaboration with Angkas will enable banking services for approximately two hundred thousand motorcycle drivers in Metro Manila. To ensure the success of these partnerships, UnionDigital will expand its service portfolio by incorporating traditional banking products into its mobile platform, thereby extending its services to underserved and unbanked Filipinos.

Scale the retail business

2024 marks a pivotal year as we set our sights on achieving our goal of becoming a *Great Retail Bank*. With the successful migration of the acquired Citi consumer business and ongoing expansion of our retail operations, we anticipate significant revenue and cost synergies for the remainder of the year and the years to come. The effective execution of our key focus areas will enhance the Bank's profitability, leading to a stronger and more profitable UnionBank.

I would like to express gratitude to our Board of Directors for their continued guidance all these years. Thank you also to our customers, regulatory and business partners, and shareholders for your unwavering support and trust in the Bank. Thank you to all UnionBankers for your dedication, hard work, and commitment to excellence.

We look forward to another year of success as we leap towards our goal of becoming a *Great Retail Bank*! The Future Begins with **U**.


Edwin R. Bautista
President & CEO



Rubén Camba
Acciona

Building a Strong Foundation

How ACCIONA is Helping Reshape the Philippines

Traffic gridlocks, constant flooding, unpleasant airports, congested trains, long commutes, deteriorating roads, water shortages, and power failures—the Philippines has a litany of issues that can only be solved by one thing: better infrastructure.

These are the big, hairy, audacious problems ACCIONA wants to fix. The Spanish conglomerate develops and manages sustainable infrastructure solutions worldwide, from hydroelectric power plants to solar farms, airports to railways, desalination to wastewater treatment, hospitals to university campuses, and hotels to offices.

High-Growth Market

The enormous demand for infrastructure projects in the Philippines has drawn global players like ACCIONA to the country. “We saw, at that time in 2016, that there was a great need for the development of infrastructure and water projects,” notes Ruben Camba, ACCIONA’s Managing Director for Southeast Asia Infrastructure.

The engineer-turned-executive has long managed huge infrastructure proposals in Canada, Latin America, the Middle East, and Australia. Ruben was tasked to run the business in Southeast Asia, “the fastest-growing region in the world.”

ACCIONA identified the most promising country in the region: the Philippines. “What we saw from the very beginning was the potential of the Philippines,” Ruben shares. The company quickly moved its regional headquarters from Singapore to Manila, where it now employs over 500 professionals and indirectly works with almost 5,000 workers for its tasks.

Philippine Projects

ACCIONA and its local partners are behind the construction of the iconic Cebu Cordova Link Expressway, the longest cable-stayed bridge in the Philippines, connecting Cebu City with Mactan Island. “This major undertaking has garnered international recognition and accolades,” Ruben notes, “demonstrating our capabilities in delivering complex infrastructure projects successfully even during a global pandemic.”

ACCIONA is also constructing the Malolos Clark Railway - Phases 2 and 4, with the new rail line cutting the commute between Manila and Clark International Airport to an hour from the previous three hours by bus and the South Commuter Railway Project

Package 02, which involves the construction of rail tracks on a viaduct and three stations in Manila.

To date, the company has three drinking water treatment plant (DWTP) projects in the country. The operational Putatan DWTP in Muntinlupa serves an area with a population of six million people. The under-construction Laguna Lake DWTP also has a capacity of 150,000m³ per day. Meanwhile, the East Bay DWTP in Pakil, with a capacity of 200,000m³ per day, will serve two million residents. All plants will draw raw water from Laguna Bay, which ACCIONA will treat to produce clean, pleasant-tasting, and healthy water.

“We design the water process from the beginning until the end,” Ruben illustrates, “so we can take a water sample from Laguna de Bay and design the process to bring that raw water to drinking water. That’s difficult. Only a few companies in the world can do these things. In desalination, we are among the top five in the world.”

Competitive Advantage

It’s no surprise that ACCIONA is winning plenty of projects. Ruben explains, “We have a portfolio of solutions for large infrastructure projects. That gives us a competitive advantage. We have the technical know-how and strong technical support from our head office in Spain. Our financial capabilities allow us to go for the major projects. And, in terms of construction, we have almost 100 years of history in civil engineering.”

He adds that the company has been developing projects worldwide for many years, “so we know how to deal with different environments.”

ACCIONA’s strategic timing when it entered the country also played a role in its success here, as the government was ramping up infrastructure development projects. “Unlike other markets in the region, the competitive landscape in the Philippines is less crowded, allowing us to establish a strong presence,” Ruben says.

Key Partnerships

Another factor for ACCIONA’s success is its local partnerships. “The cultural affinity of the Philippines and Spain made it easier for us to operate effectively,” Ruben explains, adding that he finds doing business in the Philippines relatively easy, thanks to “very professional clients, very professional partners, and very professional banks.”

Ruben points out that UnionBank is a vital partner for ACCIONA. The Bank’s digital solutions provide efficient support for the company’s operations. He says, “With an innovation-driven approach and personalized customer service, UnionBank ensures smooth operations and quick problem-solving. We envision UnionBank not only as our bank for today but also as our bank for the future.”

Next Projects

As ACCIONA is guided by sustainability and aims to transition towards a low-carbon economy, it is actively pursuing renewable energy projects in the country, including wind and solar farms. Ruben notes, “The Philippines today has the most favorable environment for renewable energy in Southeast Asia.”

ACCIONA has identified a pipeline of projects worth over USD15 billion in the next four years, spanning construction, transportation, water, and energy sectors. Ruben explains, “In the Philippines, our focus remains on mega infrastructure projects while neighboring countries present opportunities for expansion. These projects encompass large-scale bridge constructions, mass transportation initiatives, and renewable energy developments.”

A Bright Future

Despite all the infrastructure inadequacies in the Philippines, Ruben is very bullish: “The Philippine market presents numerous opportunities, with the government prioritizing infrastructure development projects.”

Ruben also firmly believes that infrastructure is a wealth multiplier. For him, going beyond Metro Manila and expanding highways and railways throughout Luzon, where 70% of the population lives, will further boost the economy. He adds that investing in Mindanao’s infrastructure will also solve many problems in that region.

ACCIONA is up for the challenge. “With massive investments projected in railways, urban transportation, and water facilities, we are well-positioned to contribute our expertise to these vital areas of development,” Ruben says.

With the government’s unrelenting push for infrastructure and opening up to foreign investment, the country’s problems might soon be a thing of the past. Ruben optimistically concludes, “If we keep doing the right things, we will see a very different Philippines from now.”



**Robby Kwan Laurel &
Nadine Kwan Laurel**
Sunfu Solutions

Money, Machines, and Mission

Sunfu Solutions Delivers with Social Impact

It has been an enormous leap from being a modestly paid academic to running a successful company.

Robby Kwan Laurel, a published author and college professor with a Ph.D. in literature, decided to start a business nearly two decades ago to give a better life for his family.

As his wife, Dr. Arjorie Laurel, is a dermatologist, they considered getting into the cosmetics business but settled on providing medical equipment to hospitals and clinics. “We wanted to have a positive impact on society. So, we thought that healthcare would be a good choice,” Robby explains.

Their company, Sunfu Solutions, combines “sun,” the giver of life and energy, with “fu,” the Chinese word for good fortune and happiness.

From Lemon to Leader

The journey was not without its challenges. For instance, the first patient monitor they imported turned out to be a lemon. Initially unaware of the fierce competition and complex issues surrounding the industry, the couple found themselves in uncharted territory.

However, their determination and entrepreneurial spirit, a trait that runs in the family, propelled them forward. Robby credits his grandfather, Tiu Ching Po (Tiu Laurel), a Chinese immigrant who taught himself at age 14 to read and write, for his entrepreneurial imagination.

As it built its reputation, Sunfu Solutions landed bigger contracts. Now, it counts Cardinal Santos Medical Center, Manila Doctors Hospital, National Kidney and Transplant Institute, Philippine Children’s Hospital, Makati Medical Center, New World Diagnostics, and Cebu Doctors Hospital among its clients.

A major milestone was when the company won the contract for a state-of-the-art hospital in Malacañang Park. Robby shares, “We delivered on time and supplied high-quality medical equipment, which was very difficult to do within budget during the height of the lockdown.”

Solutions Provider

Although it imports and distributes all sorts of medical equipment, from imaging tools and diagnostic machines to surgical lights and hospital furniture, Robby points out that Sunfu Solutions is not a trading firm. “We really are a project management team. If you have a new hospital, we can supply everything, do the programs for you, and even staff it for you,” he notes.

Robby explains that their strength is offering end-to-end turnkey solutions: “We’re able to handle the delivery, the planning, the licensing, the staffing—we’re able to take care of everything. It is a different business model approach.”

Sunfu Solutions also prioritizes responsible financial management. Due to its conservative approach, the company’s modest goal is not to lose money every fiscal year. Robby also rejects the pressure to be the biggest player or compete solely for profit. Instead, he believes in creating a sustainable business that prioritizes the interests of its customers and the well-being of its employees, offering competitive salaries and profit-sharing programs.

Social Impact

Aside from working with public and private hospitals, clinics, and diagnostic centers, Sunfu Solutions also actively collaborates with government units on their healthcare projects.

For example, the firm designed a backpack program in which barangay healthcare workers, equipped with the company’s medical machines, went to remote areas to check on the health of pregnant women and the fetal health of their babies using ultrasound.

“That is being duplicated in many provinces, sometimes with us, sometimes through our competitors. But it doesn’t matter. What matters is that we have the initiative to do this. We don’t just sell; we try to design programs that help the marginalized. I really believe we’re a for-profit social enterprise,” Robby shares.

He adds, “We want to be able to do a program, not just deliver equipment. We want to help them go through the process of licensing and having an impact on their constituents. We can do this because we have a full-time medical doctor and pharmacists. We have biologists from the top schools in the country. Most of our engineers are trained abroad.”

The Pandemic’s Impact

Like other healthcare companies, Sunfu Solutions thrived during the height of the pandemic as it was, for a time, the sole distributor of Abbott’s Covid-19. Robby notes, “It was the best test kit in the country. And I’m proud to say we tried to drive the prices down to make it accessible. We also donated to UP-PGH, RITM, and hospitals and government units that could not afford the test kits.”

UnionBank played a vital role in supporting Sunfu Solutions during this critical juncture. When the company faced financial constraints due to stretched resources while distributing COVID-19 test kits, UnionBank secured the necessary funding.

Pivot

The company is exploring other industries and opportunities to diversify from healthcare. Robby himself is shifting priorities toward impact investing. He retired as CEO of Sunfu Solutions when he turned 55, with his daughter Nadine as his successor.

Being clients of UnionBank Private Banking, Robby and Arjorie get guidance to navigate the investment climate. “They have helped us understand the global economy a little more,” Robby says.

He divested his company shares and donated 100% of his retirement package to the Ateneo de Manila University. He launched the Kwan Laurel Endowment Fund for the Humanities to bring in speakers from abroad for lectures, workshops, and similar engagements to benefit the faculty.

It has indeed been a huge leap for Robby. More importantly, he is leaving behind an organization built on creativity, fairness, and service. The company’s core commitment is social impact, fair play, and employee well-being. Improving lives through healthcare continues to animate their work.



Janice Co Roxas-Chua
Unioil

Orange is the New Green

Unioil Drives the Change Towards a Net Zero Philippines

Behind Unioil's bright orange brand color is a deep commitment to a sustainable green future. It sets the industry benchmark for cleaner emissions by providing a complete line of Euro 5-compliant fuels, besting other players. It pioneered charging stations for electric vehicles (EVs) back in 2017. It has also evolved into one of the Philippines' most diversified and innovative petroleum companies.

"Since 2002, Unioil has been at the forefront of bringing in cleaner fuel solutions; we pioneered the introduction of clean air-compliant fuels into the country," notes Janice Co Roxas-Chua, CEO of Unioil. "We were first to have Euro 4 fuels in 2012, three and a half years before the Euro 4 mandate in the Philippines was implemented. As early as 2017, we introduced Euro 5 fuels in all our retail stations. To date, no other retail petroleum brand is able to offer the complete line of Euro 5 fuels."

Euro 5 fuel, with a maximum sulfur content of 10 parts per million (ppm), is five times cleaner than Euro 4 fuels, resulting to up to 80% less harmful emissions. "Even though 10ppm fuels cost more, we do not charge a premium for it."

Green Cred

Unioil Petroleum Philippines Inc. has come a long way from recycling waste oils in 1966 when Janice's grandfather founded the company. It is now the third-largest petroleum company in the country.

The firm has advocated for cleaner products for over two decades, making Unioil stand out from a fiercely competitive industry. Janice explains, "We wanted to stand out from the other local players. We wanted to have products that would clearly differentiate us."

With greater environmental awareness, the market is shifting towards cleaner energy. "Our vision is to drive change towards a net zero Philippines. We are happy that the younger generation of drivers is now more conscious about the importance of choosing environmentally responsible products," Janice notes.

Core Business

The largest segment of Unioil's business is its wholesale fuels, catering to over 1,000 gas stations, fuel traders, and businesses that rely on fuel for their daily operations. "We are one of the major distributors of fuel products in Luzon, where we hold a significant market share," Janice notes.

To complement its fuel offering, Unioil carries a wide range of lubricants, from automotive, marine, and industrial. It is the licensed blender and distributor of Idemitsu lubricants, a partnership that started in 1994.

Beyond Fuel

Unioil goes beyond simply selling fuel and lubricants. It sees itself as an energy solutions provider. Janice explains, "Although fuel is a commodity, we don't sell it like a commodity. We take pride in the fact that we don't just provide our customers with a product but with many other services that come with it."

"We want to be as disruptive as possible. We tailor-fit solutions that meet our customers' needs," Janice says. The company offers various fuel pricing options that allow businesses to manage their fuel expenses through weekly, monthly, or spot pricing.

The forward-looking chief executive elaborates that the company's services extend to providing guarantees of quality, instilling confidence in customers regarding the reliable performance of their products and adherence to industry standards. "Our aim is for our clients to have absolute peace of mind," she further remarks.

She points out that these strategies have fostered a strong sense of loyalty among customers, who consistently choose Unioil for their needs.

Retail Growth

Unioil's retail business, meanwhile, is growing rapidly. In 2023, the company ended the year with 117 stations. Its ambition is to grow over 40% in 2024, ending the year with more than 165 stations. "This year, we are going nationwide. We are entering the Visayas region and will be opening more stations in Mindanao", Janice shares.

Sustainable Businesses

Unioil wants to be in the forefront of introducing new energy solutions by adding more EV charging stations. "We want to support the growth of cleaner mobility by providing the necessary infrastructure to enable more consumers to transition to Electric Vehicles. In fact, Ecomax, one of our affiliated companies, started a business selling electric vehicles in 2023," notes Janice, a proud EV owner.

Another example of the company's adherence to sustainability is best symbolized by its headquarters, Exquadra Tower, its inaugural venture into major commercial real estate. The 38-storey building's features will make other companies green with envy: 16 cutting-edge destination-controlled elevators, an advanced fresh air exchange system featuring dual filtration, a chilled water air-conditioning system, 100 EV chargers, and a stunning design.

"Exquadra Tower stands as a testament to our dedication to innovation and sustainability, achieving the highest standards in sustainable design with its LEED Platinum certification," Janice says.

A Reliable Partner

Part of Unioil's success is its long-term partnership with UnionBank. Janice cites how the Bank has helped the company grow: "Their digital solutions, especially their online corporate banking, have streamlined our banking processes, allowing for real-time management of our finances. UnionBank has also given us the financial support we need for our importations, which is critical for maintaining inventory and fulfilling customer orders. It has also offered financial assistance to our dealers, which could help expand our distribution network and grow sales."

Unioil's story is one of continuous growth, strategic partnerships, and a commitment to progress. By prioritizing quality, innovation, and sustainability, Unioil has carved a unique niche in the Philippine petroleum industry. This commitment ensures that Unioil remains a leader in the energy sector for generations to come.



Yang Yang Zhang
Xendit

Driving Digital Payments

How Xendit is Revolutionizing the Financial Landscape

When Xendit entered the Philippine market in 2020, less than 3% of Filipinos owned a credit card, and most paid for online purchases with cash. “The entire market was all cash heavy. Cash-on-delivery was pretty much the only form of payment for e-commerce,” recalls Yang Yang Zhang, Xendit’s Managing Director and Chief Innovation Officer.

Founded in Indonesia in 2016, Xendit has become a leading payment solutions provider in Southeast Asia, including the Philippines. It has reached unicorn status with its billion-dollar valuation.

Hyper-local Approach

How did Xendit rapidly rise in a crowded payments market? Yang Yang explains that creating first-to-market products tailored to each market’s specific needs is essential. “The way that we’ve been growing throughout the region is really making sure that in every market we get into; we apply a very hyper-localized play.”

Xendit is very much a regional player, presenting all payment methods to its clients, so it is seen by customers as a single provider in Southeast Asia. However, unlike others with standard solutions, Xendit knows that a one-size-fits-all approach will not work. “We’re probably the only payment provider in the region that does both. We have the breadth of six different countries but in each one, we go really deep,” Yang Yang expounds.

For example, in the Philippines, a cash-dominant market, Xendit was the first to introduce direct debit. “There was no provider offering an aggregate platform with direct debit until we entered,” Yang Yang points out. “I think that for us, it’s really that spirit of innovation, making sure that we’re creating new solutions for our customers.”

Diverse Solutions

Xendit’s solutions are diverse. It processes payments, runs marketplaces, disburses payroll and loans, and helps other businesses grow exponentially. It enables enterprises to accept payments via bank transfers, direct debit, credit and debit cards,

over-the-counter outlets, installment plans, subscriptions, and e-wallets through a single integration.

It serves SMEs and large enterprises across industries such as e-commerce and financial services to gaming and travel. In the Philippines, Yang Yang shares that their core markets are fintech, lending, and e-commerce: “A lot of other fintech players build on top of our platform and our rails. We serve a lot of digital banks and online lenders. But we also service platforms, which is our fastest growing market.”

Changing Landscape

A lot has changed since Xendit’s entry in 2020. The pandemic accelerated the growth of e-commerce and adoption of digital payments. Still, Yang Yang notes, “It’s impossible to ignore that it’s still very much a cash market. The Philippines continues to be unique in that there is a lot of loyalty to cash methods.” She adds, however, that with regulators being so supportive of digitizing payments and payments flows, “we’ve been able to see faster change.”

With swifter adoption of digital payments, expectations from Xendit’s customers have likewise increased. Xendit has been instrumental in introducing innovative payment methods like tokenized recurring flows across e-wallets. “This was something that was unimaginable a few years ago,” Yang Yang points out. “We want to make sure that we’re always able to offer the best, newest features because the bar is getting higher and higher, to have better payments experience.”

Working with Partners

Indeed, having innovative products is one component to Xendit’s success. However, just as critical are local partnerships, especially in markets like Indonesia and the Philippines. As Yang Yang explains, “The success of any payments player is heavily dominated by partners. The strength of the alliances and whether you’re able to build those first-to-market services with your partners are key.”

One of Xendit’s most important partners is UnionBank, among its oldest and best associates, says Yang Yang. “We are very grateful to UnionBank for being one of the most fintech-friendly banks in the Philippines and across the region. Anything new that we want to build, we always talk to UnionBank first and brainstorm together.”

The Philippines and Beyond

Xendit has grown beyond expectations. “The business here is almost as large as that of Indonesia,” Yang Yang says. “The Philippines is such a high growth market that the expansion opportunities here are so great.” To support the local market, Xendit has invested in building a strong in-country presence with a team of over 120 people across diverse functions.

Furthermore, Xendit champions women in tech through various initiatives. In a field often dominated by men, Xendit provides opportunities and promotes inclusivity within its own ranks. The MIT-educated, former startup founder shares, “We have a lot of initiatives that ensure that we continue to include women into the workforce.”

Looking ahead, Xendit plans to expand geographically. “Our DNA is very Southeast Asian right now,” Yang Yang notes. We want to make sure that we complete our coverage across Southeast Asia and then the larger APAC”.

The company also wants to roll out interoperable cross-border QR payment systems that will allow seamless transactions across countries. “We are looking at how we can facilitate that and achieve our objective of making Southeast Asia a single interoperable region for our customers.”

Shaping the Future

As the Philippines increasingly shifts from cash to digital payments, there is no doubt Xendit will be there to accelerate the evolution. With a significant role in enabling the digital payments capabilities of fintech and e-commerce players in the market, Xendit is set to continue shaping the future of digital payments for years to come.

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A photograph of three hikers standing on a rocky mountain peak at sunrise. The hiker on the left is a woman wearing a wide-brimmed hat and a light-colored shirt, with her right arm raised in a fist. The hiker in the middle is a man wearing a backpack and a light-colored shirt, with both arms raised. The hiker on the right is a man wearing a dark jacket and dark pants, with both arms raised. The sun is low on the horizon, creating a bright glow and silhouettes of the hikers against the sky. The background shows a hazy mountain range.

The Road to GOLD

The Race to Become the Philippines' Retail Banking Champion

UnionBank isn't settling for second place. With its ambitious quest to "Go for Gold," the Bank sets its sights on becoming the leader in the country's retail banking landscape. This initiative reflects a clear vision: to be the greatest and most profitable retail bank in the Philippines.

The Bank embarked on its digital transformation years ago to stake its claim as the digital banking leader in the Philippines. Having long built its reputation on corporate banking and cash management, UnionBank has since widened its ambition toward becoming a Great Retail Bank.

Undoubtedly, its retail business has been growing by leaps and bounds. UnionBank's customer base has seen a phenomenal increase, reaching close to 14 million - a remarkable feat with an annual growth of two million since 2019.

This surge in retail clients is a result of strategic moves: the Bank's digital transformation, its acquisition of Citi's Philippine consumer business, the launch of innovative products, and its focus on providing a great customer experience through its branches and online platforms.

As the Bank has exponentially grown its retail customer base, it has consequently expanded its retail loan portfolio.

Dominating Through Diversification

UnionBank's drive to increase the number of retail customers has led to a more diversified retail loan portfolio. Unlike in the past, when it focused heavily on corporate banking, the Bank has made retail loans a core strength.

This strategy is paying off. The retail loan portfolio now represents a staggering 58% of the Bank's total loans, significantly exceeding the industry average of just 20%.

UnionBank offers a comprehensive suite of retail products, including credit cards, mortgages, personal loans, and vehicle loans. This allows the Bank to cater to a wide range of customer needs and financial goals. The result? A loyal and engaged customer base that sees UnionBank as their one-stop shop for all their financial requirements.

Financial Performance Reflects Strategic Brilliance

A bigger retail business also means better profits for the Bank. And it is not just because there are now more consumer loans in its portfolio; it is also because these are higher-margin loans.

UnionBank's Net Interest Margin (NIM) has expanded significantly by 73 basis points, reaching an impressive high of 5.5%. This has translated to greater profitability for the Bank, which ultimately benefits customers through continued investment in innovative products and services.

Fee-based income, a crucial indicator of a bank's ability to generate revenue from non-interest sources, has increased substantially by 54%, reaching Php 10 billion. This has further diversified UnionBank's revenue sources.

Winning Hearts and Minds: Customer-Centric Approach

At the core of UnionBank's success is its unrelenting pursuit of delivering a superior customer experience. This applies to developing products as well as designing digital platforms and physical touchpoints.

The Bank keeps its ears close to the ground by closely monitoring its Net Promoter Score (NPS) and quickly addressing areas for improvement. As a result, UnionBank boasts of having the highest NPS among all banking platforms in the Philippines. Simply put, its customers are raving fans who spread positive word-of-mouth and recommend UnionBank to others.

Its UB Online mobile app already has 4.7 million clients, 2.3 million digitally opened accounts, and 77.9 million fund transfer transactions in 2023. Furthermore, it has consistently received top ratings and is one of the most downloaded on the Google Play Store.

Recognition and Awards: External Validation of Success

UnionBank has been recognized and validated not only by its customers but also by its peers from various international financial organizations. The Bank has been consistently recognized as a leader in retail banking and digital banking.

The Asian Banker voted it the Most Recommended Retail Bank. At the Asian Banker Global Excellence in Retail Financial Services Awards, it won Best Retail Bank in the Philippines for five consecutive years. At the prestigious Asian Banking and Finance Awards, it was awarded as Domestic Retail Bank of the Year.

The Asset Triple A Digital Awards once again recognized UnionBank as Digital Bank of the Year, a feat achieved for the sixth time. The Philippine Marketing Association's Agora Awards named it Marketing Company of the Year, the first bank in decades to receive such an honor.

These awards and recognition serve as independent validation of UnionBank's strategic direction and exceptional performance.

What Lies Ahead

UnionBank's singular push to grow its retail customer base has led to all these impressive results: a bigger retail loan portfolio, better profits, higher customer satisfaction, and multiple industry awards.

Its "Go for Gold" battle cry is a testament to a bank that dares to be bold and different. With a continued focus on customer experience, product diversification, and digital innovation, in many ways, UnionBank has already set the gold standard in Philippine retail banking.

While the Bank has made significant strides, the journey goes on. With its focus on retail banking, coupled with its innovative approach, UnionBank is well-positioned as the frontrunner in the race to become the country's top retail bank.

The background of the page is a photograph of a UnionBank building with a large 'UB' logo and 'UnionBank' text on the facade. The image is overlaid with a semi-transparent orange grid and several financial charts, including a candlestick chart and a line graph with a red trend line. In the top left corner, there are some percentage values: +10.22%, +8.89%, +7.87%, and +8.47%.

UnionBank Gears Up for Growth

Capital Hike and Bond Issuance Pave the Way

UnionBank is making significant strides to bolster its financial resources and fuel its growth ambitions, especially its goal to become a Great Retail Bank.

The acquisition of Citi's Philippine consumer business added a million new customers. The Bank's retail segment continues to outperform expectations. A large portion of revenues now comes from recurring income. The Bank's subsidiaries, City Savings Bank and UnionDigital Bank, are likewise growing fast. UnionBank is also pouring a lot into technology investments.

To continue its retail customer growth momentum, UnionBank needed fresh capital to support its ambitions to be the country's greatest and most profitable retail bank. To strengthen its financial position and expand its lending capacity for the retail market, the Bank pursued a substantial capital increase.

Capital Increase Receives Regulatory Greenlight

In December 2023, UnionBank secured the Securities and Exchange Commission (SEC) approval to hike its authorized capital stock to Php 60.31 billion. This represents a substantial 70% increase from the previous Php35.31 billion. The approval by the SEC followed an earlier nod from the *Bangko Sentral ng Pilipinas* (BSP) in August 2023.

This capital increase not only provides UnionBank with greater financial flexibility but also serves as a catalyst for its digital initiatives. The additional capital will support its growth, expand its consumer portfolio, and further drive its digital initiatives. With a more extensive capital base, UnionBank is well-positioned to lend more money and capture a larger share of the retail segment, all while pushing the boundaries of digital banking.

A higher capital stock also improves UnionBank's capital adequacy ratio (CAR), a key metric of a bank's financial health. A strong CAR indicates that the Bank has sufficient capital to absorb potential losses, promoting trust among investors and depositors.

The additional capital can also be used for strategic investments in technology, product development, or acquisitions. This can help UnionBank stay competitive in the evolving Philippine banking landscape.

UnionBank Boosts Funding Requirements with Bonds

Complementing the capital increase, UnionBank has been active in the domestic bond market. Recognizing investor appetite for its securities, the Bank initiated offerings of new senior bonds to allow investors to participate in UnionBank's growth story while earning attractive fixed interest rates.

As a result, the Bank successfully raised Php18.2 billion from its peso-denominated fixed-rate bonds issued via a dual-tranche offering. This is the Bank's largest bond issuance from its Php 50 billion bonds program.

The 1.5-year Series F Bonds, due in 2025, raised a total of Php 10.3 billion and carried an interest rate of 6.5625% per annum. The 3-year Series G Bonds, due in 2026, raised Php7.8 billion and have an annual interest rate of 6.68%.

The sale of its bonds was nine times oversubscribed by retail and institutional investors, an enormous hike from its initial Php 2 billion plan. These funds will further bolster UnionBank's financial resources and support its growth plans.

UnionBank also rolled out the country's first public non-sovereign bond exchange, which extended to the holders of its 2.75% Fixed Rate Series C Bonds due December 9, 2023, the option to swap these exchangeable bonds to UnionBank in exchange for a subscription to any of the new bonds. Bondholders owning Php 236.7 million worth of debt papers participated in the exchange.

A Well-Positioned Bank for the Future

UnionBank's capital increase and bond issuances are strategic maneuvers that position the Bank for continued growth and success. The additional capital provides a strong foundation for expansion, while the bond issuances generate cash to support additional funding requirements. With this capital hike and cash infusion, UnionBank can accelerate its drive toward becoming the retail bank leader in the Philippines.

Banking on

AI

UnionBank's Early Foray in AI Yields Impressive Results

2 023 saw the massive adoption of AI with Generative AI. ChatGPT, Midjourney, and other Generative AI tools went mainstream faster than any other new technology in history. Tech giants like Alphabet and Meta pivoted to AI. Entire industries, from healthcare to retail, made AI an integral part of their strategy. Financial institutions were no different. But one financial institution in the Philippines was already way ahead of the game: UnionBank.

The AI Pioneer

Before AI exploded in popularity, UnionBank already worked with AI for several use cases. It implemented a data vault platform with AI and Machine Learning (ML) capabilities to cross-sell financial products. It pioneered the use of natural language processing (NLP) to process and analyze tens of thousands of customer feedbacks. It leveraged AI to detect unusual customer transaction behavior automatically to flag suspicious newly opened accounts.

UnionBank even established the Artificial Intelligence and Innovation Center of Excellence, a hub for R&D and for implementing AI-based solutions to improve different aspects of UnionBank's operations and customer experience.



This early foray into AI has allowed the Bank to boost its sales, minimize fraud, and improve customer service. Since then, it has been ramping up efforts on AI initiatives.

The Bank's track record in innovation was evident at the 2023 Singapore FinTech Festival, a global convergence of trailblazers in financial technology. This event served as a platform for UnionBank to showcase its groundbreaking initiatives, aligning perfectly with the global trend of AI transforming the future of banking and finance.

Strengthening Customer Protection

Online security remains a paramount concern with the explosion of online scams, from phishing to fake lending apps, particularly for the Philippines which is a rather young digital banking nation. Scams and online fraud have already cost Filipinos at least Php155 million in the first eight months of 2023 alone.

UnionBank has integrated AI solutions into its fraud-fighting arsenal. For example, it has developed AI models for fraud detection through outlier detection and network analysis.

The Bank uses AI to analyze a user's banking behavior, not just transaction amounts but also other type of data such as location data, spending patterns, and device information. This allows UnionBank to identify anomalies that might indicate fraudulent activity, even if the transaction amount itself isn't necessarily suspicious.

UnionBank's AI model also analyzes the network of connections between accounts. This helps identify fraud rings or money laundering schemes that involve multiple accounts working together.

Another AI initiative is an AI model that can analyze various data points to assess the risk of an account being used to transfer illegally acquired money by acting as a mule.

Its Mule Accounts Detection solution, powered by AI, boasts an impressive 10x increase in efficiency. This translates to robust fraud prevention, a crucial aspect in today's digital banking landscape.

Fighting Money Laundering

UnionBank also uses AI to streamline Anti-Money Laundering (AML) operations, particularly its Suspicious Transaction Report alerts (STRs). The Bank's AI model prioritizes and automates the analysis of STRs, most of which are false positives.

This allows the Bank to focus on the most critical threats first, improving its response time and operational efficiency. The 40% reduction in false alerts also enables human analysts to focus on the most critical threats and frees up the time of branch managers for more productive tasks.

This initiative won the Philippines Technology Excellence Award for AI – Banking at the Asian Technology Excellence Awards for using AI to streamline AML operations.

Improving the Customer Experience

The Bank is also looking at future AI innovations, such as using AI-powered voice authentication in customer service calls. This eliminates the need for traditional authentication methods like answering security questions or entering OTPs, removing a layer of friction for smoother customer support. This multi-layered approach protects customer information and fosters trust, a vital component in any successful banking relationship.

Related to this, UnionBank is also exploring the potential of voice-based biometrics for other channels and customer touch points. This technology promises a more convenient and secure experience, further streamlining the banking process for customers.

Shaping the Future of Philippine Retail Banking

UnionBank's journey exemplifies the transformative power of AI and digital technologies in retail banking. By embracing these advancements, the Bank has achieved impressive growth and positioned itself as a leader in the Philippine retail banking industry.

As UnionBank continues to push the boundaries of AI and other technologies, it paves the way for a secure, convenient, and personalized banking experience for Filipinos.



Union with Citi

How UnionBank's Citi Acquisition Fuels Retail Banking Growth

UnionBank's recent acquisition of Citigroup's consumer business in the Philippines was a masterstroke, a testament to the Bank's strategic foresight. This move not only boosted UnionBank's consumer business but also brought it within striking distance of its ambitious goal - to lead the country's retail banking sector.

The acquisition enabled UnionBank to grow aspects of its business almost overnight—credit cards, consumer loans, and wealth management. This was critical in accelerating its aspirations toward becoming a Great Retail Bank.

Prior to the acquisition, consumer banking constituted roughly a third of UnionBank's revenue stream. The Citi deal proved to be instrumental in significantly expanding this segment. The influx of approximately one million new customers bolstered UnionBank's retail banking base, solidifying its position in the consumer market.

Boosting Consumer Loans

One of the acquisition's most remarkable impacts was the phenomenal growth of UnionBank's credit card and personal loan portfolio.

The Bank relaunched four Citi credit cards under the UnionBank brand: the UnionBank Rewards Card, the UnionBank Cash Back Card, the UnionBank Miles+ Card, and the UnionBank Reserve Card.

Unveiling a series of new credit cards under the UnionBank brand cements its unified approach to brand identity, with the Citi brand to be phased out in 2024. These new cards cater to various customer lifestyles and spending habits, offering attractive features such as reward programs and travel benefits.



As a result, the Bank has witnessed a surge in new card clients, with figures reaching a staggering 23,000 per month. UnionBank now has about 1.5 million active credit cards. This impressive performance has catapulted UnionBank from the ninth position to the coveted third spot in the Philippine credit card issuer rankings. This has translated to a significant increase in credit card balances, with the portfolio surpassing a major milestone of over Php 100 billion.

Meanwhile, the personal loans business acquired from Citi has become one of the Bank's fastest-growing segments in its consumer loans portfolio. In fact, the personal loans segment has grown faster than UnionBank's institutional and wholesale loan segments.

Leveraging Wealth Management Expertise

UnionBank also harnessed the strengths of its acquired Citi wealth management business. The Bank recognized the value of the expertise and established client base that Citi's wealth management business brought to the table. To leverage this advantage, UnionBank launched two new wealth programs: UnionBank Elite and UnionBank Access.

UnionBank Elite, the new premier wealth segment, caters to high-net-worth individuals, offering exclusive wealth management solutions and personalized service. Clients benefit from the knowledge and track record of its crack team of wealth management experts. They also get to select from more local and international investment options. Early indications of success are promising, with a significant number of former Citi wealth clients transitioning to UnionBank Elite.

UnionBank Access, on the other hand, focuses on providing a comprehensive wealth management platform for individuals with investable assets. This program for the emerging affluent equips these customers with the tools and guidance needed to build their financial security.

The success of these newly launched programs underscores UnionBank's move to leverage the expertise acquired through the Citi deal. By offering a diverse range of wealth management solutions tailored to different customer segments, UnionBank is well-positioned to capture a significant share of the growing wealth management market in the Philippines.

Game Changer

The Citi acquisition has undoubtedly been a gamechanger for UnionBank's retail banking ambitions. The influx of new customers, the significant growth in the credit card and personal loan portfolio, and the strategic launch of new wealth management programs all play a crucial role in propelling UnionBank toward its goal of becoming a Great Retail Bank.

UnionBank's ability to successfully integrate Citi's operations, leverage acquired expertise, and introduce innovative rebranded products are paying off in terms of growth and customer satisfaction. By capitalizing on the strengths gained through this acquisition, UnionBank is well on its way to establishing itself as a leading force in the Philippine retail banking landscape.

Building a Great Retail Bank

The Pillars of UnionBank's Winning Strategy

When UnionBank rallied its troops to achieve its objective of becoming the leading retail bank in the Philippines within three years, it had already laid a strong foundation. Thanks to strategic moves and swift execution –from going all-in with its digital transformation several years ago to placing big, bold bets in recent years – the goal is fast becoming a reality.

Digital Transformation

In 2016, UnionBank, already recognized as a technology trailblazer, embarked on a comprehensive digital transformation of its processes, products, and workforce. Remaking itself into a technology company with a banking license, it transformed its operations and replaced its legacy on-premise core banking system with a cloud-based digital banking suite hosted on AWS cloud. In 2023, it became the first in the country to run workloads on AWS Local Zones location in Manila.

Customer Experience

UnionBank also transformed the customer experience across all customer touchpoints, from fully digital branches to best-in-class digital banking apps. This focus on improving the customer experience has contributed to customer satisfaction and loyalty.

UnionBank



Recently, the Bank partnered with Informatica, an enterprise cloud data management leader. Informatica's Intelligent Master Data Management (MDM) and 360 Applications allow the Bank to create a comprehensive 360-degree view of its customers and deliver highly personalized services based on a single real-time source of trusted data. This partnership strengthened UnionBank's ability to elevate the customer experience in the cloud.

Customer Acquisition

UnionBank has perfected its unique customer acquisition strategy of focusing on anchor institutional and government clients with their own ecosystems and supply chains. Its advanced banking platforms, The Portal for corporate clients and UB *Negosyante* for MSMEs, has won over business clients with features like PayExpress, Payroll Digital Account Opening, Remote Check Deposit, and Mobile Check Deposit.

This has allowed UnionBank to establish relationships with the suppliers, distributors, dealers, executives, employees, and customers of its anchor corporate clients. This has enabled the Bank to attain considerable scale without the capital investment and expenses attached to branch expansion.

Innovative Products

Innovation is another cornerstone of UnionBank's strategy to expand its retail customer base. It recognizes that staying ahead of the curve requires continuously exploring new technologies, business models, and customer-centric solutions.

Aside from financial products, the Bank has launched banking apps, online marketplaces, and digital products at an unprecedented pace. These have widened its reach in the consumer market and underserved populations.

In 2023, it secured BSP approval to operate as a Virtual Asset Service Provider (VASP), the first and only bank in the Philippines with this license. This allowed UnionBank to expand its cryptocurrency business to a broader

customer base. Furthermore, its collaboration with Kelly Trading in 2023 marked the launch of financial events contract trading in the Philippines, enabling trading on the outcome of various events between individuals.

Key Partnerships

UnionBank recognizes the value of collaboration and fosters strategic partnerships and alliances with fintech companies, e-commerce platforms, and other industry players to expand its retail customer reach and enhance its service offerings.

In 2023, the Bank signed several partnerships with fintech platforms such as PDAX, Coins.ph, Tala, JuanHand, and PayMongo. It collaborated with the Entrepreneurs' Organization (EO) and the Philippine Stock Exchange (PSE). UnionBank also launched a co-branded credit card with S&R and a credit card with a loyalty program with Go Rewards.

Financial Inclusion

No bank can become the greatest in retail banking without reaching the mass market and the unbanked population. UnionBank's commitment to financial inclusion is no lip service; it's a critical component of its overall strategy. It serves these segments through its anchor client strategy and its subsidiaries. Its thrift bank, City Savings Bank, is close to becoming the leader in mass market banking. Its fintech subsidiary, UBX, is the leader in open finance in the Philippines, allowing the Bank to reach the unbanked. Its digital bank, UnionDigital, focuses mainly on individuals with limited means.

UnionBank's strategic approach positions it as the frontrunner in the race for Philippine retail banking supremacy. Its commitment to digital transformation, unique customer acquisition strategy, and unwavering focus on innovation establish a strong foundation for continued growth. By combining technological innovation, strategic partnerships, and a focus on individual consumers, UnionBank is firmly positioned to achieve its aspirations of becoming a Great Retail Bank.



The Digital Bank for the Unbanked

How UnionDigital Drives Financial Inclusion

The inaugural year of UnionDigital's operations in 2023 proved highly successful. Established in 2021 by UnionBank, it is one of only six approved digital banks by the *Bangko Sentral ng Pilipinas* (BSP).

UnionDigital became profitable in its first full year of operations, a remarkable feat rarely achieved by startup companies. It has played a pivotal role in propelling UnionBank's retail banking growth through its innovative business model and focus on financial inclusion.

High Achiever

As of December 2023, UnionDigital holds a portfolio comprising of Php 11.7 billion in loans and Php17.5 billion in deposits. This positions UnionDigital as the second largest digital bank in terms of deposits and grants it a commanding 65% market share in loan portfolio size among digital banks. This achievement has solidified UnionDigital's standing as the frontrunner among digital banks in the Philippines. It has likewise been recognized as the Best Digital-Only Bank award at the Asian Banker Awards and has secured a spot in the esteemed Global Top 100 Digital-Only Bank Ranking for 2023.



Also, the BSP's approval of a Php 900 million cash infusion into UnionDigital in 2023 signaled strong backing for the digital bank's growth potential. This capital infusion will facilitate UnionDigital's expansion of digital loan offerings through its app and APIs.

Unique Model

Unlike other digital banks catering to the younger and upwardly mobile generation, UnionDigital focuses on the 34 million Filipinos representing 44% of the unbanked adult population.

It uses AI-powered alternative credit scoring and risk models to meet the underserved credit needs of Filipinos. Instead of using traditional demographics like income and occupation or documents like pay slips and tax returns, UnionDigital taps alternative data sources. It also leverages AI to sift through and find patterns across hundreds of data points to predict loan repayment behavior.

Strategic Partnerships

UnionDigital's mission is to elevate the lives of all Filipinos through accessible banking services, products and financial knowledge. One way to achieve this is through its ecosystem-led business model, wherein it works with anchor clients and strategic partners to tap their customer base and extend financial services to the underserved working population. The digital bank's push towards embedded finance also enables new avenues for customers to engage with banking services.



For example, it rolled out embedded financial services for mWell Philippines' 1.5 million customers. mWell caters to families for their all-in-one health and wellness. This makes healthcare services more accessible and affordable by offering digital banking products, such as medical emergency loans and flexible payment terms, integrated within the mWell app.

The Bank likewise worked with Angkas to provide its biker partners with access to higher-interest savings accounts and loans, insurance, and other financial services. It's a significant step toward financial inclusion for gig economy workers.

Moreover, UnionDigital's latest partnership is with Capital A, the parent company of BigPay, a mobile wallet and AirAsia Super App, to provide embedded financial services within the AirAsia Super App in the Philippines. This synergy allows AirAsia Super App's users in the Philippines to seamlessly book and pay for flights, including access to flexible payment options such as Fly Now, Pay Later scheme.

Embracing the Future of Finance

UnionDigital Bank's success story is a testament to UnionBank's strategic vision. By leveraging technology, forging strategic partnerships, and embracing innovation, UnionDigital is not only driving its own growth but also propelling UnionBank toward its goal of becoming a Great Retail Bank.



The Leader in Open Finance

UnionBank's Fintech Arm UBX Propels Businesses

Established in 2018, UBX has transformed from UnionBank's venture capital arm into a leading Open Finance Platform. It provides innovative financial technology (fintech) solutions, such as payments solutions, a lending marketplace, and a banking-as-a-service platform, driving UnionBank's growth in the business and retail banking sectors.

The success of UBX is evident from the remarkable achievements of its core offerings. Within its first four years, it has captured a significant market share, boasting over 250,000 business-to-business (B2B) customers and facilitating transactions exceeding a staggering Php 100 billion. This widespread adoption highlights the platform's effectiveness in connecting businesses and fostering financial inclusion.

Banking-as-a-Service: Expanding Financial Horizons

UBX's banking-as-a-service (BaaS) platform allows businesses to leverage UnionBank's infrastructure and capabilities to offer financial services to their own customers. This innovative solution has already facilitated transactions exceeding Php22 billion, demonstrating its potential to revolutionize the way financial services are delivered.

One success story is UBX's work with the Public Safety Savings and Loan Association, Inc. (PSSLAI), which provides financial services to its members from the Philippine National Police and Bureau of Fire Protection. UBX developed the Bilis Online platform to enable PSSLAI members to apply for a loan or Visa prepaid card and view their account and loan balances online.



Another notable project is with Cagayan de Oro-based SouthBank, a rural bank in Mindanao that extends rural credit to small farmers and tenants, as well as to various rural industries and enterprises. UBX integrated its BaaS platform with SouthBank's native mobile application called SBPay, allowing the rural bank to offer a wider range of banking products and services to its customers.

UBX also worked with Tambunting, among the country's leading remittance service companies, rolling out its Open Finance Platform to its branch network and connecting it to platforms and agents in over 1,000 Tambunting locations nationwide.

These are just a few examples of successful client projects that UBX has implemented.

Digital Transformation: Real Results in 100 days

Rooted in the global experience of UBX's software engineering, AI-powered tech-build capability as well as the success of its Open Finance Platform, UBX also stands as a premier provider of digital transformation services.

The inclusion of digital advisory services and proprietary intellectual property like Fractionalization/Tokenization and Supply Chain Management also emphasizes the organization's commitment to innovative thought leadership and insightful customer problem-solving. The seasoned management team, featuring former C-level executives, solidifies UBX's track record of successful execution, positioning the company at the forefront of the dynamic digital landscape.

Looking Forward

UBX's impressive track record serves as a testament to its role in propelling UnionBank's ambition to become a Great Retail Bank. By offering innovative solutions like the Open Finance Platform, BaaS and Digital Transformation Services, UBX is facilitating financial inclusion, streamlining transactions, and empowering businesses.

These achievements will allow UnionBank to attract a broader customer base, deliver exceptional financial services, and ultimately solidify its position as a leading player in Philippine retail banking.

Simple Banking, Big Ambitions

City Savings Bank's Digital Innovations Brings It Closer to Becoming the Country's Leading Mass Market Bank

What do public school teachers, soldiers, retired pensioners, and motorcycle riders have in common? They are all served by City Savings Bank (CitySavings), the wholly-owned thrift bank subsidiary of UnionBank. CitySavings is crucial in expanding UnionBank's reach and fostering financial inclusion, particularly in the mass market.

This strategic focus has yielded impressive results. At the end of 2023, CitySavings reached a significant milestone, surpassing the Php 100 billion mark in total loans disbursed. This accomplishment highlights the critical role CitySavings plays in driving UnionBank's trajectory of growth in retail banking.

Democratizing Access to Financial Services

CitySavings caters primarily to the mass market, offering a broad spectrum of financial products and services designed to meet the needs of individuals that commercial banks often do not cater to. This includes salary loans for public school teachers, government employees, and active personnel of the Armed Forces of the Philippines (AFP); motorcycle loans; and pension loans for GSIS, SSS, and AFP pensioners and their beneficiaries.

By focusing on these core offerings, CitySavings bridges the gap for Filipinos who may not have access to traditional banking services. This emphasis on financial inclusion aligns perfectly with UnionBank's vision of empowering Filipinos to achieve financial security.



Innovation at the Forefront

CitySavings' success hinges on its product portfolio and digital innovation. The Bank actively leverages technology to enhance customer experience, convenience, and accessibility.

Among these innovations is the CitySavings mobile app. The app provides a user-friendly platform for managing savings accounts and applying for loans. CitySavings mobile app empowers customers with the flexibility to handle their finances on the go, eliminating the need to visit physical branches and providing easy access to their banking needs.

Another technological advancement is "Talk to Maria," a chatbot service accessible 24/7. Through "Talk to Maria," customers can submit inquiries, get application updates, and even initiate loan applications, streamlining the entire loan process. These innovations go far beyond mere convenience – they demonstrate CitySavings' commitment to providing its customers with a frictionless and efficient banking experience.

All these innovations are anchored on CitySavings' vision to be the leading mass market bank in the Philippines, creating groundbreaking solutions that make banking simple for its customers.

Building Trust and Customer Centricity

CitySavings understands that building a strong retail banking presence requires more than just products and technology. Fostering trust and customer centricity is paramount. CitySavings achieves this by building long-term relationships with its customers and providing them with personalized financial guidance and solutions.

With its basic philosophy of "Simple is Good," CitySavings offers its clients simple and straightforward banking coupled with warm and helpful service, relevant products, and digital innovations to ensure the best customer experience. International Finance awarded CitySavings as the Most Customer-Centric Savings Bank in the Philippines for 2023.

Recognizing the importance of practical wealth management, CitySavings actively promotes financial education through Project *Peraparyon*, a program which focuses on empowering customers to make informed financial decisions. CitySavings also offers multiple channels for customer support, ensuring that inquiries and concerns are addressed promptly and efficiently.



Solidifying Leadership Positions

With CitySavings as a cornerstone, UnionBank is well on its way to becoming a Great Retail Bank. Both institutions can further solidify their position as leaders in Philippine banking by focusing on financial inclusion, customer centricity, and leveraging technology.

CitySavings' impressive growth and contribution to UnionBank's retail banking strategy testify to its commitment to making banking accessible and empowering Filipinos. With continued innovation, strategic partnerships, and customer-centric initiatives, the future looks bright for UnionBank and its ambition to become a true leader in the Philippine retail banking space and for CitySavings' journey to becoming the leading mass market bank in the Philippines.

Management Committee



Manoj Varma

Consumer Banking



Edwin R. Bautista

President & CEO



Ana A. Delgado

Institutional Banking
Chief Customer Experience Officer
Chief Digital Channels Officer



Ramon G. Duarte

Transaction Banking



Mary Joyce S. Gonzalez

Retail Banking



Dennis D. Omila

Chief Technology
& Operations Officer



Roberto F. Abastillas

Commercial Banking

Management Committee



Antonino Agustin S. Fajardo

Corporate Banking



Manuel R. Lozano

Chief Finance Officer



Michaela Sophia E. Rubio

Chief Human Resource Officer/
CSR & Sustainability Head



Manish Chawla

Chief Information and
Operations Officer



Mukul Sukhani

Cards and Personal Loans



Atty. Arlene Joan T. Agustin

Private Banking



Albert Raymond C. Cuadrante

Chief Marketing Officer



Johnson L. Sia

Treasurer, Global Markets

Management Committee



Antonio Sebastian T. Corro
Chief Cross-Sell Officer



Therese G. Chan
Wealth and Brokerage



Edgar Allan G. Oblena
Controller



Erwin Wiriadi
Chief Risk Officer

Key Executives

Atty. Joselito V. Banaag

Corporate Secretary



Carlo I. Eñanosa

Corporate Planning and
Investor Relations Head



Joselynn B. Torres

Chief Compliance and
Governance Officer



Jose Paolo G. Rufo

Chief Information Security
Officer/Data Privacy Officer



Rommel Jason L. Galang

Chief Security Officer



Norman C. Gabriel

Chief Audit Executive

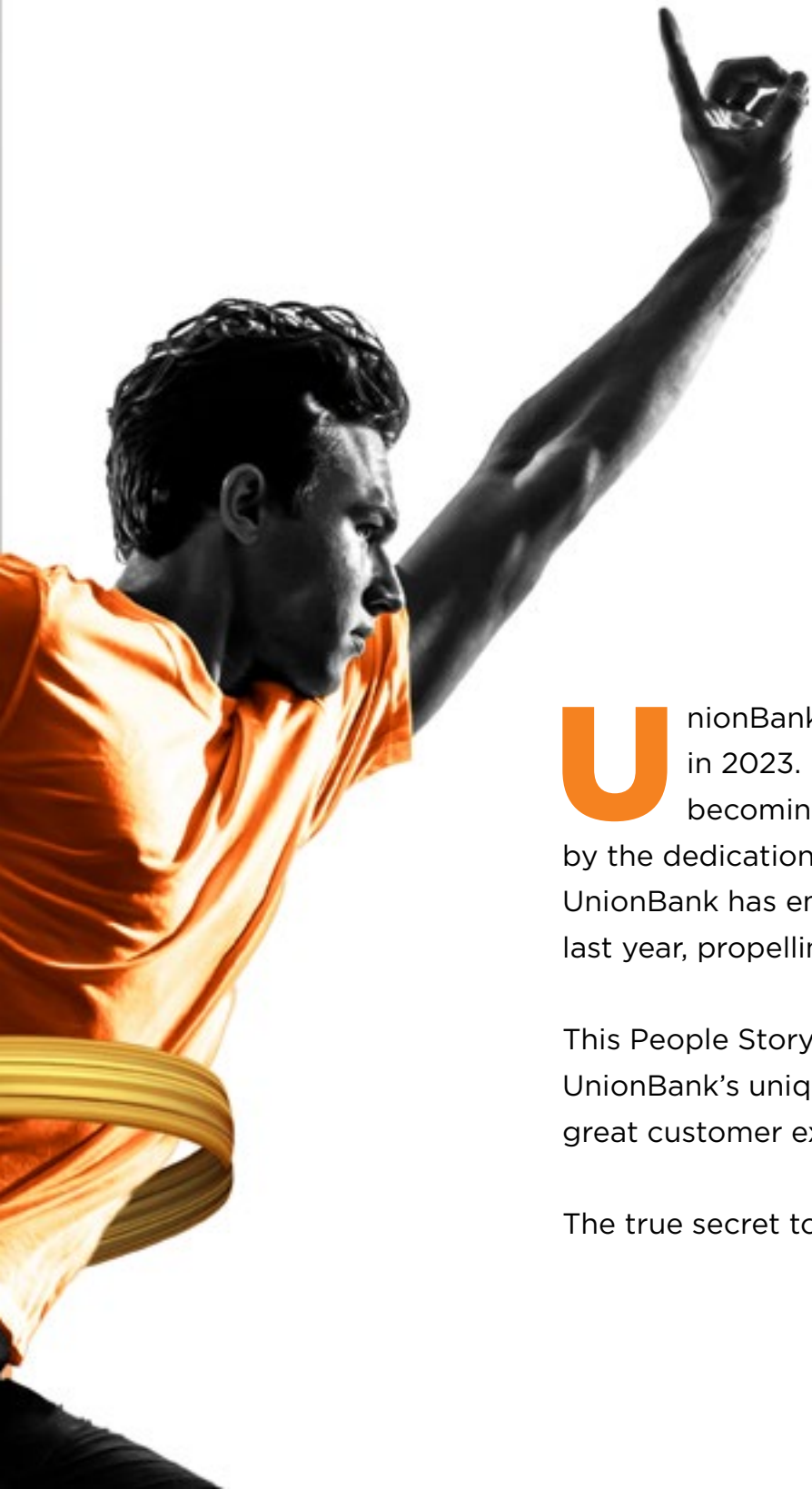


GOING BEYOND, GOING FOR

GOLD

2023
PEOPLE
MILESTONES





UnionBank has undeniably undergone yet another remarkable transformation in 2023. Following the battle cry to #GoforGold and making bolder strides to becoming the Philippines' leading retail bank, this transformation was fueled by the dedication and resilience of its people. Through a series of strategic initiatives, UnionBank has embraced the mission and taken to heart the lessons learned in the last year, propelling the Bank towards greater heights.

This People Story explores the incredible efforts and achievements that shaped UnionBank's unique culture, collaborative spirit, and constant evolution to create great customer experiences.

The true secret to enduring greatness? Our UnionBankers.

2023 People Milestones



2023 was a year of learning and adapting. Our focus now lies on marketing – transforming channels to build customer experiences rapidly, reducing transaction costs, and exercising financial discipline to cut non-essentials...We need to pivot and refocus on what truly matters. It's time to harvest our digital investments intelligently.

- Edwin R. Bautista

ReUnion: Returning to Work and Cultivating a Vibrant Workplace

UnionBank began the year by allowing employees to work together in person, fostering successful collaboration.

ReUnion is an employee activity organized to bring a festive mood to UnionBankers as they report back to the workplace. It reinstated a sense of normalcy and provided a platform for renewed connection as employees embraced face-to-face interactions, fostering a greater sense of camaraderie and teamwork.

Ulympics: Revamped Sporting and Club Groups and Spirit of Volunteerism

With the return to the office came an exciting revival of the Bank's sporting and club groups. From fitness enthusiasts to volunteerism, employees found new avenues to pursue their passions and bond with like-minded colleagues. The resounding success of the **Ulympics** and other sports festivals across the Bank further highlighted the power of these activities in promoting well-being and reinforcing a positive work environment.

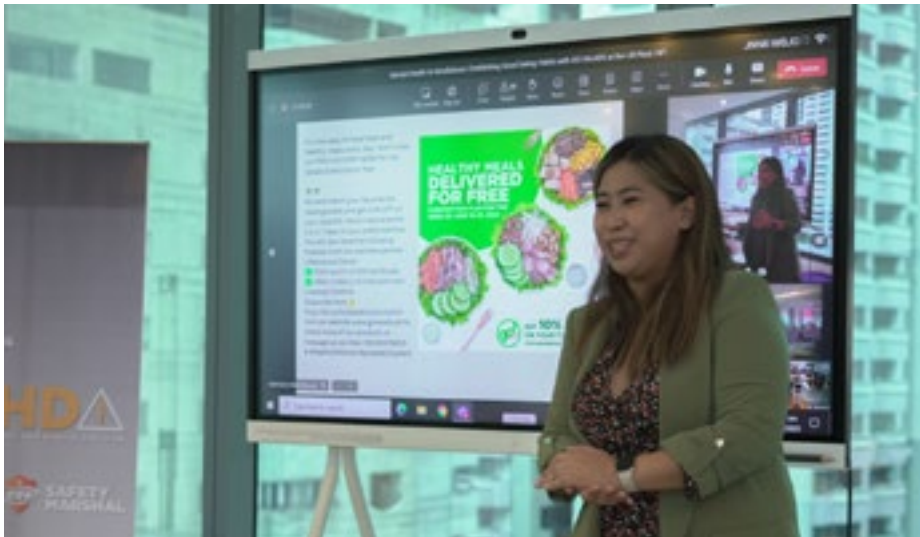
Leaders Learning Circle: Nurturing Leadership Excellence

The Bank's leaders also demonstrated cohesiveness amid the ongoing integration by participating in the **Leaders Learning Circle**. This immersive experience allowed executives to engage in thought-provoking sessions and collaborate with industry leaders. This platform not only broadened their perspectives but also inspired a culture of innovation and expertise that cascaded throughout the organization.

Customer Experience Center of Excellence (CX COE): Driving Customer Obsession

UnionBank's unwavering dedication to prioritizing customer-centric practices has driven the creation of the **Customer Experience Center of Excellence (CX COE)**. Through dedicated workshops and training programs, teams honed their customer-centric approach, enhancing service delivery and elevating client satisfaction.

This effort led to the creation of the Client Obsession Pillars, which enjoin UnionBankers and empower them in every situation—to own it, fix it, make it great, and celebrate it.



CX COE continuously monitors each team’s closures and features teams and their Client Obsession Closure stories to inspire all employees to “do more, do better, and do greater,” anchored to one of the Bank’s core values, Magis.

Mindful Moments: Embracing a Culture of Mindfulness

UnionBank also debuted **Mindful Moments** this year to provide resources to employees on mindfulness practices, habit- and productivity-building tips, and ideas to make headspace for moments that matter and, ultimately, be present in the moment and tackle one task at a time to avoid errors at work.

High-Reliability Organization (HRO): Promoting Safety

UnionBank continuously invests in learning and development programs to stay ahead of industry changes and challenges. The Bank’s proactive risk management approach ensures the safety and security of its operations, enabling it to maintain efficiency in a complex and dynamic banking landscape. UnionBank’s status as a High-Reliability Organization (HRO) reflects its dedication to providing a secure and reliable banking experience to its customers.



HROs operate in high-risk environments where errors can have serious consequences. They are characterized by their relentless commitment to safety, strong focus on error prevention, culture of resilience and mindfulness, continuous learning, and willingness to challenge the status quo.

The Bank’s commitment to safety and error prevention sets it apart, creating a culture of resilience and mindfulness among its employees. Since 2020, it has received citations for excellence from the Safety Organization of the Philippines (SOPI) for having perfect safety records regarding safe man days and man hours. UnionBank organizes an annual Safety Week celebration through its Occupational Health and Safety Division to provide workshops and training to employees. These efforts demonstrate the Bank and its people’s commitment to a safe and healthy work environment.

Umatter: Advocating for Inclusion

UnionBank’s 1st Diversity, Equity, and Inclusion (DEI) Summit is a significant milestone in our ongoing efforts to cultivate a workplace that celebrates diversity, equity, and inclusion. This summit was a powerful platform where leaders, employees, and external stakeholders worked together, reinforcing our Bank’s unwavering commitment to embracing inclusivity. We aim to establish a safe space where employees – regardless of gender, race, or ethnicity – feel heard, valued, and understood.

2023 People Milestones



Umatter is a comprehensive platform and umbrella program at UnionBank encompassing various DEI initiatives. Initially, it was created as a forum for the LGBTQIA+ community within the Bank, alongside Future Forward Females, which aimed to create a network for women in tech roles.

The inaugural **Umatter Summit** was a two-day event held on 26-27 June 2023, to promote genuine employee involvement, engagement, and acceptance. The summit celebrated diversity through communication and community-building activities. UnionBank leaders Ana Delgado, David Haroon, Pearlie Lontoc, and others took the lead by using their voices and influence to promote DEI within the Bank.

UnionBank employees contributed to the launch of Umatter merchandise, including shirts, stickers, and gear showcasing DEI statements. The proceeds from the sale of the items and in-kind donations were directed to The Golden Gays Foundation. Additionally, the initiative supported 12 small businesses advocating pride and women empowerment by participating in the two-day Umatter bazaar.

As the culminating activity, an appreciative inquiry session was conducted with Umatter Champions, who defined the current state of DEI in UnionBank

and collectively envisioned the future state. This initiative is aligned with the Sustainable Development Goals (SDGs), particularly SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities).

Through the Umatter Summit, UnionBank recognizes the importance of creating a workplace that values and genuinely respects everyone. Such an environment fosters empowerment and encourages active engagement from all members of our organization. Our goal is to nurture a culture of empathy, understanding, and belonging at UnionBank and inspire positive change within our organization and the broader community we serve.

Selyado on Wheels:

Empowering Communities Through Information Security

Aligned with its commitment to societal impact through financial literacy and inclusion, the Bank launched **Selyado on Wheels**, which benefits UnionBankers and the nearby communities.

The Bank ensures that its frontliners are equipped with the correct information and knowledge to promote data privacy awareness and a culture of data privacy among employees.



“Some of you will get battle fatigue and may need to step back. But when you do, another UnionBanker will take your place in the front line. And when you return to the battlefield, you will become stronger and smarter because you become battle-hardened.”

- Edwin R. Bautista

UnionBank, through its Data Privacy Office, launched the Branch Caravan in 2019 and a digital spin-off during the COVID lockdowns in 2020. The caravan covers more than 200 branches nationwide, where branch employees are the primary touchpoint for collecting personal information. This program equips our employees with the basic principles of data privacy compliance.

For the nearby communities, the *Selyado on Wheels* team launched the school edition, “Fostering A Privacy-Enabled Secure Ecosystem.” Grade 10 students from the Pasig City Science High School attended a symposium to help enhance the youth’s consciousness of maintaining a safe and secure online presence – protecting their digital footprint and identity. This also promotes responsible online banking.

Through this unique give-back program, the Bank fostered a sense of digital responsibility and empowered individuals to safeguard their online presence.

Selyado on Wheels was a Finalist in the Privacy Initiative of the Year category in the 2023 Privacy Awareness Week (PAW) Awards, organized by the National Privacy Commission.

Talk Listen Connect (TLC): Intentional Change Communications and Culture Interventions

Recognizing the power of effective communication in driving change, UnionBank introduced the Talk Listen Connect (TLC) sessions with Chief Human Resource Officer Michelle Rubio. The TLC sessions are designed to cater to and address the concerns of various units, specifically the ones with a good mix of legacy UnionBankers and those who joined after the Citibank Consumer Banking Business acquisition.

The intentional interventions created an open and inclusive platform for employees to share their ideas, concerns, and aspirations. The Bank nurtured a stronger sense of unity and collaboration by fostering a transparent and empathetic communication culture.

2023 People Milestones



Leaders and employees regularly gather for a quick refresh of the UnionBank DNA, get updates on culture integration, and impart empowerment for everyone as the journey to fully integrating the acquired consumer bank portfolio continues.

TLC sessions also highlight how Agile is both a mindset and a process in UnionBank. This engagement activity helps UnionBankers understand the shifts they might encounter and implement them as the integration happens. It also allowed the participants to learn how to adjust their processes around the customers' needs.

SWAG Awards: Celebrating Integration Heroes

SWAG Awards, short for Successful Workstreams Appreciation and Gratitude Awards, is an event designed to inspire and motivate UnionBank's workstream members by recognizing their remarkable contributions to significant projects, notably the LD2 Project Blue or the full integration of the acquired of Citi Consumer Bank portfolio into UnionBank.

Also an acronym for "A Simple Wind Down After the Grind," the event aimed to celebrate achievements and offer employees a well-deserved weekend party.

Throughout the ceremony, workstream leads took the spotlight to personally recognize and express gratitude to their team members for their unwavering dedication. The individual awardees who received the FUN Award titles were nominated by their respective team leads, ensuring the recognition came from those who knew their contributions best. This heartfelt appreciation boosted employee morale and fostered a sense of camaraderie and dedication within the teams.

During a brief intermission in the awarding ceremony, CHRO Michelle Rubio delivered an inspiring leader's message. She commended the unwavering dedication and resilience demonstrated by everyone involved in the project, which played a pivotal role in the integration's success. *"The road to integration was not without challenges, but we navigated through them together and emerged even stronger. Your exceptional resilience and teamwork have been commendable, and I am privileged to lead such an extraordinary group of individuals,"* she expressed with pride.

The SWAG Awards also presented the Team Awards. This ensured that exceptional team efforts and collaborative achievements received the acknowledgment they deserved.



“That’s teamwork because we are a family. No one gets left behind.”

- Edwin R. Bautista

In his closing remarks, Chief Marketing Officer Albert Cuadrante reminded everyone that gratitude should be extended to colleagues and their families. He urged, *“It’s a good time to also pause and thank your families, who were also part of the support that’s been carrying you when you go home tired, and they’re the ones who also have to bear with your rants. Let’s make sure to thank them for the support.”*

The SWAG Awards celebrated achievements and embodied a deep sense of gratitude and camaraderie among UnionBank’s workstream members. It motivated employees to strive for even greater heights. It strengthened the bonds within their teams, inspiring them to continue making significant contributions to the Bank’s growth and success, from integration and beyond.

Recognitions and Accolades

The Bank has received numerous awards, showcasing its commitment to excellence in workplace environment and practices. In 2023, the Bank received a **“Bronze Stevie for Employer of the Year in Banking”** and the **HR Thought Leader of the Year** award for CHRO Michelle Rubio. UnionBank remains the only Philippine Bank with a **Great Place to Work Certification**.

The Bank’s dedication to fostering a conducive and inclusive workplace was recognized with the esteemed **“Award on Productivity, Quality, and Innovation”** at the 2023 **Kapatiran sa Industriya (KAPATID) Awards** by the Employers’ Confederation of the Philippines (ECOP).

These recognitions highlight the Bank’s exceptional practices in industrial relations, quality, productivity, and innovation, along with its commitment to ethical conduct, resilience, and fostering harmonious management-employee relationships.



LATEST

AWARDS

AND

Recognition

**Marketing
Company
of the Year**

42nd Agora Awards

**5-time
Best Retail Bank
Awardee**

The Asian Banker

2024

**Best Digital Bank (Philippines)-
UnionDigital**
The Asian Banker

**Best Retail Bank (Philippines) -
UnionBank**
The Asian Banker

Advances in the use of Blockchain
Retail Banking International
Digital CX Awards

Best Onboarding Program
Retail Banking International
Digital CX Awards

**Highly Commended- Excellence in
Employee Recognition**
Retail Banking International
Digital CX Awards

2023

**Best Local Currency Bond
(11 billion pesos digital bond)**
The Asset Triple A Country
Awards for Sustainable Finance
2023

**2022 Transformation
Champion**
1st BIAN Transformation Awards

**Winner: Best SME Beyond
Banking Service Initiative
(for UnionBank GlobalLinker)**
The Digital Banker - Global SME
Banking Awards 2023

**Winner: Outstanding SME
Supply Chain Finance Solution
(for UnionBank Supply Chain
Financing)**
The Digital Banker - Global SME
Banking Awards 2023

**Highly Acclaimed: Best SME
Business Current Account/
Transaction Account (for
UnionBank BizStarter Account)**
The Digital Banker - Global SME
Banking Awards 2023

**Winner- Excellence in Internet
Banking (The Portal)**
Retail Banker International -
Asia Trailblazer Awards 2023

**Winner- Most Innovative
Branch Offering
(The Portal Manager's Check)**
Retail Banker
International - Asia

**Winner- Trailblazing Use of
AI or Machine Learning in
Financial Services
(AML STR Alerts)**
Retail Banker International -
Asia Trailblazer Awards 2023

**Highly Commended- Best
Fintech Partnership (UBP
Digital Business Solutions
Synergy Program)**
Retail Banker International -
Asia Trailblazer Awards 2023

**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 Retail Bank in the
Philippines (4-time)**
The Asian Banker Global
Excellence in Retail Financial
Services Awards 2023

Latest Awards & Recognition

2023

Most Recommended Retail Bank in the Philippines

The Asian Banker Global Excellence in Retail Financial Services Awards 2023

Best Corporate Mobile Application (The Portal)

The Asset Triple A Digital Awards 2023

Winner: Best Customer Experience via Mobile and Internet Banking (The Portal)

The Digital Banker - Digital CX Awards 2023

Best Retail Bank in Southeast Asia

CFI.co

Branch Innovation of the Year - (Bronze) for The Portal's Branch Visit

Asian Banking & Finance Awards

Best for Wealth Transfer/ Succession Planning in the Philippines

Asiamoney Private Banking Awards 2023

Top 5 Fixed-Income Cash Settlement

PDS Group - PDS Annual Awards 2023

Winner - Best Private Bank, Philippines

Global Private Banking Awards 2023

Most Outstanding Digital Bank Philippines 2023

International Investor

Digital Business Banking Initiative of the Year - Philippines for MSME Banking

Asian Banking & Finance Awards

Best for Philanthropic Services in the Philippines

Asiamoney Private Banking Awards 2023

Top 5 Fixed-Income Brokering Participant

PDS Group - PDS Annual Awards 2023

Winner - Best Private Bank for Succession Planning

Global Private Banking Awards 2023

BRONZE STEVIE for Innovative Achievement in Corporate Social Responsibility (IFC Social Bond)

Asia-Pacific Stevie Awards 2023

Mobile Banking & Payment Initiative of the Year - Philippines for UPAY for MSMEs

Asian Banking & Finance Awards

Anvil for Multimedia PR Tools (Tech hUB)

58th Anvil Awards

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

Privacy Initiative of the Year finalist - Selyado on Wheels Program

Privacy Awareness Week (PAW) Awards 2023 - National Privacy Commission

Domestic Retail Bank of the Year - Philippines

Asian Banking & Finance Awards

Best Client Experience

Citywire Asia ASEAN Awards

Digital Bank of the Year (6-time)

The Asset Triple A Digital Awards 2023

Winner: Outstanding Digital CX - Payments and Collection Services (UPay)

The Digital Banker - Digital CX Awards 2023

Privacy Initiative of the Year finalist - CyberSure Program

Privacy Awareness Week (PAW) Awards 2023 - National Privacy Commission

Digital Transformation of the Year - Philippines (for ePaycard Digital Account Opening)

Asian Banking & Finance Awards

Top 25 ASEAN Selector: Atty Arlene Agustin

Citywire Asia ASEAN AWARDS

2023

<p>Best Bank For SMEs in the Philippines 2023 Asiamoney Best Bank Awards</p>	<p>Award on Productivity, Quality, and Innovation The Kapatiran sa Industriya (KAPATID) Award of the Employers Confederation of the Philippines (ECOP)</p>	<p>Achievement in New Employee Onboarding Stevie Awards for Great Employers</p>	<p>Best in Future of Industry Ecosystems IDC Future Enterprise Awards ASEAN</p>	<p>HR Thought Leader of the Year - Michelle E. Rubio Stevie Awards for Great Employers</p>
<p>Best Next-Generation Offering Private Banker International Global Wealth Awards</p>	<p>Corporate Culture and Leadership Tambuli Awards</p>	<p>Best Bank in the Philippines Euromoney Real Estate Awards</p>	<p>Lifetime Achievement Award (Edwin Bautista) International Investor</p>	<p>Privacy Advocate of the Year finalist - Joey Rufo Privacy Awareness Week (PAW) Awards 2023 - National Privacy Commission</p>
<p>Most Recommended Retail Bank The Asian Banker</p>	<p>HR Asia Best Companies to Work For (Philippines) HR Asia</p>	<p>Retail Banker of the Year - Philippines - Therese Chan The Digital Banker: Global Retail Banking Innovation Awards 2023</p>	<p>Mansmith Market Masters Awardee (Ana Delgado) 5th Mansmith Market Masters Awards</p>	<p>Best Relationship Manager of the Year - Justin Dy The Digital Banker: Global Retail Banking Innovation Awards 2023</p>
<p>Philippines Technology Excellence Award for AI - Banking Asian Technology Excellence Awards</p>	<p>Employer of the Year - Banking Stevie Awards for Great Employers</p>	<p>Best in Future of Industry Ecosystems IDC Future Enterprise Awards Philippines</p>	<p>Most Inspiring CMOs of 2022 (Albert Cuadrante) C Level Focus Magazine</p>	<p>Chief Data Officer of the Year CDOTrends Reader's Choice Awards (ASEAN edition)</p>
<p>Best Smart Payments Solution by an SME Bank The Digital Banker: Global Retail Banking Innovation Awards 2023</p>	<p>Achievement in Extended Enterprise Learning Programs Stevie Awards for Great Employers</p>	<p>Best in Future of Work IDC Future Enterprise Awards Philippines</p>	<p>Top 10 CMOs in the Philippines (Albert Cuadrante) CEO Insights Asia Magazine</p>	



THE
CEO
AWARDS
2023

CONSUMER BANKING GROUP

The acquisition of the Citi Consumer Business by UnionBank marks one of the most historic events in the Philippine banking landscape. UBP already has its own sizable portfolio and one of the top local banks in innovation, combined with Citi's profitable portfolio, leading talent and global experience – this was a match whose potential could undoubtedly land the organization to be the Greatest Retail Bank! Overall, the business delivered above sell-side forecast, produced record high results given new volume, enhanced its quality of customer engagement resulting in improved NPS, and achieved good employee engagement and retention. The Consumer Banking Team has achieved a very strong all-around performance!

Core Members:

Gautam Sharma | Carissa Sindiong | Mellany Sy
Konstantin Beloglazov | Joy Aranas | Robin Roxas | Rolly Ebreo
Penny Ajero | Brenda Angeles | Imelda Jayme | Grace Catoto
Kathleen Mateo | Nana Roxas | Jania Manalac | Nasir Khan
Rene Aguirre | Sheila Umali | Praveen Ramankutty | Chris Go

Executive Sponsors:

Manoj Varma | Therese Chan | Ramon Tejero

PAYEXPRESS TEAM

UnionBank gearing towards digital invoices and electronic receipts, has introduced PayExpress. This is an innovative product that facilitates seamless funds transfers, with corresponding automated invoice and CWT generation upon Official Receipt (OR) collection. PayExpress is regarded as the Checkwriter 2.0 and the future of Cash Management. Corporate clients can effortlessly pay suppliers and vendors via funds transfer to UnionBank or other local bank accounts, while obtaining receipts before payment is credited. This streamlined process ensures transparent and efficient financial transactions, guaranteeing timely payments for invoices. This unique payment solution, another first of its kind in the Philippine banking industry, not only adds value to our clients but also optimizes the Bank's operational efficiency by eliminating check printing and manual releasing in our branches.

Core Members:

Dennis Jim Drueco | Ma. Vanessa Sta. Ana | Jennelyn Cerda
Jay-raid Dela Cruz | Jennifer Fiedra | Carlota Jose
Antonio Miguel Dans | Ronaldo Batisan | Angelbert Macatangay
Erika Dizon-Go | Jeff Santos

Executive Sponsor:

Ramon G. Duarte

Subsidiaries



Henry Rhoel R. Aguda



Lorenzo T. Ocampo



John F. Januszczak



Manuel G. Santiago, Jr.

City Savings Bank

Ana Maria A. Delgado
Chairperson

Lorenzo T. Ocampo
CEO

Manuel G. Santiago, Jr.
President

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

UnionBank Investment Management and Trust Corporation

Erramon I. Aboitiz
Chairman

Eric S. Lustre
President & CEO



Ramon Melchor E. Tejero



Adrian Alfonso T. Ocampo



Beatriz B. Romulo



Eric S. Lustre



Nerissa A. Gonzaga



Montano M. Dimapilis

UBP Investments Corporation

Manuel R. Lozano
Chairman

Montano M. Dimapilis
President & CEO

Petnet, Inc.

Manuel G. Santiago, Jr.
Chairman

Adrian Alfonso T. Ocampo
President & CEO

Bangko Kabayan, Inc.

Lorenzo T. Ocampo
Chairman

Beatriz B. Romulo
President & CEO

First Union Insurance and Financial Agencies, Inc.

Mary Joyce S. Gonzalez
Chairperson

Nerissa A. Gonzaga
President

First Union Direct Corporation

Antonio Sebastian T. Corro
Chairman

Montano M. Dimapilis
President & CEO

First Union Plans, Inc.

Edwin R. Bautista
Chairman

Montano M. Dimapilis
President & CEO

Risk Management



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 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.

Corporate Governance Report

Our pivot from a traditional bank to a tech company with banking facilities afforded us the ability to be nimble and agile, and we are now reaping the benefits of this shift.



2023 posed unprecedented challenges and opportunities across various markets and industries. The rising inflation, geopolitical tensions, growing regulatory scrutiny, and fierce competition between fintech players, neobanks and traditional banks have been the key defining themes for the banking space in the past year.

Despite these challenges, we have strong reasons for optimism. We continue to lead digital banking in the country since we started our digital transformation journey back in 2016. Our relentless appetite to deliver cutting-edge, customer-centric, and technology-driven banking and business solutions enabled us to lay down the groundwork for the banking infrastructure of the future.

Our conviction has always been that innovation is a driver of progress since the beginning of time, and we remain committed to simplifying and democratizing financial services for those who are tired of the bureaucracy and complexity of traditional banking.

But the real litmus test lies in our execution. Our agile ways of working and a purposeful shift in the behavior, mindset, and culture of our now 5,000-strong organization are imperative. It takes employee and stakeholder engagement and confidence, which require leadership and whole-of-organization commitment, to realize our higher purpose of co-creating innovations for a better world to ensure that no one gets left behind.

On the other hand, we are also aware that the success and longevity of our business goes beyond the bottom line and is contingent upon good corporate governance. Our governance framework is anchored on competent leadership, strong compliance culture, robust internal controls, and effective reporting mechanisms across the organization.

We are continuously pushing the boundaries of what's possible on this front. We achieved three-golden arrow recognition for the 2022 ASEAN Corporate Governance Scorecard (ACGS) performance which represents our highest ACGS score since the Institute of Corporate Directors (ICD) inaugurated the Golden Arrow Awards in 2018. The ACGS is an assessment tool supported by a rigorous methodology that measures the governance performance of publicly listed companies in six (6) participating ASEAN member countries – Indonesia, Malaysia, Singapore, Thailand, Vietnam, and the Philippines.

While we ended the year on a stronger footing, we've barely scratched the surface of what we are capable of. In the pages that follow, we unveil the details of our governance framework and its implementation.

The contents of this report have been prepared in accordance with the disclosure requirements of the Manual of Regulations for Banks (MORB) of the Bangko Sentral, recommendations of 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 ACGS.

For comments, queries, and suggestions, please contact our Compliance and Corporate Governance Office at ubpcorporategovernance@unionbankph.com.

OUR 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, and 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 relevant matters, including discussion of risk appetites, and key control and governance concerns.

Corporate Governance Report

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 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. He 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 digital banking, thrift, and rural banking, trust and investments, and insurance brokerage, to name a few.

BOARD MATTERS

Role of the Board

Our Board plays a key role in shaping the organization's strategy, vision, purpose, and culture. Our Board creates value for shareholders and other stakeholders by setting appropriate governance standards, approving the right strategies, and overseeing the implementation of strategies to achieve our corporate objectives and strategic priorities.

The details of the general responsibility, and specific duties and functions of our Board, can be found in our Manual on Corporate Governance, which is posted on our company website.

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.

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

- Election of Jose Emmanuel U. Hilado as non-executive director, vice Manuel R. Lozano, effective April 28, 2023. A banking veteran with over thirty years of experience, Hilado brings with him a wealth of experience and expertise in the areas of treasury, trading, investments, correspondent banking, and general banking operations.
- Manuel R. Lozano was appointed as Chief Financial Officer effective January 1, 2023 and subsequently stepped down from the Board effective April 28, 2023. Lozano reports directly to the President & CEO pertaining to all strategic and tactical matters as they relate to corporate portfolio strategy and capital allocation, budget management, balance sheet management, and tax optimization.

He serves as a key player in crafting and implementing our business strategies and working hand in hand with the business units to ensure consistent and superior operating performance.

- Election of Honorio G. Poblador IV as independent director effective April 28, 2023. A seasoned banking pro, Poblador has over two decades of investment banking and private equity experience having worked with Credit Suisse First Boston, Morgan Stanley Private Equity, Iron Capital Management, and Rothschild.

Board Diversity, Skills, and Competencies

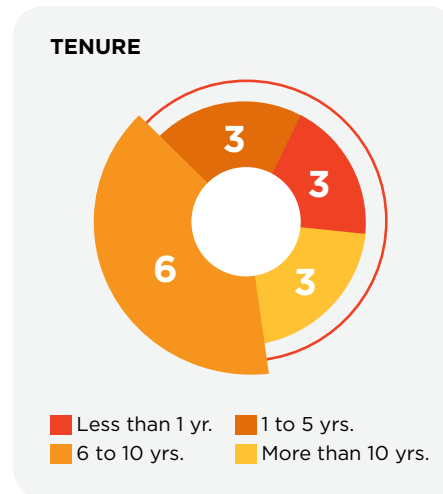
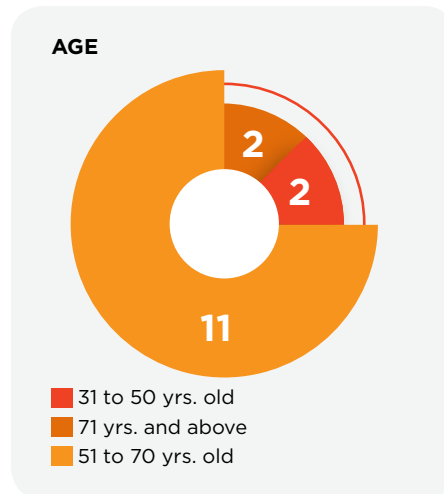
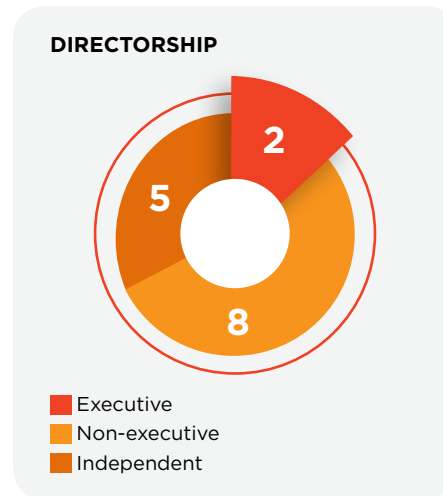
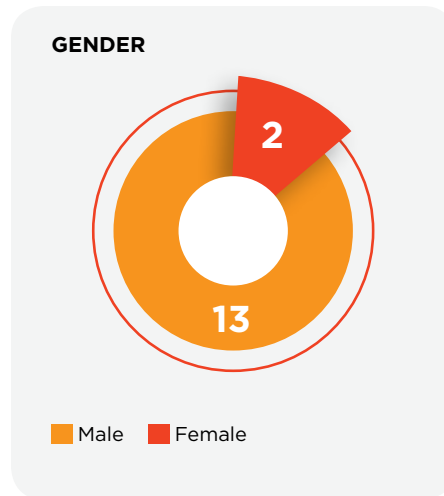
Over the last few years, the makeup of our Board has changed dramatically to align with the diversity of the customers and markets we serve. We are ramping up our efforts to attract diverse talents and leaders into our organization, which allow us to think differently, solve problems more creatively, 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
- At least five (5) independent directors
- At least two (2) directors with knowledge and expertise on information technology (IT), cybersecurity, and technology governance
- At least fifty percent (50%) of Board members with background or experience in banking and financial services

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, marketing management, construction, manufacturing, power, infrastructure, pharmaceutical, food and beverage, and real estate.

Corporate Governance Report



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 its current demographics, collective expertise, and core competencies are sufficiently diverse to meet the needs of the organization.

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 practice, all shareholders, including minority shareholders, have the right to nominate candidates for seats on 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 and BSP regulations.

We consider the following factors and criteria in the conduct of fit and proper test: integrity/probity, competence, relevant education/financial literacy/training, diligence, sufficiency of time to fully carry out responsibilities, and concurrent positions in the Bank and interlocking positions in other entities that may pose a conflict of interest.

Qualified nominees are requested to complete a questionnaire or nomination form. CCGO presents the nominees to the Corporate Governance Committee (CGC).

CGC then endorses the final list of nominees for Board approval. Once approved by the Board, the 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 our Board. In 2023, we reached out to the Institute of Corporate Directors and an independent executive search firm to assist us in our search for candidates.

Upon election, the CCGO prepares and submits the required certifications and other documentary and reportorial requirements to the BSP, in coordination with the directors concerned, pursuant to the confirmation [of their election by the Monetary Board of the Bangko Sentral.

Board Culture, Meetings, and Attendance

A healthy board culture is the linchpin of good governance and effective board performance.

Our board culture fosters an environment where open and constructive dialogue can take place, encourages challenging ideas, and puts a special emphasis on creativity and innovation, which leads to more thoughtful and productive discussions in the boardroom.

Our Board members devote 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.

Matters requiring decision and approval and matters which are for the Board's information are clearly set out on the agenda of the board meetings. Matters requiring board approval include the annual report and financial statements, policies, budgets, contracts, major IT systems, investments, material transactions, dividends, changes in strategic direction and priorities, changes in corporate governance and risk management framework, sustainability matters, to name a few.

The meetings are convened and presided 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.

Corporate Governance Report

In 2023, the Board held a total of eighteen (18) regular and special meetings. All directors have complied with (a) the fifty percent (50%) minimum attendance requirement to be eligible for re-election, (b) the seventy-five percent (75%) attendance rate recommended by the parameters of the ACGS, and (c) the twenty-five percent (25%) physical attendance requirement of the MORB.

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended	No. of meetings attended physically	% of meetings attended physically
Erramon I. Aboitiz	18	18	100.00	9	50.00
Justo A. Ortiz	18	18	100.00	6	33.33
Edwin R. Bautista	18	18	100.00	16	88.89
Sabin M. Aboitiz	17	18	94.44	9	50.00
Ana Maria A. Delgado	18	18	100.00	16	88.89
Samel A. Aboitiz	18	18	100.00	13	72.22
Manuel R. Lozano ²	7	7	100.00	6	85.71
Jose Emmanuel U. Hilado ³	11	11	100.00	10	90.91
Nina Perpetua D. Aguas	18	18	100.00	7	38.89
Rolando L. Macasaet ⁴	14	18	77.78	7	38.89
Robert Joseph M. De Claro ⁵	18	18	100.00	11	61.11
Roberto G. Manabat	18	18	100.00	7	38.89
Manuel D. Escueta	17	18	94.44	6	33.33
Josiah L. Go	18	18	100.00	9	50.00
Francisco Ed. Lim	18	18	100.00	8	44.44
Honorio G. Poblador IV ⁶	11	11	100.00	7	63.64

¹ Represents no. of Board meetings held in 2023 and during the incumbency of the director, as the case may be.

² Manuel R. Lozano stepped down from the Board effective April 28, 2023.

³ Jose Emmanuel U. Hilado joined the Board effective April 28, 2023.

⁴ Rolando L. Macasaet joined the Board effective January 27, 2023.

⁵ Robert Joseph M. De Claro joined the Board effective January 27, 2023.

⁶ Honorio G. Poblador IV joined the Board effective April 28, 2023.

Apart from the regular and special meetings of the Board, the non-executive directors also meet twice a year, without any executives present, to have an open discussion 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 and by the Chief Compliance and Corporate Governance Officer, Chief Audit Executive, Chief Risk Officer, and the External Auditor Partner.

In 2023, the sessions were held on February 28 and September 8. A representative of the External Auditor attended the second session.

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Roberto G. Manabat ²	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
Samel A. Aboitiz	2	2	100.00
Jose Emmanuel U. Hilado ³	1	1	100.00
Nina Perpetua D. Aguas	2	2	100.00
Rolando L. Macasaet	1	2	50.00
Robert Joseph M. De Claro	2	2	100.00
Manuel D. Escueta	2	2	100.00
Josiah L. Go	2	2	100.00
Francisco Ed. Lim	2	2	100.00
Honorio G. Poblador IV ⁴	1	1	100.00

¹ Represents no. of Non-Executive Board meetings held in 2023 and during the incumbency of the director, as the case may be.

² Non-Executive Board is chaired by Roberto G. Manabat, lead independent director.

³ Jose Emmanuel U. Hilado joined the Board effective April 28, 2023.

⁴ Honorio G. Poblador IV joined the Board effective April 28, 2023.

Board remuneration

The non-executive directors each receive a per diem of Php 160,000.00 for attendance in each meeting of the Board, except for the Chairman of the Board who receives Php 240,000.00.

The executive directors receive a per diem of Php 1,500.00 for attendance at Board meetings and Php 3,000.00 for each committee meeting.

The Chairman of each committee receives a per diem of Php 120,000.00 per meeting attended and a committee member receives a per diem of Php 80,000.00.

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 2023 can be found in our definitive information statement sent to all shareholders and is also posted on our company website.

The total compensation of the CEO and the four most highly compensated officers is also disclosed in the definitive information statement. The report includes the compensation paid or accrued during the last two calendar years and to be paid in the ensuing calendar year.

There was no proposal to change the remuneration of directors presented during the annual meeting of shareholders in 2023.

Name	Principal Position	Year	Aggregate Compensation (net of bonuses)	Bonuses
Edwin R. Bautista	President and Chief Executive Officer	2023	Php162,928,587.48	Php27,866,137.45
David Roi Hardoon	Chief Data and AI Officer			
Manoj Varma	Senior Executive Vice President - Consumer Bank Head			
Dennis D. Omila	Executive Vice President - Chief Technology and Operations Officer			
Manuel R. Lozano	Executive Vice President - Chief Financial Officer			
All other officers & directors as a group unnamed		2023	Php5,122,720,231.32	Php1,084,101,672.47

Corporate Governance Report

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 (including the President and CEO) undertake the assessment of the performance and effectiveness of the Board as a collective body, Board committees of which they are members, and the Chairman of the Board.

The 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.

A five-point Likert scale was used to measure the respondents’ agreement or disagreement with the statements provided, and open-ended questions were also incorporated to elicit more detailed responses pertaining to the overall performance of the Board and its committees, and areas to prioritize moving forward.

The evaluation results are aggregated, analyzed, and reported by the Compliance and Corporate Governance Office (CCGO) to the respective Board committees 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 developed and implemented to address the gaps and areas for improvement noted.

The Board may require a third-party assessor to conduct its annual performance assessment on its behalf or subject its existing performance assessment to third-party review. The assessor shall be pre-selected by the Corporate Governance Committee and presented to the Board for approval prior to engagement.

In 2023, the results have been favorable and the Board as whole, its committees, the Chairman, CEO, and individual members have received affirmative ratings across all evaluation metrics.

Type of Assessment	Respondents	Scope and Criteria
Board Self-Assessment (as a collegial body)	All members of the Board, including the President and CEO	<ol style="list-style-type: none"> characteristics of the Board as a single, functioning unit in relation to the performance of its collegial roles and responsibilities; actual board work accomplished within the year; board’s ability to create a positive impact in its industry and towards its stakeholders and shareholders; oversight on trust activities; and recommendations to allow the respondents to better express their ideas.

Type of Assessment	Respondents	Scope and Criteria
Board Committee Self-Assessment	All members of the Board Committees	<ol style="list-style-type: none"> 1. characteristics of the Committee as a single, functioning unit in relation to roles and responsibilities; 2. regularity and relevance of the meetings held by the Committee in relation to this roles, responsibilities and goals set for the calendar year; 3. level of faithfulness of the Committee in fulfilling its duties and responsibilities; 4. completeness of the Committee's list of responsibilities to fully account for the scope of its duties; and 5. Direction and strategy for the coming year.
Assessment of the Chairman of the Board	All members of the Board except for the Chairman	<ol style="list-style-type: none"> 1. leadership of the Chairman; 2. role of the Chairman in board training, continuing education, and performance review; 3. items to focus on for the coming year.
Individual Self-Assessment	All members of the Board, including the President and CEO	<ol style="list-style-type: none"> 1. performance of the individual director in relation to the mandated specific duties and responsibilities of a director enumerated in the Manual of Regulations for Banks (MORB).

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. The orientation program covers SEC-mandated topics and complies with the Bangko Sentral-prescribed syllabus on corporate governance for first-time directors.

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.

In 2023, we conducted a virtual Corporate Governance training for our directors and key officers, facilitated by SyCip Gorres Velayo & Company (SGV) and attended by a record number of over 300 participants. The session tackled important governance topics which included an overview of Related Party Transactions, Fraud and Anti-Bribery and Anti-Corruption, and Managing Climate-Related Disclosures.

Our directors also attended a series of learning sessions organized by Aboitiz Equity Ventures and conducted by renowned experts across the globe on areas such as geopolitics, artificial intelligence, and energy transition.

Corporate Governance Report

The orientation program for first-time directors and annual continuing training for all directors aim to promote effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities. We regularly assess the needs of our directors to determine the appropriate scope and coverage of these programs.

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

Name	Program	Date	Training Provider/ Host
Erramon I. Aboitiz	2023 Aboitiz Board Learning Sessions	October 25, November 22, November 29, and December 12, 2023	Aboitiz Equity Ventures
Justo A. Ortiz	2023 Aboitiz Board Learning Sessions	November 22, November 29, and December 12, 2023	Aboitiz Equity Ventures
Edwin R. Bautista	2023 Corporate Governance Seminar	November 28, 2023	SyCip Gorres Velayo & Company
Sabin M. Aboitiz	2023 Aboitiz Board Learning Sessions	November 22, November 29, and December 12, 2023	Aboitiz Equity Ventures
Ana Maria A. Delgado	2023 Corporate Governance Seminar	November 28, 2023	SyCip Gorres Velayo & Company
Samel A. Aboitiz	2023 Aboitiz Board Learning Sessions	November 22, November 29, and December 12, 2023	Aboitiz Equity Ventures
Jose Emmanuel U. Hilado	Corporate Governance Orientation Program	June 6 to 7, 2023	Institute of Corporate Directors
Nina Perpetua D. Aguas	Advanced Corporate Governance Training	November 6, 2023	Institute of Corporate Directors
Rolando L. Macasaet	Corporate Governance Orientation Program	March 8, 2023	Institute of Corporate Directors

Name	Program	Date	Training Provider/ Host
Robert Joseph M. De Claro	Corporate Governance Orientation Program	March 8, 2023	Institute of Corporate Directors
Roberto G. Manabat	Distinguished Corporate Governance Speaker Series: ESG Monitoring and Goals Tracking: Integrating ESG in Everyday Operations and GRI Sustainability and Strategy Reporting	March 30 and September 21, 2023	Institute of Corporate Directors
Manuel D. Escueta	2023 Corporate Governance Seminar	November 28, 2023	SyCip Gorres Velayo & Company
Josiah L. Go	2023 Aboitiz Board Learning Sessions	November 22, November 29, and December 12, 2023	Aboitiz Equity Ventures
Francisco Ed. Lim	Advanced Corporate Governance Training	November 17, 2023	Institute of Corporate Directors
Honorio G. Poblador IV	Compliance Training: Anti-Money Laundering and Countering the Financing of Terrorism for Capital Markets Intermediaries and 2023 Aboitiz Board Learning Sessions	September 7 and October 25, 2023	Lymon Pte. Ltd and Aboitiz Equity Ventures

Retirement and term limit

While prevailing governance standards recommend the adoption of mandatory retirement age limits for directors as a means to renew board composition, we believe that this is not always the most viable option, since adopting a fixed limit on director tenure could result in the arbitrary and premature 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, 2023, we have no independent director whose tenure has reached this term limit.

Name	Date of Appointment	Tenure ¹
Roberto G. Manabat	May 25, 2018	5 years and 7 months
Manuel D. Escueta	April 23, 2021	2 year and 8 months
Josiah L. Go	April 23, 2021	2 year and 8 months
Francisco Ed. Lim	May 28, 2021	2 year and 7 months
Honorio G. Poblador IV	April 28, 2023	8 months

¹ Tenure as of December 31, 2023.

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.

Corporate Governance Report

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 29, 2024:

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	543 33,973,280	Php5,430.00 (r) Php339,732,800.00 (b)	Filipino	0.00% 1.14%
Common	Justo A. Ortiz	5,639,675 -	Php56,396,750.00 (r) - (b)	Filipino	0.19% 0.00%
Common	Edwin R. Bautista	1,444,358 -	Php14,443,580.00 (r) - (b)	Filipino	0.05% 0.00%
Common	Sabin M. Aboitiz	319,352 4,367,064	Php3,193,520.00 (r) Php43,670,640.00 (b)	Filipino	0.00% 0.15%
Common	Ana Maria A. Delgado	166,947 4,748,783	Php1,669,470.00 (r) Php47,487,830.00 (b)	Filipino	0.00% 0.16%
Common	Samel A. Aboitiz	1,986,870 -	Php19,868,700.00 (r) - (b)	Filipino	0.07% 0.00%
Common	Jose Emmanuel U. Hilado	973,897 -	Php9,738,970.00 (r) (b)	Filipino	0.03% 0.00%
Common	Nina Perpetua D. Aguas	1 -	Php10.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Robert Joseph M. De Claro	1 -	Php10.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Rolando L. Macasaet	1 -	Php10.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Roberto G. Manabat	102 -	Php1,020.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Manuel D. Escueta	102 -	Php1,020.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Josiah L. Go	102 36,742	Php1,020.00 (r) Php367,420.00 (b)	Filipino	0.00%
Common	Atty. Francisco Ed. Lim	12,291 -	Php122,910.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Honorio G. Poblador IV	102 -	Php1,020.00 (r) - (b)	Filipino	0.00% 0.00%

The table below shows the summary of trading in company shares by directors in 2023.

Name	Shareholdings as of Jan. 1, 2023	Number of Shares Disposed	Number of Shares Acquired	Shareholdings as of Dec. 31, 2023
Erramon I. Aboitiz	24,190,902	-	2,436,128	26,627,030
Justo A. Ortiz	4,043,362	-	397,316	4,440,678
Edwin R. Bautista	877,866	-	259,422	1,137,288
Sabin M. Aboitiz	3,329,737	-	330,301	3,660,038
Ana Maria A. Delgado	3,249,905	-	620,753	3,870,655
Samel A. Aboitiz	412,103	-	1,152,362	1,564,465
Jose Emmanuel U. Hilado ¹	-	-	766,847	766,847
Nina Perpetua D. Aguas	1	-	-	1
Rolando L. Macasaet ²	-	-	1	1
Robert Joseph M. De Claro ³	-	-	1	1
Roberto G. Manabat	81	-	-	81
Manuel D. Escueta	81	-	-	81
Josiah L. Go	26,419	-	2,593	29,012
Francisco Ed. Lim	8,811	-	867	9,678
Honorio G. Poblador IV ⁴	-	-	81	81

¹ Jose Emmanuel U. Hilado joined the Board effective April 28, 2023.

² Rolando L. Macasaet joined the Board effective January 27, 2023.

³ Robert Joseph M. De Claro joined the Board effective January 27, 2023.

⁴ Honorio G. Poblador IV joined the Board effective April 28, 2023.

Interlocking positions and time commitment

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 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 addition, our executive directors shall not serve on more than two boards of listed companies outside of the group.

As of December 31, 2023, we have no director who has exceeded this limit on interlocking directorship positions held in publicly listed companies. The more detailed information on the interlocking positions of our directors can be found in the Profile of the Board of Directors section of this report.

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.

Corporate Governance Report

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.

Audit Committee

Key focus areas:

- Oversees our financial reporting process, practices, and controls
- Monitors and evaluates the adequacy and effectiveness of our internal controls
- Oversees the internal audit and external audit functions
- Oversees the implementation of corrective actions
- Oversees the establishment of whistleblowing mechanism

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Roberto G. Manabat ²	14	14	100.00
Samel A. Aboitiz ³	14	14	100.00
Nina Perpetua D. Aguas	14	14	100.00
Robert Joseph M. De Claro ⁴	12	12	100.00
Francisco Ed. Lim	14	14	100.00
Manuel D. Escueta	14	14	100.00
Josiah L. Go	14	14	100.00

¹ Represents no. of Audit Committee meetings held in 2023 and during the incumbency of the director, as the case may be.

² Audit Committee is chaired by Roberto G. Manabat, an independent director, in compliance with the ACGS. The Committee is composed entirely of non-executive directors, with independent directors comprising majority of the members.

³ Samel A. Aboitiz was appointed as member of the Audit Committee effective January 17, 2023.

⁴ Robert Joseph M. De Claro was appointed as member of the Audit Committee effective January 27, 2023.

Corporate Governance Committee

Key Focus Areas:

- Assists the Board in fulfilling its corporate governance responsibilities
- Serves as the Nomination Committee; reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to positions requiring appointment by the Board
- Oversees the periodic performance evaluation of the Board and its committees
- Serves as the Remuneration Committee; oversees the design of the remuneration and other incentives policies
- Ensures the integration of environmental, social, and governance (ESG) principles on our corporate governance framework, strategies, and operations

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Francisco Ed. Lim ²	17	17	100.00
Erramon I. Aboitiz	16	17	94.14
Justo A. Ortiz	17	17	100.00
Nina Perpetua D. Aguas	17	17	100.00
Rolando L. Macasaet ³	9	15	60.00
Roberto G. Manabat	17	17	100.00
Manuel D. Escueta	17	17	100.00
Josiah L. Go	16	17	94.12
Honorio G. Poblador IV ⁴	9	10	90.00

¹ Represents no. of Corporate Governance Committee meetings held in 2023 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. The Committee is composed entirely of non-executive directors, with independent directors comprising majority of the members.

³ Rolando L. Macasaet was appointed as member of the Corporate Governance Committee effective January 27, 2023.

⁴ Honorio G. Poblador IV was appointed as member of the Corporate Governance Committee effective April 28, 2023.

*Sabin M. Aboitiz serves as alternate member of the Corporate Governance Committee and attended four (4) meetings in 2023.

**Robert Joseph M. De Claro was appointed as alternate member of Rolando L. Macasaet for the Corporate Governance Committee effective January 27, 2023, and attended two (2) meetings in 2023.

Executive Committee

Key Focus Areas:

- Approves credit and loan transactions whether clean or secured within the approved limits set by the Board
- Confirms or notes approvals made by the Management within its delegated level of authority limits such as but not limited to the sale of real estate and other acquired properties, mortgage loans and bills purchase accommodations
- Endorses credit transactions beyond the Committee's approving limits for the approval of the Board
- Approval of such other transactions as may be initiated by business units within the Committee's limit of transactions

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Erramon I. Aboitiz ²	16	16	100.00
Justo A. Ortiz	16	16	100.00
Edwin R. Bautista	14	16	87.50
Sabin M. Aboitiz	15	16	93.75
Jose Emmanuel U. Hilado ³	11	12	91.67
Nina Perpetua D. Aguas	16	16	100.00
Rolando L. Macasaet ⁴	7	15	46.67
Manuel R. Lozano ⁵	3	3	100.00

¹ Represents no. of Executive Committee meetings held in 2023 and during the incumbency of the director, as the case may be.

² Executive Committee is chaired by Erramon I. Aboitiz.

³ Jose Emmanuel U. Hilado was appointed as member of the Executive Committee effective April 28, 2023.

⁴ Rolando L. Macasaet was appointed as member of the Executive Committee effective January 27, 2023.

⁵ Manuel R. Lozano stepped down as member of the Executive Committee effective April 28, 2023.

*Ana A. Delgado serves as alternate member of the Executive Committee and attended one (1) meeting in 2023.

**Robert Joseph M. De Claro was appointed as alternate member of Rolando L. Macasaet for the Executive Committee effective January 27, 2023, and attended five (5) meetings in 2023.

Information Technology and Cybersecurity Committee

Key Focus Areas:

- Reviews IT strategic plan to ensure alignment with business strategies, purpose, and core values
- Oversees and assesses the quality and effectiveness of our cybersecurity program, including our personnel, policies, and procedures
- Oversees and reviews our controls to prevent, detect and respond to cyber-attacks or data breaches involving information technology systems, data, products, and services
- Oversees compliance with the Data Privacy Act of 2012 and other privacy and security regulations and requirements applicable to the data we receive, collect, create, use, process, and maintain

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Justo A. Ortiz ²	12	12	100.00
Edwin R. Bautista	11	12	91.67
Ana Maria A. Delgado ³	4	4	100.00
Jose Emmanuel U. Hilado ⁴	7	8	87.50
Rolando L. Macasaet ⁵	7	11	63.64
Honorio G. Poblador IV ⁶	8	8	100.00
Dennis D. Omila ⁷	8	8	100.00

¹ Represents no. of Information Technology and Cybersecurity Committee (ITCC) meetings held in 2023 and during the incumbency of the director, as the case may be.

² ITCC is chaired by Justo A. Ortiz.

³ Ana Maria A. Delgado stepped down as member of the ITCC effective April 28, 2023.

⁴ Jose Emmanuel U. Hilado was appointed as member of the ITCC effective April 28, 2023.

⁵ Rolando L. Macasaet was appointed as member of the ITCC effective January 27, 2023.

⁶ Honorio G. Poblador IV was appointed as member of the ITCC effective April 28, 2023.

⁷ Dennis D. Omila was appointed as non-voting member of the ITCC effective April 28, 2023.

*Robert Joseph M. De Claro was appointed as alternate member of Rolando L. Macasaet for the ITCC effective January 27, 2023, and attended three (3) meetings in 2023.

Corporate Governance Report

Market Risk Committee

Key Focus Areas:

- Reviews risk management policies and practices relating to market risk, interest rate risk in the banking book (IRRBB), and liquidity risk
- Reviews 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
- Monitors performance and overall market risk, IRRBB, and liquidity risk profiles, ensuring that the levels of these risks are maintained within tolerance and at prudent levels supported by adequate capital
- Mandates and tracks the resolution of breaches in risk limits and actions taken on deviations from policies and procedures

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Honorio G. Poblador IV ²	8	8	100.00
Josiah L. Go ³	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
Robert Joseph M. De Claro ⁴	11	11	100.00
Roberto G. Manabat	12	12	100.00
Manuel D. Escueta	12	12	100.00
Francisco Ed. Lim	12	12	100.00
Ricardo L. Moldez ⁵	1	1	100.00

¹ Represents no. of Market Risk Committee meetings held in 2023 and during the incumbency of the director, as the case may be.

² Honorio G. Poblador IV was appointed as chairman of the Market Risk Committee effective April 28, 2023.

³ Josiah L. Go stepped down as chairman but remained as member of the Market Risk Committee effective April 28, 2023.

⁴ Robert Joseph M. De Claro was appointed as member of the Market Risk Committee effective January 27, 2023.

⁵ Ricardo L. Moldez stepped down as member of the Market Risk Committee effective January 27, 2023.

Operational Risk Management Committee

Key Focus Areas:

- Reviews risk management policies and practices relating to operational risk
- Approves operational risk management framework which shall form part of the enterprise risk management system
- Approves appropriate thresholds or limits to ensure that the level of operational risk is within the tolerance level
- Provides oversight on the implementation of a sound business continuity management framework

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Josiah L. Go ²	12	12	100.00
Justo A. Ortiz	12	12	100.00
Samel A. Aboitiz	12	12	100.00
Robert Joseph M. De Claro ³	10	10	100.00
Roberto G. Manabat	12	12	100.00
Manuel D. Escueta	12	12	100.00
Francisco Ed. Lim	11	12	91.67
Ricardo L. Moldez ⁴	1	1	100.00

¹ Represents no. of Operational Risk Management Committee (ORMC) meetings held in 2023 and during the incumbency of the director, as the case may be.

² ORMC is chaired by Josiah L. Go, an independent director.

³ Robert Joseph M. De Claro was appointed as member of the ORMC effective January 27, 2023.

⁴ Ricardo L. Moldez stepped down as member of the ORMC effective January 27, 2023.

Related Party Transactions Committee

Key Focus Areas:

- 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
- Assists the Board in ensuring that RPTs are undertaken only on an arm's length basis in compliance with the RPT Policy and applicable policies and guidelines of the BSP and SEC
- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of policies and procedures

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Francisco Ed. Lim ²	15	15	100.00
Roberto G. Manabat	15	15	100.00
Manuel D. Escueta	15	15	100.00

¹ Represents no. of Related Party Transactions Committee meetings held in 2023 and during the incumbency of the director, as the case may be

² The Related Party Transactions Committee is chaired by Francisco Ed. Lim, an independent director. The Committee is composed entirely of independent directors in compliance with the ACGS.

Risk Management Committee

Key Focus Areas:

- Oversees the enterprise risk management framework and ensures that there is periodic review of the effectiveness of risk management systems and recovery plans
- Ensures that the current and emerging risk exposures are consistent with our strategic direction and overall risk appetite
- Approves policies related to risk management, with specific delegation to the Operational Risk Management Committee and Market Risk Committee for matters under their purview

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Manuel D. Escueta ²	12	12	100.00
Erramon I. Aboitiz	12	12	100.00
Justo A. Ortiz	12	12	100.00
Robert Joseph M. De Claro ³	11	11	100.00
Roberto G. Manabat	12	12	100.00
Josiah L. Go	12	12	100.00
Honorio G. Poblador IV ⁴	7	8	87.50

¹ Represents no. of Risk Management Committee meetings held in 2023 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 Robert Joseph M. De Claro was appointed as member of the Risk Management Committee effective January 27, 2023.

⁴ Honorio G. Poblador IV was appointed as member of the Risk Management Committee effective April 28, 2023.

Corporate Governance Report

Trust Committee

Key Focus Areas:

- Ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices
- Oversees the effective implementation of the risk management framework and internal control system relative to the fiduciary activities
- Ensures that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive, and effective

Name	No. of meetings attended	No. of meetings held ¹	% of meetings attended
Erramon I. Aboitiz ²	12	12	100.00
Justo A. Ortiz ³	4	4	100.00
Edwin R. Bautista	10	12	83.33
Jose Emmanuel U. Hilado ⁴	7	8	87.50
Rolando L. Macasaet ⁵	9	11	81.82
Irma M. Lasquety	12	12	100.00

¹ Represents no. of Trust Committee meetings held in 2023 and during the incumbency of the director, as the case may be.

² Trust Committee is chaired by Erramon I. Aboitiz.

³ Justo A. Ortiz stepped down as member of the Trust Committee effective April 28, 2023.

⁴ Jose Emmanuel U. Hilado was appointed as member of the Trust Committee effective April 28, 2023.

⁵ Rolando L. Macasaet was appointed as member of the Trust Committee effective January 27, 2023.

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 organization.

At the time of writing, we have seventeen (17) 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
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

Committee	Mandate
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
Digital Integration Committee	Reviews the digital transformation roadmap, application and technology portfolios, ongoing and incoming initiatives to drive cost efficiencies across the banking group
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
Model Governance Management Committee	Oversees the development and promotion of responsible Artificial Intelligence (AI) Governance practices in the Bank and facilitates the coordination of the Bank's activities and initiatives related to the development and use of AI

Committee	Mandate
Personnel Committee	Sets policies that aim to develop, strengthen, and sustain employee engagement, and ensures leadership succession at the executive level
Related Party Transaction Review Committee	Reviews and endorses related party transactions prior to presentation, endorsement, or notation by the RPT Committee
Reputation Management Committee	Ensures that all reputation management efforts are aligned, and messages communicated are consistent for all stakeholders
Resiliency Steering Committee	Provides the strategic direction for the Bank's Business Continuity Management System (BCMS) Framework
Retirement Committee	Responsible for the general management and administration of the UnionBank Retirement Plan and Retirement Fund for its employees

Selection Process for Senior Management

The hiring process for senior officers includes screening by the Management Committee members of the function or position that is being filled. If the nature of the function or position has interaction and/or direct transactions with another Center, the candidate is screened by the concerned Center Heads.

All executive hiring requires approval of the Board and disclosure to the SEC and BSP.

Corporate Governance Report

Performance Assessment

We conduct regular performance reviews to measure and evaluate the employee’s strengths and areas for improvements, offer constructive feedback for skill development in the future, and assist with goal setting.

Our performance management system, as integrated into our Balanced Scorecard (BSc) framework, aligns with our strategies in the key areas of financial performance, governance and risk management, operations, people and stakeholder management, and strategy execution.

Following a top-down approach, we have established lines of business BScs as a foundation to effectively implement our scorecard both on the unit and individual level.

Orientation and Continuing Education

Our supportive infrastructure, processes, and resources future-proof the Bank and provide opportunities for UnionBankers to collaborate and innovate.



We inspire employees to grow beyond their respective departments and adopt a holistic set of skills to gain competence and prepare for the many “futures of work.” We operationalize our PeopleTech mission through the following programs:

Student Mentoring Program (SMP) is a pre-hire initiative to train and mentor top-notch students from universities and other institutions. Participants benefit from a virtual internship to experience UnionBank’s agile and collaborative culture.

Leadership Accelerated Development (LEAD) Management Trainee Program launched in 2017, this program for future leaders targets the top 5% of each graduating class. LEAD Management Trainees (LEADS) are assigned to various units to create solutions, build new products, or improve current organizational processes, enabling them to make valuable contributions and attain personal career goals.

Technical Lead Program (Tech LEAD) is a 12-month fast-tracked technical development program covering emerging technologies while gaining business acumen and leadership foundations through blended learning interventions. It has seeded 35 future tech leaders in UnionBank in Data Science, Information Security, Customer Experience, Enterprise Architecture, Solutions Delivery, Infrastructure and Service Management, and Digital Delivery. Tech LEAD culminates with a CSR initiative called ‘Pay IT Forward’.

Provided with the right tools and training to excel in preparation for leadership roles, employees benefit from these programs that democratize learning and allow multi-specialization and talent mobility within the organization.

UnionBank University continuously grows its library of self-paced or instructor-led learning courses to strengthen employees’ core capabilities while giving them opportunities to explore and upskill for a potential career-shift and co-create innovations for immediate communities.

At the University, cross-functional teams create products, services, and solutions that are commercialized or institutionalized. Traditional training programs and immersion labs provide leaders with firsthand experience in growing startups, which gives them a head start as leaders capable of using design thinking and business model canvas to create human-centric solutions for complex problems.

Retirement and Succession Management

We recognize that succession is an integral piece in driving our strategies. We conduct regular talent reviews to identify successors for critical positions and 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.

Our deliberate and systematic effort to ensure leadership continuity covers retirement of eligible employees. Under our Retirement Policy, the normal retirement age is sixty (60) years with a provision for late retirement beyond the age of sixty (60) subject to approval of the Board.

Remuneration

Our remuneration policy is anchored on attracting, engaging, and retaining talents. We adhere to the philosophy of meritocracy across all employee ranks. Our remuneration structure is designed to ensure there is an appropriate balance of fixed and variable rewards that consider individual, group, and corporate performance.

Eligible employees receive variable pay based on the performance for the preceding year. Eligible senior officers are participants in a deferred employee stock program. Annual salary increases are based on performance and promotion. All teams and their employee team members have defined and measurable performance indicators and targets following the balanced scorecard framework.

Contributions are rewarded based on an appraisal conducted by senior management. Rewards could be withheld if an employee fails to meet performance requirements or if an administrative or disciplinary action is imposed against the employee.

COMPLIANCE AND INTERNAL CONTROLS

Our Compliance Framework

Around the world, the increasing number of corporate scandals, hefty fines, and growing regulatory scrutiny is what keeps compliance officers at night. The compliance landscape is rapidly changing as regulators seek to protect consumers when they transact, shop, and invest.

At UnionBank, we view compliance with regulations not only as an obligation, but as a 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 of reputation. Through our compliance efforts, we seek to do business in a way that engenders trust with our customers, investors, regulators, and the public.

Corporate Governance Report

Our compliance team, the Compliance and Corporate Governance Office (CCGO), is equipped with deep knowledge and industry expertise to keep pace with the ever-changing regulatory horizon. We have a total of thirty-nine (39) compliance officers in charge of facilitating 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. As the lead operating officer in compliance, 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.

Forging a positive and productive working relationship with our regulators remains a key tenet of our governance agenda. We are aware that our compliance efforts to maintain the safety and soundness of the banking system are amplified when we work together with regulators who share the same goals.

We've bolstered our compliance efforts by taking an active role in various industrywide forums, conferences, regular examinations and thematic reviews, consultations, review of exposure drafts, surveys and studies of our regulators including the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), and Anti-Money Laundering Council (AMLC), to cement our position as an industry leader in compliance and good governance. We've also been working closely with external partners and industry observers including the Association of Bank Compliance Officers (ABCOMP), Bankers Association of the Philippines (BAP), Bankers Institute of the Philippines (BAIPHIL), and other 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.

Anti-money laundering and countering the financing of terrorism

As the world becomes increasingly interconnected and digital, the fight against financial crime has become more challenging. The war in Ukraine, the coronavirus pandemic and the resultant lockdown measures, and the growing geopolitical tensions continue to put a spotlight on the international movement of money and highlighted the need for the global community to tackle these evolving risks.



We take our compliance obligations very seriously, and we are committed to combating illicit finance to maintain the integrity of the financial system. The five (5) pillars of our anti-money laundering and countering the financing of terrorism (AML/CTF) efforts are detailed below.

Policies and procedures. We have established a comprehensive and risk-based money laundering and terrorist financing prevention program to prevent UnionBank from being used as a money laundering site for the proceeds of any unlawful activity. We regularly review our policies and procedures to ensure that the provisions of the program remain relevant and responsive to address regulatory developments, risks, and threats.

Customer identification and acceptance. We maintain a system of verifying the true identity of our 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.

For corporate and juridical entities, the legal existence, ownership, control structures, and the authority and identification of all persons authorized to act on their behalf are verified.

Our customer acceptance policies 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 our products and services.

Transaction monitoring and reporting. Our transaction monitoring capabilities allow us to identify unusual business relationships and transactions, and report covered and suspicious transactions to our financial intelligence unit, the Anti-Money Laundering Council (AMLC).

Working closely with the regulators. Through effective implementation of these measures, we assist the Anti-Money Laundering Council (AMLC) and various law enforcement agencies in tracing and stopping the financial flows linked to serious crime and terrorism, to make our society safer.

Continuing education and training. We offer capacity-building activities and training opportunities to promote AML/CTF awareness and strong compliance culture across the organization. Refresher courses are provided via UnionBank University to ensure that employees are updated with recent regulations, developments, and best practices.



Corporate Governance Report

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 a 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.

Training on Anti-Corruption Policies and Procedures	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated	100%
Percentage of directors and management that have received anti-corruption training	100%
Percentage of employees that have received anti-corruption training	100%
Incidents of Corruption	
Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0

Product Compliance

In most organizations, compliance is viewed as a roadblock to business growth. Here at UnionBank, however, we consider our compliance team as a trusted partner and business enabler.

As we continue to move the needle in providing innovative products and services to our customers, we have also organized our compliance function according to product segments to drive maximum value for the business.

Our product compliance officers (PCOs) provide guidance on rules and regulations relating to their respective business and product assignments – Treasury, Credit, Trust, Private Banking and Finance, Information Technology, and Operations. The PCOs provide compliance guidance and assist the lines of business in the design, development, and implementation of best-in-class compliance programs, policies, and practices.

Compliance testing

Our compliance testing exercise aims to assess adherence to banking laws, rules and regulations, and internal policies through a two-pronged approach: independent compliance and self-compliance testing.

Independent compliance testing begins with the annual risk assessment of all the units identified in the compliance universe. After the risk assessment, we prioritize which units will be tested and which items in the compliance matrix will be covered.

We also utilize the results of the unit's self-testing and disclosure to the CCGO of any identified issues against regulations, and related action plans to address and resolve the exceptions noted. The results are subject to a desktop validation which includes a review of responses and action plans to determine consistency and comprehensiveness.

Identified breaches and/or deficiencies and the corrective measures recommended to address them are reported to the Board of Directors through the Corporate Governance Committee.

Investment and insurance sales surveillance

Consumer protection is at the top of our priorities. With the enactment of Republic Act No. 11765 otherwise known as the “Financial Products and Services Consumer Protection Act (FCPA)” and the subsequent issuance of BSP Circular No. 1160, Series of 2022, we ensure that appropriate mechanisms are in place to protect the interests of our consumers under the conditions of transparency, fair and sound market conduct, and fair, reasonable, and effective handling of financial consumer disputes, which are aligned with regulatory expectations and global best practices.

We’ve established a dedicated Investment and Insurance Sales Surveillance team responsible for conducting an independent monitoring of sales activities to ensure full adherence to regulatory requirements and approved sales processes.

Subsidiaries compliance oversight

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 digital banking, thrift, and rural banking, trust and investments, and insurance brokerage, to name a few.

We have formulated 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.

Related party transactions

We ensure that all our transactions with related parties are undertaken only on an arm’s length basis and subjected to appropriate oversight of the Board and relevant committees to protect the Bank from conflicts of interest and abusive related party transactions (RPTs) that may arise.

Our RPT Policy, which is approved by the Board, is strictly implemented across all covered transactions. The guidelines ensure fairness and transparency 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.

Our Board members, stockholders, and executive officers 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, officers or employees who are related to the transacting party are required to abstain from the discussion, approval, and management of the transaction.

The RPT Committee is responsible for assisting the Board in fulfilling its governance responsibilities on the review and approval of RPTs, as specified in our Policy. The RPT Committee is composed entirely of independent directors, including the Chairman. Our RPT Policy can be viewed on the Good Governance Standards microsite of our company website.

Corporate Governance Report

The table below shows the summary of material RPTs in 2023. All related party transactions were conducted fairly and at arm's length basis.

Relationship	Nature	Terms and Conditions	Amount / Contract Price	Outstanding Amount
DOSRI	Credit facilities, investment management account (IMA), insurance, lease, and others	Standard terms and conditions	14.660 billion	.5861 billion
Affiliates	Credit facilities, escrow, group health insurance, insurance accreditation, lease, and others	Annual renewal; standard terms and conditions	7.1 billion	-
Subsidiaries	Capital infusion, credit facilities, insourcing, IT services, lease, and others	Standard terms and conditions	40.18 billion	.005 billion
Other related parties	Credit facilities, IMA, insurance, derivatives, trust	Standard terms and conditions	9.68 billion	.531 billion

AUDIT

The Board of Directors, through the Audit Committee, ensures the effectiveness and adequacy of our internal control system.

The Audit Committee is responsible for assessing the effectiveness of the control environment, including the interrelation of other internal control components. It serves as the principal agent of the Board in evaluating the audit processes and ensuring independence of our external auditors and the internal audit function. It is also responsible for setting up the Internal Audit Group (IAG) and for the appointment of the Chief Audit Executive and the Independent External Auditor who both report to the Audit Committee.

The Audit Committee consists of seven (7) members who are knowledgeable in accounting, auditing and related financial management matters who are tasked to provide oversight on the Bank's financial reporting process and the internal and external audit function.

Among the responsibilities of the Audit Committee are:

- Oversight of the financial reporting process. The Audit Committee ensures that the 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, and the external auditor, to effectively monitor the financial reporting process and resolution of any significant financial reporting issues and concerns.
- Monitoring and evaluation on the adequacy and effectiveness of the Bank's Internal Control. The Audit Committee, through the IAG, monitors and evaluates the adequacy and effectiveness of the Bank's internal control framework, the integrity of financial reporting, and security of physical assets, and ensures that a pro-active and forward-looking approach to evaluation of risks and controls is taken. The Audit Committee 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. Further, the Audit Committee requires management to maintain a comprehensive Internal Control (IC) Framework.
- Oversight of the whistle-blowing mechanism. The Audit Committee oversees the establishment of a whistle-blowing mechanism in the 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 arrangements are in place for the independent investigation, appropriate follow-up, action, and subsequent resolution of complaints.

The Audit Committee satisfactorily performed all their duties as stipulated in the Audit Committee Charter, based on the results of the annual self-assessment. Further, based on the above initiatives, the Audit Committee views that the effectiveness of the internal controls, financial reporting process, and risk management systems of the Bank remain adequate and effective.

Internal Audit

The Internal Audit Group (IAG) is entirely independent of all other 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 conducts assurance and advisory engagements based on a forward-looking audit plan consistent with our strategic plans and priorities. IAG performs risk assessment using an auditable entity level structure to ensure that all business units, processes, and risk areas will be covered based on risk-based assessment and prioritization. When called for by our Code of Conduct, IAG also conducts investigations in aid of administrative proceedings.

As we continuously evolve towards the attainment of our digitization strategy, IAG has undertaken initiatives to adapt and expand its processes and to provide relevant and timely recommendations to internal stakeholders. IAG 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 Governance, Risk, and Compliance (GRC) system which aims to integrate operational risk management across the Parent Bank; to aid in ensuring the quality and completeness of documentation across its different engagements; and to serve as an audit management information system.



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

External Audit

Our external auditors examine our 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 by SGV & Co. (EY Philippines).

Corporate Governance Report

GOVERNANCE POLICIES

Review of Corporate Strategy

Our corporate strategy is carefully reviewed, monitored, and overseen by the Board through a structured process. The strategy is presented to the Board, and a periodic exercise translates it into key performance indicators (KPIs) incorporated into the Bank's balanced scorecard. This enables ongoing monitoring and measurement of our strategic progress. The balanced scorecard, inclusive of strategic KPIs, is regularly (at least annually) presented to the Board, ensuring transparency and accountability.

Our Board guides the management in setting the priorities and defining the strategic agenda for the planning period. The process has been reviewed, monitored, and overseen by the Board in 2023.

The Chairman's Message and CEO Report provide high-level insights into our corporate strategy, vision, and objectives.

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 in 2023.

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. We achieved three-golden arrow recognition for the 2022 ASEAN Corporate Governance Scorecard (ACGS) performance which represents the highest ACGS score of Unionbank since the Institute of Corporate Directors (ICD) inaugurated the Golden Arrow Awards in 2018.



(From L-R) UnionBank Lead Independent Director Roberto Manabat, Aboitiz Equity Ventures (AEV) Vice President for Governance & Compliance Mailene De La Torre, and AboitizPower Senior Vice President and Chief Legal & Compliance Officer Mickey Colayco receive plaques of recognition from the ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Awards.

The Golden Arrow Recognition was held last September 28, 2023, at the Okada Manila Hotel, and was attended by Lead Independent Director Roberto G. Manabat, Public Relations Head James Morris P. Iletto, and Compliance Officer for Corporate Governance Atty. Cyril G. Arnesto.

Manabat said, "We humbly accept this recognition as a reinforcement of the principles that guide the Bank. Our corporate governance practices reinforce the requirements of a constantly evolving business landscape. We ensure that they comply with new regulations and are ready to adopt best practices."

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 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.

Dividends

Cash Dividends

In accordance with the Bank's By-Laws, the Board 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 table below shows the summary of the cash dividends declared and distributed by the Bank in 2023.

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
February 1, 2023	February 15, 2023	N/A	February 27, 2023	Php2.00	2,353,746,590	Php4,707,549,134.00

On January 26, 2024, the Bank's BOD approved the declaration of cash dividends at Php0.80 per share or a total of Php2,391,407,614.40 based on the outstanding common stock of 2,989,259,518. The record date for stockholders entitled to the cash dividend was set on February 13, 2024 and payment was made on February 20, 2024.

In compliance with BSP regulations, the 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 for dividends.

Stock Dividends

On February 24, 2023 and April 28, 2023, the BOD and stockholders of the Bank approved, respectively, the declaration of 27% stock dividends in the amount of Php6,355,191,330.00 equivalent to 635,519,133 common shares

with a par value of Php10.00 to comply with the required 25% subscription of the increase in authorized capital stock of the Bank. Fractional shares resulting from the stock dividend declaration were paid in cash based on the closing rate of Php87.50 as of February 27, 2023, the next trading day at the PSE following the date of approval by the Board of the said declaration and computed up to two (2) decimal places.

On August 1, 2023 and December 5, 2023, the Parent Bank obtained the BSP and the SEC approvals, respectively, for the increase in the authorized capital stock and for the issuance of common shares to stockholders of record as of December 22, 2023 and payment date on January 4, 2024.

On January 4, 2024, the Bank issued 635.5 million common shares at par value of Php10.00 for whole shares and paid Php0.22 million for 2,550.79 fractional shares in relation to the 27% stock dividends.

Code of Conduct

Our 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, 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 UnionBankers' faithful adherence and dedication to our Values of Integrity, Magis, and Ubuntu, nurtured by our passion to provide competent, effective, and delightful service.

Corporate Governance Report

Thus, our Code of Conduct embodies the principles for the personal and professional conduct of all UnionBankers, including third parties that the Bank uses in its operations like vendors, partners, and service providers, 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.

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 sheets 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.

Consumer Protection

Our Board and Senior Management are responsible for developing our consumer protection strategy and establishing an effective oversight over our consumer protection programs.

Our Board is primarily responsible for approving and overseeing the implementation of our Consumer Protection Risk Management System (CPRMS) while our Senior Management is responsible for ensuring that our practices are aligned with the approved CPRMS.

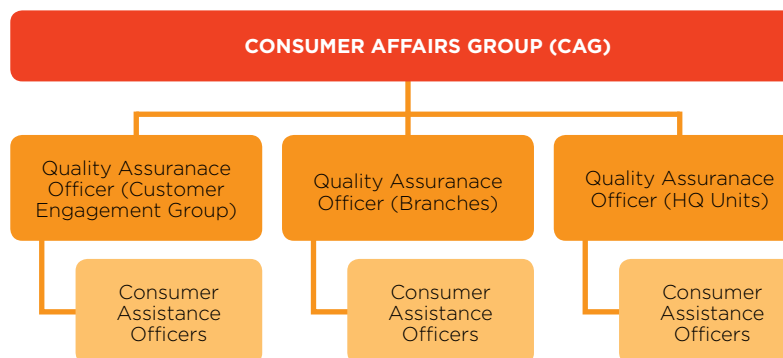
Risk assessment strategies are included as part of the Consumer Assistance Policy and Procedure (CAPP) to analyze the data of complaints/requests, its causes, effects to other products/services, and corrective actions including its costs and resources. All monitored complaints, regardless of nature or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



For monitoring and reporting purposes, the CAG reports and escalates issues and concerns to Senior Management and to the Operational Risk Management Committee (ORMC) on a monthly basis regarding persistent complaints that have been received.

The following procedures are observed for handling of complaints:

- A Consumer Assistance Officer (CAO) receives and acknowledges customer's complaint, request, or inquiry through any of the following channels: web-portal, walk-in or personal branch visit, letter, e-mail, and telephone.
- The CAO performs initial investigation to properly identify unit/s in charge of resolving the complaint, request, or inquiry and logs the same into our central repository system.
- The client will be notified via email to acknowledge the concern and upon resolution of the case.
- The Quality Assurance Officer (QAO) monitors the progress of investigation to ensure compliance with the prescribed turnaround time.
- The Resolving CAO performs the investigation within the required turnaround time based on the type of complaint and communicates the resolution to the customer in simple and clear language.



Corporate Governance Report

RIGHTS OF SHAREHOLDERS

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.

We treat all shareholders fairly and equitably, and recognize, protect and facilitate the exercise of their rights. Shareholders' rights and privileges relate to the following, among others: (a) pre-emptive rights; (b) right to receive dividends; (c) right to propose the holding of meetings, ask questions, and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting; (d) right to nominate and elect candidates to the Board; (e) voting rights including the right to participate in amendments to the company's constitution, the authorization of additional shares, and the transfer of all or substantially all assets of the company; (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 2023 annual stockholders' meeting (ASM) was conducted virtually by secure videoconference facility at <https://asm.unionbankph.com> and facilitated at the 48th Floor Skylounge, UnionBank Plaza, Meralco Ave. cor. Onyx St., Ortigas Center, Pasig City last April 28, 2023.

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 10, 2023, by email 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 22 and 23, 2023, respectively, and posted on the Bank's website.

Pursuant to SEC Notice dated March 13, 2023, 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 29 and 30, 2023. The last publication was made 29 days prior to this meeting, in accordance with Article IV Section 1(c) of the By-Laws and Section 49 of the Revised Corporation Code.

The Definitive Information Statement contained the rationale and explanation for each agenda item which require shareholders' approval, the profile and business experience of the directors and nominees seeking election/re-election and identified the auditor seeking re-appointment. Proxy form was also made available in the document.

During the ASM

The Chairman presided and called the ASM to order. The Corporate Secretary recorded the minutes of the proceedings. The Chairman thanked the stockholders who attended the meeting via livestreaming, who have voted in absentia through the Bank's online voting portal, and who submitted their proxy forms appointing the Chairman as proxy. All members of the Board, nominee directors, and key officers attended the ASM.

At the request of the 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, we 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 Annual Stockholders' Meeting held on April 22, 2022; (b) Approval of the Annual Report of Management on Operations for 2022 and the Audited Financial Statements as of December 31, 2022; (c) ratification of past actions of the Board of Directors, Board Committees, and Management, including all significant related party transactions; (d) amendment of Articles of Incorporation to Increase Authorized Capital Stock; (e) declaration of stock dividends; (f) appointment of the External Auditor for the year 2023; and (g) election of directors.

The shareholders were encouraged to express their opinions and raise any questions, either on the agenda or any other questions related to our business and operations. During the open forum, the 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 questions, all of which were recorded in the Minutes of the meeting.

Stockholders were 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 28, 2023. 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 President and CEO, 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.

Company website

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.

Our website serves as a venue to disclose in a timely manner a wide range of information including:

- Financial statements/reports (latest quarterly)
- Materials provided in briefings to analysts and media
- Downloadable annual report
- Notice and minutes of the annual stockholders' meeting
- Company's constitution which includes our By-laws and Articles of Incorporation

Annual Report

We issue our Annual Report to promote greater disclosure and transparency to the public. Our Annual Report outlines our key achievements over the past year and contains discussion on corporate objectives, financial and non-financial performance indicators, profile of the Board and key officers, corporate governance framework, dividend policy, and statement of management's responsibility for financial statements, to name a few.

Financial statements

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.

Corporate Governance Report

Investor Relations

UnionBank engages the investing public and potential investors through an effective Investor Relations (IR) Program. The investing community is updated on the Bank's performance, strategies, and management actions towards achieving a true and fair valuation of the Bank.

Our Investor Relations Office (IRO) promotes 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.



(From L-R) Treasurer and Head of Global Markets Johnson L. Sia and Chief Financial Officer Dmi R. Lozano share their insights on the macroeconomic and industry outlook and UBP's financial performance during the Analysts' Briefing for Full Year 2023 Results at the Shangri-La The Fort, Manila, on March 15, 2024.

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

The table below shows the summary of press releases issued in 2023.

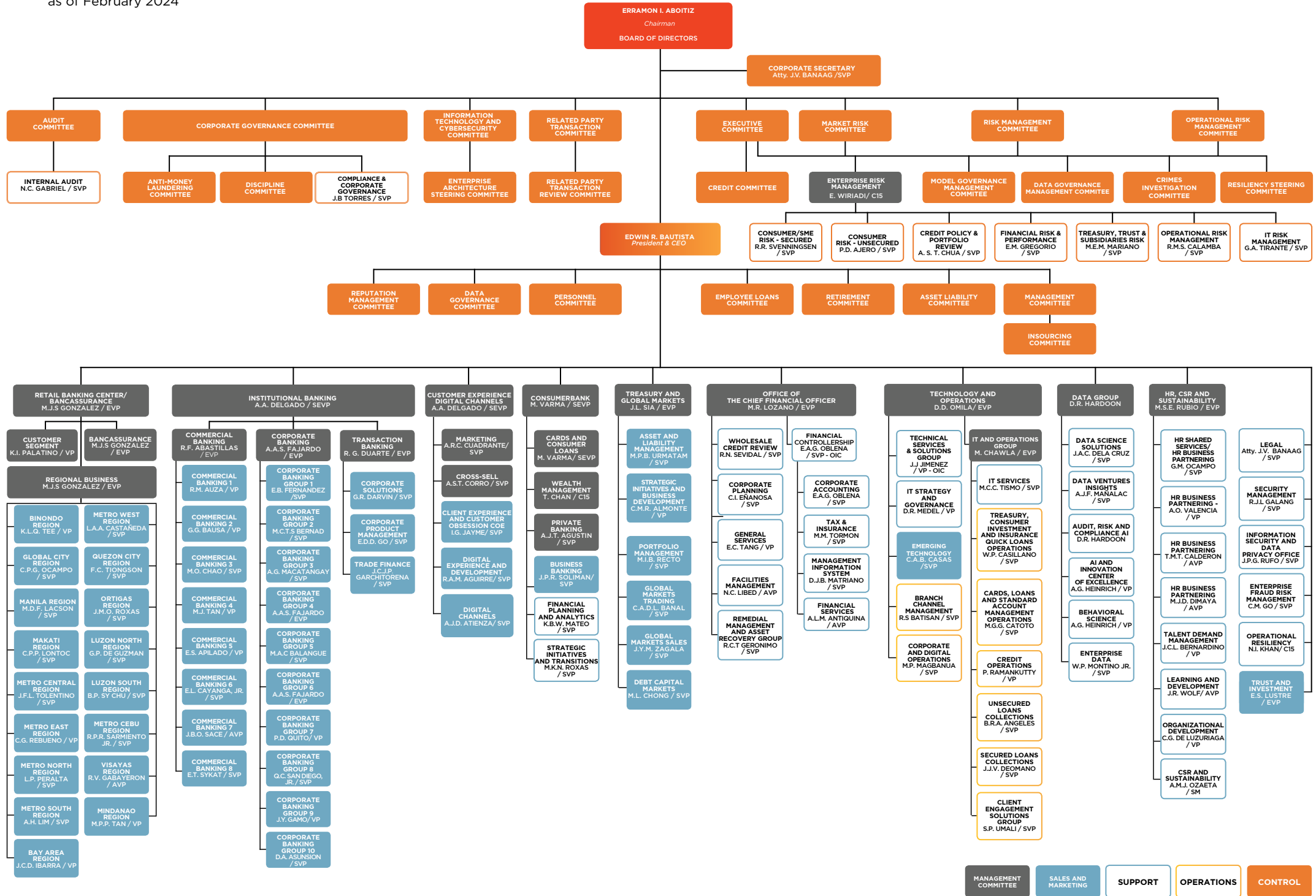
Press releases	Date
UnionBank completed its P12 billion Stock Rights Offering	February 06, 2023
UnionBank 1Q2023 Net Income Up by 30%	April 25, 2023
UnionBank 1H2023 Net Income at P6.4 billion	July 31, 2023
UnionBank 9M2023 Net Income at P8.1 billion	October 31, 2023
UnionBank announces dual-tranche 1.5Y and 3Y Bond Offering with Bond Exchange Option for holders of its Series C Bonds	November 20, 2023
UnionBank raises Php18.168 billion for its dual-tranche 1.5Y and 3Y Bond Offering	December 04, 2023

For queries, you may contact our Corporate Planning and Investor Relations Head:

Carlo I. Eñanosa
 34/F UnionBank Plaza,
 Meralco Avenue corner Onyx and Sapphire Roads
 Ortigas Center, Pasig City 1605
 M: +63 917 825 0273
 Email: investorrelations@unionbankph.com

Table of Organization

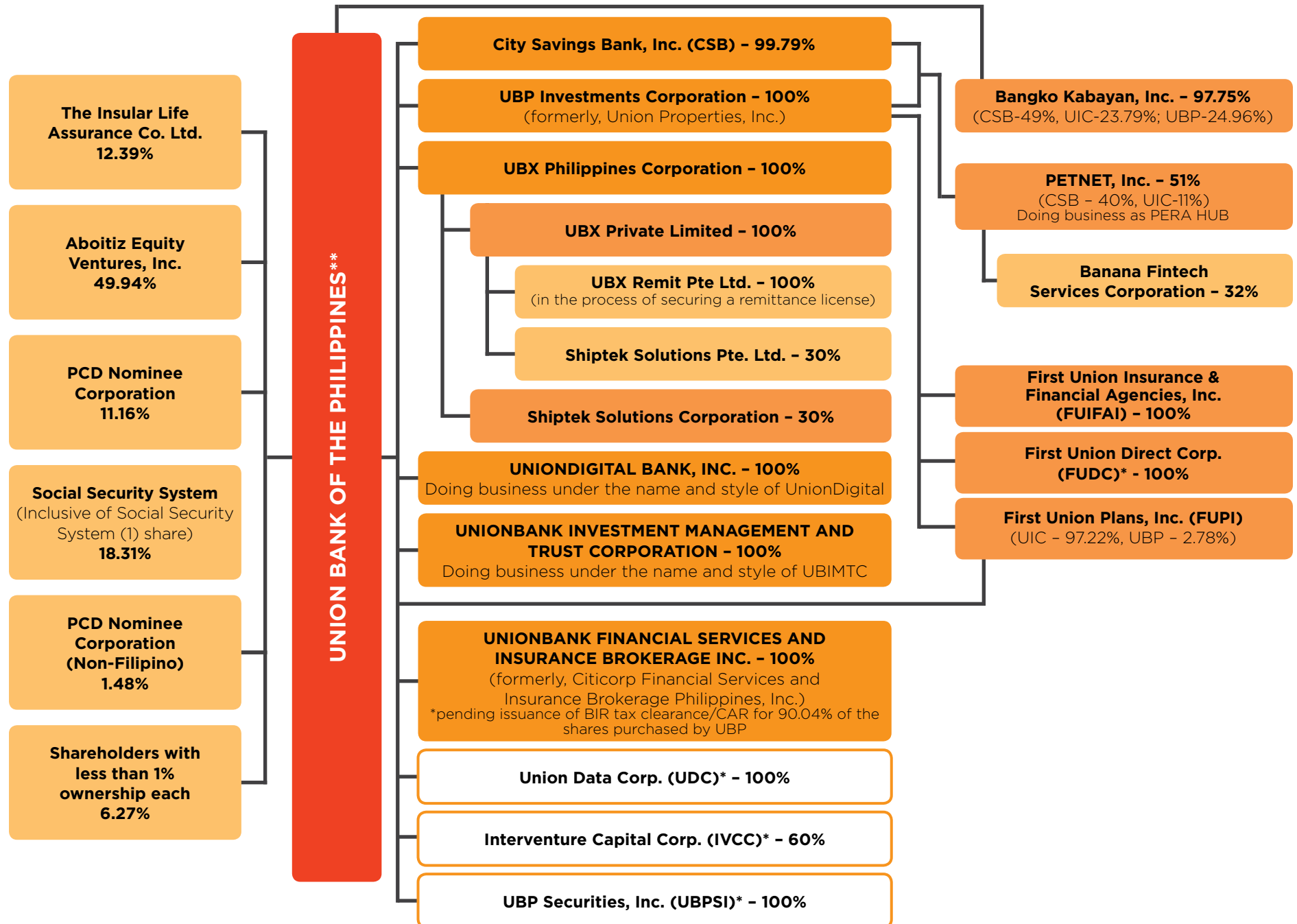
as of February 2024



MANAGEMENT COMMITTEE	SALES AND MARKETING	SUPPORT	OPERATIONS	CONTROL
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Conglomerate Map

As of December 31, 2023



*Dormant.

Profile of the Board of Directors

Erramon I. Aboitiz, 67, Filipino

Non-Executive Director, 35 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 Chairman of the Board of Trustees of the Asian Institute of Management, and the Board of Directors of UnionBank Investment Management and Trust Corporation.

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

Vice Chairman: Non-Executive Board

Member: Risk Management Committee, Market Risk Committee, Corporate Governance Committee

Justo A. Ortiz, 66, Filipino

Non-Executive Director, 30 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 Corporation, Aboitiz FeedAll Holdings, Inc.; as Director of the following companies: Aboitiz Equity Ventures, Inc.

and Concepcion Industrial Corporation, both publicly listed companies; Philippine Payments Management, Inc., and Aboitiz Data Innovation, Inc.; and as Member of 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.

Mr. Ortiz was the Chief Executive Officer of UnionBank from 1993 to 2017. Prior to his stint in the Bank, 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: Non-Executive Board, Executive Committee, Risk Management Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance Committee

Sabin M. Aboitiz, 59, Filipino

Non-Executive Director, 10 years in the Board
Represents Aboitiz Equity Ventures

Serves as Director of UnionBank. He is Director, 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).

Profile of the Board of Directors

He is the Chairman of Aboitiz Foundation, Inc., Aboitiz Land, Inc., Manila-Oslo Renewable Enterprise, Inc.; Director of Aboitiz & Company, 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., Republic Cement Services, Inc., Unity Digital Infrastructure 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

Ana Maria A. Delgado, 43, Filipino
Director, 3 years in the Board
Represents Aboitiz Equity Ventures

Serves as Director and Senior Executive Vice President, Institutional Banking Head, Chief Digital Channel Officer and Chief Customer Experience Officer of UnionBank. She is the Chairman of subsidiary City Savings Bank, Inc., and Director of the following companies: Aboitiz Equity Ventures, Inc., a publicly listed company, Republic Cement and Building Materials Inc., Aboitiz Data Innovation, Inc., AEVCRH Holdings, Inc., CRH Aboitiz Holdings, Inc., Hedcor, Inc., Lima Land, Inc., Visayan Electric Co. 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.

Alternate Member: Executive Committee, Market Risk Committee

Samel A. Aboitiz, 32, Filipino
Non-Executive Director, 2 years in the Board
Represents Aboitiz Equity Ventures

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

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

Alternate Member: Risk Management Committee

Jose Emmanuel U. Hilado, 60, Filipino
Non-Executive Director, 1 year in the Board
Represents Aboitiz Equity Ventures

Serves as Director of UnionBank and its subsidiaries, UBP Investments Corporation, First Union Plans, Inc., and UnionBank Investment Management and Trust Corporation. He currently serves as Senior Vice President-Chief Financial Officer and Corporate Information Officer at Aboitiz Equity Ventures Inc. (AEV), a publicly-listed company, and holds directorships in various entities under the Aboitiz Group including Aboitiz Foundation, Inc., AEV CRH Holdings, Inc., AEV International Pte. Ltd., Aboitiz Data Innovation Pte. Ltd., Aboitiz Renewables, Inc., AEV Aviation Inc., and CCEP Aboitiz Beverages Philippines, Inc., amongst others. With over 30 years of banking experience, he has held various positions in treasury, trading, investments, correspondent banking, bank operations, human resources, and purchasing.

Mr. Hilado joined UnionBank in July 2017 as Senior Executive Vice President, Treasurer, and Head of Global Markets. He later became its Senior Executive Vice President and Chief Financial Officer, a position he held until December 2022.

His previous roles with publicly listed companies include Senior Executive Vice President and Chief Operating Officer at East West Bank, Treasurer at RCBC, and Chief Trader at BDO Unibank, Inc. He is also a current member of the Financial Executives Institute of the Philippines.

He earned his bachelor's degree in Business Economics from the University of the Philippines and completed his MBA at Kellogg-Hong Kong University of Science and Technology. Additionally, he is a Certified Treasury Professional, which he obtained from the BAP-Ateneo Graduate School.

Member: Non-Executive Board, Executive Committee

Alternate Member: Risk Management Committee, Market Risk Committee, Information Technology and Cybersecurity Committee

Nina Perpetua D. Aguas, 71, 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 sits in the Governing Council of the Philippine Business Coalition for Women Empowerment (PBCWE). She is a member of Nextgen Organization of Women Corporate Directors (NOWCD) Philippines and its global community network Women Corporate Directors (WCD). 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, 63, Filipino
Non-Executive Director, 1 year in the Board
Represents Social Security System

Serves as Director of UnionBank. Presently, he is 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. He also sits as Director of PLDT Inc., a publicly-listed company.

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).

Profile of the Board of Directors

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, 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, 52, Filipino
Non-Executive Director, 1 year in the Board
Represents Social Security System

Serves as Director of UnionBank. He is a member of the Social Security Commission. He also sits as Director of UnionBank Investment Management and Trust Corporation. 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

Edwin R. Bautista, 63, Filipino
Executive Director, 7 years in the Board

Serves as Director and President & Chief Executive Officer of UnionBank. He also serves as Chairman of First Union Plans, Inc.; and as Director of UBP Investments Corporation, UBX Philippines Corporation, UnionDigital Bank Inc., and UnionBank Investment Management and Trust Corporation. Mr. Bautista is a Director of Aboitiz Power Corporation, a publicly listed company. He was President and Chief Operating Officer of UnionBank 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, Information Technology and Cybersecurity Committee

Roberto G. Manabat, 76, Filipino
Lead 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.; UnionDigital Bank Inc.; UnionBank Financial Services and Insurance Brokerage Philippines, Inc.; Goldilocks Bakeshop, Inc.; Sodexo BRS Philippines, Inc.; Canelle Food Corporation; 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 and its subsidiaries/affiliates, and Century Peak Holdings Corp., both publicly listed companies. He is also a Director in PA Properties and Development Corp. He also sits as Trustee of the Shareholders Association of the Philippines; and Chairman of KPMG R.G. Manabat Foundation.

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. In 2023, Mr. Manabat is the recipient of the Top 100 Notable CPAs Centenary Award granted by the Professional Regulatory Board of Accountancy during the Centennial Celebration of the Accountancy profession.

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, 72, Filipino
Independent Director, 2 years in the Board

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

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, 61, 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.

Profile of the Board of Directors

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: Operations Risk Management Committee

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

Atty. Francisco Ed. Lim, 68, 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 the Chairman of the Air Asia, Inc., Philippines Air Asia Philippines, Inc., Justice Reform Initiative (JRI) and Co-Chairman (together with Finance Secretary Ralph Recto) 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). He also served as chairman of the Philippine Stock Exchange Foundation, FINEX Foundation and the FINEX Academy.

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

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 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.

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

Atty. Lim actively 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).

As a member of various committees of the Supreme Court, Atty. Lim actively participated in the drafting of several Supreme Court rules of procedure such as the 2019 Rules of Evidence, 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.

Atty. Lim has received various awards and citations throughout the years, among which are: “Commended External Counsel of the Year” (2023) by the In-House Community; “Market Leader” in Banking and M&A (2022-2023) by IFLR1000; “A-List Philippines’ Top 100 Lawyers” (2022-2023) by the Asia Business Law Journal; “Elite Practitioner” in Capital Markets and Dispute Resolution (2022-2023) by the Asialaw Profiles; “Lawyer of the Year – Philippines” by Benchmark Litigation, Asia-Pacific Awards 2019; “Deal Maker of the Year” by the 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.

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

Honorio G. Poblador IV, 53, Filipino
Independent Director, 1 year in the Board

Serves as Independent Director of UnionBank. He is a Founder and Managing Partner of The Navegar Fund. He also serves as Independent Director for ABS-CBN Corporation, a publicly listed company. He is a Non-Executive Director of the following corporations: The Bistro Group, Bo’s Coffee, Royale Cold Storage, and Asia Digital Holdings. He served as Independent Director of BDO Nomura Securities, Inc. until its merger with BDO Securities Corporation. Mr. Poblador has over two decades of investment banking and private equity experience having worked with Credit Suisse First Boston, Morgan Stanley, Iron Capital Management, and Rothschild.

Mr. Poblador holds a Bachelor’s degree in Management Economics from the Ateneo de Manila University and earned his Master’s Degree in Business Administration from Columbia University.

Chairman: Market Risk Committee

Member: Non-Executive Board, Risk Management Committee, Corporate Governance Committee, Information Technology and Cybersecurity Committee, Related Party Transaction Committee

Profile of Key Officers

Edwin R. Bautista serves as Director and President & Chief Executive Officer of UnionBank. He also serves as Chairman of First Union Plans, Inc.; and as Director of UBP Investments Corporation, UBX Philippines Corporation, UnionDigital Bank Inc., and UnionBank Investment Management and Trust Corporation (UBIMTC). Mr. Bautista is a Director of Aboitiz Power Corporation, a publicly listed company. He was President and Chief Operating Officer of UnionBank 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, Information Technology and Cybersecurity Committee

Ana Maria A. Delgado serves as Director and Senior Executive Vice President, Institutional Banking Head, Chief Digital Channel Officer and Chief Customer Experience Officer of UnionBank. She is the Chairman of subsidiary City Savings Bank, Inc., and Director of the following companies: Aboitiz Equity Ventures, Inc., a publicly listed company, Republic Cement and Building Materials Inc., Aboitiz Data Innovation, Inc., AEVCRH Holdings, Inc., CRH Aboitiz Holdings, Inc., Hedcor, Inc., Lima Land, Inc., Visayan Electric Co. 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.

Alternate Member: Executive Committee, Market Risk Committee

Manoj Varma is Senior Executive Vice President and Head of the Consumer Bank Group of UnionBank. He is also the Chairman of UnionBank Financial Services and Insurance Brokerage Philippines, Inc., and Director of PETNET, 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 is Executive Vice President and Center Head of the Commercial Banking of UnionBank. He also serves as Director of Bangko Kabayan, Inc. and 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 I 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.

Manish Chawla is Executive Vice President and Chief Information and Operations Officer of UnionBank. Prior to joining the Bank, he was Site Head of Citigroup Business Process Solutions Pte. Ltd. He was the Head of Operations & Technology at Citibank Philippines from June 2019 to December 2022. Mr. Chawla has about twenty (20) years of experience handling various positions in the core consumer operations of Citibank, specifically in collections and the project management office in Indonesia from 2005 - 2012 and then moved to Singapore to be part of the Regional Credit Operations in 2013. He spent five (5) years of his career in GE Capital and GE SBI Cards in collections and risk. Mr. Chawla has a Master of Finance and Control post graduate degree from the Kurukshetra University in India.

Ramon G. Duarte is Executive Vice President and Center Head of Transaction Banking 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 is 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.

As an Executive Vice President, she transformed Retail Banking into a digital, agile and expert sales unit. Joyce's passion, commitment and leadership ensures sustainable growth of business through data driven initiatives addressing the unique and ever-changing needs of our customers and their communities.

Manuel R. Lozano is Executive Vice President and Chief Financial Officer of UnionBank. He is currently a Director of the different subsidiaries of the Bank, namely, First Union Plans, Inc. (FUPI), UnionBank Financial Services Insurance Brokerage (UFSI), UnionBank Investment Management & Trust Corporation (UBMITC) and Chairman/Director of UBP Investments Corporation (UIC). He also served as Director of the Bank from May 2017 to April 2023. 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.

Dennis D. Omila is Executive Vice President and Chief Technology and Operations Officer 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).

Non-Voting Member: Information Technology and Cybersecurity Committee

Profile of Key Officers

Michaela Sophia E. Rubio is Executive Vice President and Chief Human Resource Officer of Union Bank of the Philippines.

Prior to this, she was the Vice President and the Philippine Country Human Resource, Quality and Corporate Communications Head of the global electrical engineering and power company, Asea Brown Boveri. She was a Senior Consultant at OTI Consulting Singapore where she got involved with government and private organizations in establishing Singapore Quality Class, People Developer, Industry Capability Upgrading (ICAP) certifications, Work Life and Work Redesign. For these capabilities she was certified by SPRING Singapore. Before a career in Human Resource and Management Consulting, she worked as an engineer in the semiconductor and electronics manufacturing industry in the areas of Statistical Process Control and Quality Assurance. Michelle obtained a degree in Industrial Management Engineering, minor in Chemical Engineering from De La Salle University.

She was named as one of the Most Influential HR Executives in 2022 by CIO Views, and has won several Stevie Awards for Great Employers (New York); most recently, a Gold Stevie Award as HR Thought Leader of the Year (2022).

Johnson L. Sia is 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 is 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 is 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.

Maria Angelica C. Balangue is 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 is 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.

Conrad Anthony Dominic L. Banal is Senior Vice President and Head of Global Markets Trading of UnionBank. Prior to joining the Bank, he worked with several banks: East West Banking Corporation as Head of Dollar Fixed Income Trading and Security Bank Corporation as a Peso Fixed Income Trader, both publicly-listed companies. He started his career with Citibank N.A. as Business Process Analyst under its Regional Financial Control.

He is currently a member of various industry-related associations. He has been a Member of the Board of the Money Market Association of the Philippines (MART) since 2016 and was President in 2023, and is currently Vice President of ACI Philippines and has been a Member of the Board since 2022.

He obtained his Bachelor of Arts in European Studies from the Ateneo De Manila University, and his MBA from the William E. Simon Graduate School of Business at the University of Rochester. He is also a CFA charterholder.

Konstantin O. Beloglazov is Senior Vice President and Portfolio Lending Head of UnionBank. Prior to joining the Bank, he was the Consumer Lending Business Strategy & Development Head of Citibank N.A. He has 18 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.

Ma. Cecilia Teresa S. Bernad is Senior Vice President and Corporate Banking Group Head of UnionBank. She has been with the Bank for almost thirty (30) years and started her career as Account Assistant under the Bank's Corporate Banking. Prior to joining the Bank, she was Credit Analyst of the International Corporate Bank and Corporate Customer Assistant of Citytrust Banking Corporation.

Ms. Bernad graduated from the University of the Philippines with a degree in Bachelor of Arts in Economics.

Michael L. Chong is Senior Vice President and Head of Debt Capital Markets of UnionBank. He has around sixteen (16) years of experience in banking and finance. He was formerly the Managing Director, Head of Origin and Client Coverage at China Bank Capital Corporation where he is responsible for deal origination and primary client relationship management, managing fee income targets, client service delivery, and ensuring timely deal execution. Prior to this, he was with HSBC Philippines for seven (7) years as Vice President of Debt Capital Market. He led key landmark transactions arranged by HSBC including various onshore and offshore deals. Mr. Chong graduated from the Ateneo de Manila University with a BS Management Engineering degree.

Profile of Key Officers

Antonio Sebastian T. Corro is Senior Vice President and Chief Cross-Sell Officer 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 is Senior Vice President and Chief Marketing Officer of UnionBank. He is the current Chairman and formerly the President of Acumen Strategy Consultants, providing consultancy services focused on strategy, transformation and capability building to enable higher business performance. He also sits as a Member of the Board of Trustees of the Digital Marketing Association of the Philippines (DMAP) and the Advisory Board of the Asia Pacific Tambuli Awards. Mr. Cuadrante has over 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, the 2023 Top 10 CMOs from the Philippines by CEO Insights Asia and the 2022 10 Most Inspiring CMOs by C Level Focus. 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.

Gerard R. Darvin is 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.

Carlo I. Eñanosa is 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.

Rear Admiral Rommel Jason L. Galang PN, (Ret.) is 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.

Concepcion Perla P. Lontoc is Senior Vice President, Sales Director and Deputy Head for Retail Banking Center 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 is 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 is 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.

Jose Maria O. Roxas is Senior Vice President and Sales Director of UnionBank. He started his career with the Bank as Foreign Exchange Trader in 1999 and then transferred to Retail Banking Group as Relationship Manager in 2007. In 2011, he was promoted as Sales Director for the Bank's Metro Central Region and for Ortigas Central Business district. Mr. Roxas graduated Cum Laude with a degree in Bachelor of Science in Business Management from De La Salle - College of St. Benilde.

Raquel N. Sevidal is Senior Vice President and Chief Wholesale Credit Officer 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"). During her stint in MBTC, she also held the position of Division Head of Credit Group from and a Designated Senior Credit Officer; served as Vice Chairman of Credit Committee and as member of Non-Performing Asset Committee. 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.

Profile of Key Officers

Gautam Sharma is Senior Vice President. He is Retail Bank Sales Network Head of UnionBank. He has a 17-year track record of success in financial services and is 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.

Jeannette Yvonne M. Zagala is Senior Vice President and Global 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.

Norman C. Gabriel is Senior Vice President and Chief Audit Executive of UnionBank. He is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA) and also holds certifications in Risk Management Assurance (CRMA) and Controls Self-Assessment (CCSA). He has more than 20 years of audit, operations and financial controllership experience from consumer goods, consumer electronics, banking and other industries. He previously worked as Country Controller for Accenture and Internal Audit Head at Goodyear Tires Asia Pacific and Samsung Electronics Philippines. He spent most of his career in Procter & Gamble, majority of which doing regional and global roles in the Internal Audit function. While at P&G, he also held roles in Credit Risk, Revenue and Trade Fund Management in the Asia HQ in Singapore. His early audit experience includes stints in KPMG, Security Bank and UnionBank. Mr. Gabriel obtained his Bachelor of Science degree in Accountancy from De La Salle University.

Edgar Allan G. Oblena is Senior Vice President and Officer-in-Charge of Financial Controllershship of UnionBank. He also sits as Director of UBP Investments Corporation, a subsidiary of the Bank. Mr. Oblena was Vice President and Local Regulatory Reporting Head of Citibank N.A. prior to joining the Bank in 2020. He also held position in ING Bank N.V. Manila Branch as Assistant Vice President and Head of Regulatory and Tax Accounting Services. He started his career as Audit Staff until he was promoted as Associate Director at E&Y Sycip Gorres Velayo & Co.

Mr. Oblena is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. He holds a Bachelor of Science degree in Accountancy from the University of Santo Tomas.

Jose Paolo G. Rufo is Senior Vice President, Chief Information Security Officer, 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 is 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 regional and local responsibilities for Citibank N.A. and ABN AMRO, responsible for the promotion of control and compliance awareness among the employees of the organization.

Atty. Buenaventura S. Sanguyo, Jr. is Senior 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.

Atty. Mayla S. Domingo is Vice President, Corporate Affairs Head, and Assistant Corporate Secretary of UnionBank. She has twenty (20) years of work experience which honed her skills and specialization in corporate law and litigation from different industries like banks, stock exchange, investment house, and law firms. She was a former Head of CSS-Legal and Corporate Secretary of Maybank ATR Kim Eng Capital Partners, VP & Senior Legal Counsel of HSBC, and Legal Officer of The Philippine Stock Exchange*, BDO Unibank, Inc.*, and Philippine National Bank*. She was a former partner of Domingo Vitug Patano Lawyers, an Associate of Policarpio Pangulayan & Azura Law Office, and Legal Assistant of EB Astudillo & Associates. She graduated with a Bachelor of Arts degree in Political Science from UP Diliman and obtained her Juris Doctor degree from Ateneo de Manila. She was admitted to the Philippine Bar in 2003.

*publicly-listed company

Therese G. Chan is the Head of Wealth and Brokerage of UnionBank. She serves as Director of UnionBank Financial Services and Insurance Brokerage Inc. (UFSI). 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.

Erwin Wiriadi is the 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 and was sitting in TransUnion Philippines Board of Directors representing Citibank. He also held various capacities relating to risk management in Citibank N.A. Indonesia for over 20 years prior being assigned to the Philippines. 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 The Ohio State University with a degree in MSc Industrial and Systems Engineering.

CORPORATE SOCIAL RESPONSIBILITY

INITIATIVES



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.

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 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 2023, 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 education, environment, inclusion, and employment and livelihood.

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 2023, namely:

- CitySavings’ CSR programs last year included:
 - **Brigada Eskwela**
This DepEd core program is actively supported by CitySavings to complement DepEd’s MATATAG and Basic Education Plan. Various stakeholder engagement programs that focus on the health and safety of the school community, maintenance projects, and repair of school facilities 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.

Corporate Social Responsibility Initiatives



- **Project Peraparasyon**
This is the Bank's advocacy on financial literacy and practical wealth management for its stakeholders. The project aims to nurture financial well-being and protect the interests of consumers through financial education and awareness. In 2023, CitySavings Bank conducted 79 sessions with 4,557 participants.
- **Project Pink**
A breast cancer awareness program for teaching and non-teaching staff, that provides an avenue for learning on the prevention and early detection of breast cancer. The program also aims to empower them to take responsibility for their health. Twenty-three sessions were conducted in 2023 which benefited 3,205 individuals.
- **Coastal Cleanup**
The CitySavings Coastal clean-up aims to preserve marine ecosystems and protect wildlife by removing litter and pollutants from beaches and shorelines, fostering community engagement and employee awareness about the importance of sustainable practices for the health of coastal environments.
- 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 Climathon for the third time, which allowed the bank to support participants in designing solutions to the city's problems. In 2023, the hackathon was designed to find solutions to create an inclusive circular business model for Pasig MSMEs and market vendors while promoting social and environmental sustainability.
- 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 2023, the Bank's employees had recorded 13,852 volunteer hours, 142,998 beneficiaries, reaching 318 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 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 focuses on educational institutions by enabling education partners to increase talents that will bring about innovations and game-changing products.
 - UB Xcellerator had provided courses and educational programs on digital skills such as blockchain, data science, and artificial intelligence to 25,909 individuals as of December 31, 2023. As of the same date, UB Xcellerator has 157 modules offered to the public for free.

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.



Engage internal and external stakeholders for continuous improvement and to promote cooperation.



Contribute to enhancing positive social and environmental impacts.



Foster the development of in-house learning, management capacity, and leadership on sustainability issues.



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.



Comply with all national laws and regulations.



Communicate transparently about our sustainability performance.

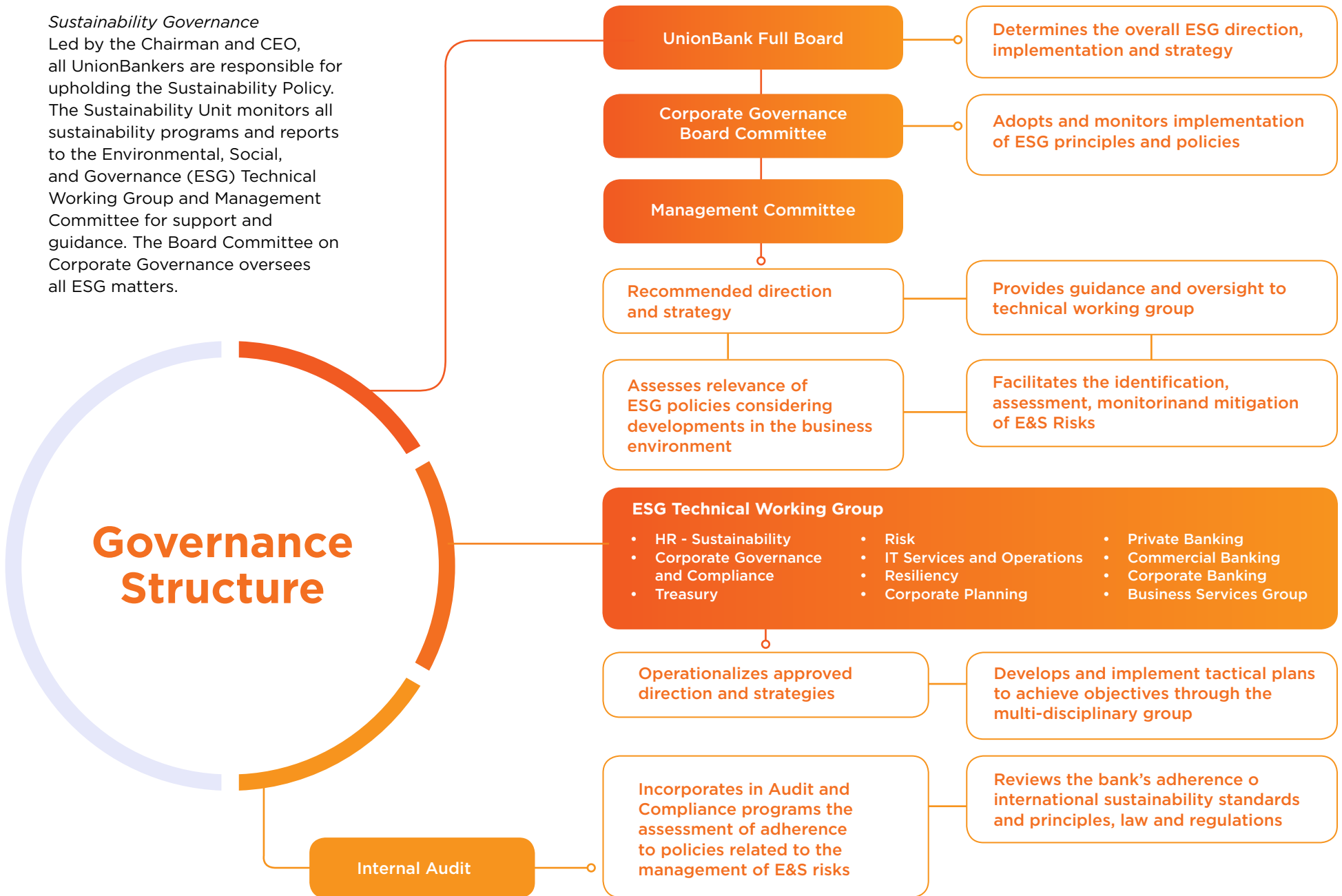


Implement inclusive business programs and initiatives.

Sustainability at a Glance

Sustainability Governance



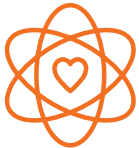
Led by the Chairman and CEO, all UnionBankers are responsible for upholding the Sustainability Policy. The Sustainability Unit monitors all sustainability programs and reports to the Environmental, Social, and Governance (ESG) Technical Working Group and Management Committee for support and guidance. 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:

Pillar	Our Commitment
<p>People</p> 	<p>We ensure that our stakeholders are empowered to #OwnTheFuture, fueled by our culture to collaborate with like-minded partners to support sustainable communities.</p> <p>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.</p>
<p>Planet</p> 	<p>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.</p> <p>We recognize the need to operate differently to address the threats of climate change and enable our stakeholders to pursue a sustainable lifestyle.</p>
<p>Purpose</p> 	<p>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.</p> <p>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.</p>

Sustainability strategic objectives and risk appetite

ESG Risk Monitoring System

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 those risks, analyzing trade-offs, and building sustainable programs and transition plans to help our clients.

This is UnionBank’s contribution to the country as the Philippines transition 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 direct and indirect impact to the 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 our clients; and
- Developing a due diligence tool that allows effective assessment and management of risks without significantly affecting the transaction costs of the bank.

Overview of environmental and social risk management system

The E&S Risk Management System (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.

Sustainability at a Glance

The enhanced E&S Risk Management policy and the integration of E&S risk parameters to the bank's Internal Credit Risk Rating System (ICRRS) have been successfully rolled out in April 2023 and May 2023, respectively, and are fully implemented to date.

Submission of the E&S due diligence (ESDD) tool is regularly monitored 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.

Products and/or services aligned with internationally recognized sustainability standards and practices

UnionBank 2023 Social Bond Allocation and Impact Report

On July 23, 2021, UnionBank Issued a 7-year USD 150 million (Php 7.55 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.

As of December 31, 2023, the Social Bond Use of Proceeds Registry amounted to Php 7.563 billion, representing 100.177% allocation to the gross proceeds of the Social Bond.

Allocation Reporting Statistics

- 65.79% represent refinancing of outstanding loans while 34.21% 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 3,440 MSME loans

SGV performed a limited assurance engagement on the Use of Proceeds of the Social Bond as of and for the year ended December 31, 2023.

Breakdown of E&S Risk Exposures of the Bank per Industry

Based on the E&S review, top industries in terms of outstanding balance are telecommunications, gaming & leisure, and roads & bridges.

INDUSTRY	O/S in P'MM	% O/S
Telecommunications	20,210.0	19.3%
Gaming and Leisure	14,304.8	13.7%
Roads and Bridges	13,849.0	13.2%
Real Estate	13,399.6	12.8%
Energy	11,766.3	11.2%
Manufacturing	8,699.1	8.3%
Water Services	7,427.1	7.1%
Financing/Insurance Activities	5,789.2	5.5%
Transportation and Storage	4,456.2	4.3%
Construction	1,663.7	1.6%
Wholesale and Retail Trade	1,473.9	1.4%
Mining	884.3	0.8%
Aquaculture	428.5	0.4%
Restaurant	220.0	0.2%
Information and Technology	125.0	0.1%
Memorial Services	10.0	0.0%
Education	-	0.0%
TOTAL	104,706.6	100.0%

Note/s: - Companies involved in the oil and gas industry are considered under energy.

Information on existing and emerging environmental and social risks and their impact on the Bank

There were no critical E&S risks assessed in 2023 that were not mitigated from the existing pool of clients, hence, no impact on the Bank. Similarly, there were also no E&S operational risks highlighted in 2023.

Implementation and progress of sustainability initiatives

- After the completion of the E&S Risk Management policy enhancement in the first quarter of 2023, a new engagement with a third-party consultant is being considered this time to ensure alignment with the Sustainable Finance Taxonomy Guidelines.
- A sustainability assessment was embedded in the Bank's outsourcing assessment (ie. Third party due diligence form) in compliance with BSP Circular 1128, ensuring the capability of our suppliers and outsourced service providers to withstand disruptions, quickly resume operations, and continue to provide services to the bank. Furthermore, it is our means to include them with regard to the adoption of sustainability principles, in accordance with the Bank's strategy.
- Resiliency and Business Continuity: The Environmental and Social Risk Management Framework was incorporated in the Business Continuity Management Systems Manual. The Resiliency Office collates the results at the end of the year to ensure the top ten (10) threats and hazards identified has a corresponding response plan in coordination with Incident Response Team Member.

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 such as the frameworks of the Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Disclosures (TCFD), and 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.

Products & Services

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 account holders 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 presentment, 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.

Products & Services

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.
- Immediately get a virtual credit card when you sign up using eligible credit cards.

Deposit checks 24x7

- UnionBank checks clears after two hours – even during weekends and holidays.
- Other banks' checks, follow 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 the status of your Instapay transfers to other banks.
- 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.
- Convert your credit card purchases into installments using easy convert.
- Get cash in an instant and pay in installments using easy cash.
- Manage your supplementary cards' sublimit in real time.
- Allow supplementary card holders to register to UB Online using their card.
- Transfer funds to any bank worldwide via SWIFT for a fixed fee of USD40!
- 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.
- Send money to other bank accounts using your credit card's credit limit via PayDirect.
- Send money to your own UnionBank bank account using your credit cards' credit limit via Cash Advance

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 Php50,000 to anyone with InstaPay. Real-time crediting for only Php10.
- Transfer your US Dollars to other local banks for only USD 1! Made possible through PDDTS.

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.
- Raise a request or a dispute via UB Online's MyMailbox.

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 rate

Loans

Home Loan - A credit facility offered to qualified individuals or business entities with the following purposes:

- To purchase or acquire residential condominium unit, house and lot, or vacant lot
- House construction on residential vacant lots
- Refinancing the outstanding balance of an existing housing loan / credit facility from another bank or financial institution

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.

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.

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.

BusinessLine Classic - a multi- purpose and fully secured loan that offers a revolving credit line facility. With loanable amount of up to Php15 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 Php10 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

Employee Line– is a secured multi-purpose salary loan backed by vested interest of employees in their retirement funds and/or Holdout on deposits. This is targeted to companies with retirement funds and/or deposits with UnionBank.

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.



Products & Services

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.

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
- Go Rewards Visa Gold
- Go Rewards Visa Platinum
- Home Depot Visa
- Insular Life Visa
- Lazada Mastercard
- Mapfre Insular Visa
- Medicard Visa
- Racks Visa
- Riviera Golf Visa
- S&R 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 Gold Mastercard
- UnionBank Platinum Mastercard

Specialty Cards

- UnionBank Miles + Platinum
- PlayEveryday Credit Card

Core Cards

- UnionBank Reserve Visa Infinite
- UnionBank Miles+ Visa Signature
- UnionBank Rewards Visa Platinum
- UnionBank Cash Back Visa Platinum
- UnionBank U Visa Platinum
- UnionBank Shell Power Visa Platinum
- UnionBank Shell Power Visa Gold
- UnionBank Mercury Visa Gold
- UnionBank Reserve World Elite Mastercard
- UnionBank Miles+ World Mastercard
- UnionBank Cash Back Titanium Mastercard
- UnionBank Rewards Platinum Mastercard
- UnionBank U Mastercard Platinum
- UnionBank Grab Mastercard Platinum

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

BizStarter – an interest-bearing entry-level checking account with a low initial deposit and maintaining balance requirement primarily offered to micro, small, and medium enterprises (MSMEs). Corporate clients can open a BizStarter account via digital account opening in UnionBank Business Banking without having to submit physical documents or step inside the branch. This account only requires a Php 5,000.00 initial deposit and minimum ADB requirement. The minimum balance to earn interest is Php 50,000.00 at 0.10% p.a.

Business Check – an interest-bearing checking account that comes with a check-writing software to streamline your check preparation with a voucher and acknowledgment receipt printing. An initial check inventory is provided to the corporate client upon opening an account. Checks can be re-ordered by accomplishing a Business Check Reorder Slip at any UnionBank branch. This account requires an initial and minimum ADB requirement of Php 100,000.00. The minimum balance to earn interest is Php 500,000.00 at 0.10% p.a.

Corporate Regular Checking – a non-interest-bearing checking account that offers easy access to funds for the daily transactional needs of the corporate client. Corporate Regular Checking allows the corporate client to perform various financial tasks, including depositing and withdrawing funds, paying suppliers and employees, and managing day-to-day financial activities. This account requires a minimum of Php 50,000.00 initial deposit and ADB requirement.

Corporate Checking – an interest-bearing checking account that offers the same features as Corporate Regular Checking. Corporate Checking allows the corporate client to perform various financial tasks, including depositing and withdrawing funds, paying suppliers and employees, and managing day-to-day financial activities. This account requires 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.

Corporate Savings – an interest-bearing (excluding JPY) savings account that can take care of the finances of corporate clients and grow their business. Corporate clients can open accounts and transact in foreign currency. Corporate Savings can protect assets for better management and long-term growth. It can monitor revenues, regular expenses, and other payables to make sure that clients are always updated. This account requires an initial deposit and ADB requirement based on the selected currency. An initial deposit and minimum ADB of Php 50,000.00, USD 1,000.00, GBP 2,000.00, and JPY 400,000.00 is required.

Foreign Currency Deposit Unit (FCDU)

Corporate Savings – a savings account allowing corporate clients to deposit, buy, and invest in foreign-currency-denominated transactions, under Republic Act No. 6426 (Foreign Currency Deposit Act of the Philippines). Corporate clients can deposit their own Foreign Exchange (FX) and/or FX purchased from banks in an FCDU account for eventual remittance to intended beneficiaries. They can also buy FX for education, medical, and travel expenses, among others, without supporting documents. They can also invest using their own FX or FX purchased from the Bank. An initial deposit and minimum ADB of USD 1,000.00, EUR 3,000.00, GBP 2,000.00, and JPY 400,000 is required.

ePaycard Peso – Payroll Payee account opened for and tagged under the umbrella account of a corporate customer Corporate Client for the purpose of payees' salary credits, allowances, and other corporate disbursement. Corporate Client can choose between having a savings or checking variant of the account to be provided to their payees. This account is used for disbursement of salary credits. This account is opened without an initial deposit requirement but will require a Php 100,000.00 ADB to earn 0.10% interest p.a. It includes a deposit insurance coverage of up to Php 500,000.00 per depositor, subject to 20% final withholding tax.

Products & Services

ePaycard Dollar Savings - Payee account opened and tagged under the umbrella account of a Corporate Client for the purpose of payees' salary credits, allowances, and other corporate disbursement in dollar denomination. This account is opened without an initial deposit requirement but will require a USD 1,000.00 ADB to earn 0.05% interest p.a. It includes a deposit insurance coverage of up to Php500,000.00 per depositor, 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.

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.

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.

Pag-IBIG Loyalty Card Plus - a loyalty card under the Pag-IBIG Fund's Loyalty Program, linked to a UnionBank savings account and ATM Visa Debit card. Other than the discounts and rewards as a loyalty card, it is used as a disbursement channel for Pag-IBIG proceeds (e.g. short-term loans, dividend payouts, provident benefit claims). The account has no initial deposit and maintaining balance requirement and can earn 0.10% interest p.a. for a minimum average daily balance (ADB) of Php 100,000.00. It includes a deposit insurance coverage of up to Php 500,000.00 per depositor, 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 3,000,000. 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 loans and 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 10,000.00.

SSS Pensioner Account – Account designed to accept pension credits for SSS pensioners with no initial deposit and no 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.

USDollar 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 0.05% 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.

Priority Banking

BusinessClass – A banking program for UnionBank's high-net worth clients that offers personalized service, exclusive privileges, relationship banking and smart solutions to eligible individuals

BusinessClass Corporate – A variant of the BusinessClass program where eligible corporate clients are given specialized service, relationship banking and preferential pricing

BusinessClass for Doctors – A variant of the BusinessClass program where doctors, via their HMO or hospital affiliation, are entitled to receive their professional fee credits through a UnionBank account.

Investment and Hedging Products

Peso Treasury Bills/Notes/Treasury Bond – 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 Tier2 Notes – Peso-denominated unsecured subordinated debt issued by banks.

Peso Corporate Notes – Peso-denominated fixed income debt issued by large Philippine corporations.

UnionBank Bonds – Peso- or Foreign Currency- Bonds issued from time to time by the Bank

US Dollar Sovereign Bonds – US Dollar- denominated fixed income securities issued by and which represent unconditional obligation of the Philippine National Government or other sovereign countries

US Dollar Corporate Bonds/Notes – US Dollar denominated fixed income debt issued by large Philippine or offshore corporations.

Foreign Exchange – Spot, Forwards, and Swaps – 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.



Products & Services

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.

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 Time Deposits and other Money Market Instruments.

Asset Swaps

UnionBank Private Banking provides clients structured products that will enhance the yield of their plain vanilla investment holding, while considering credit, liquidity and other related risks that will impact the investment.

Private Assets

UnionBank Private Banking makes available private assets such as private debt and private equity strategies, to more sophisticated clients looking for enhanced potential returns.

Family Services

UnionBank Private Banking helps clients 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 also have legal, tax and cross-border expertise on wealth management matters. UnionBank Private Banking also engages its clients through events like The NextGen Academy, which empowers the building of entrepreneurial foundations for the emerging leaders in family businesses. Our strategic ally, Lombard Odier, also assists by sharing their world-class family services expertise in these activities.

Financial Advisory

UnionBank Private Banking will help structure an optimal investment portfolio for clients, considering 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.

Wealth Management

UnionBank Access and UnionBank Elite

For those at the beginning of their wealth journey, **UnionBank Access** is the perfect service. Customers in the Access program: get VIP treatment with priority queueing at UnionBank Wealth Branches, get preferential foreign exchange rates (for travel or investment purposes), have exclusive time-deposit rates, enjoy free ATM withdrawals with higher transaction limits (in country and abroad), can enjoy cross-border fund transfers via UnionBank Online, and can link multiple deposit accounts to their UnionBank Access debit card.

UnionBank Elite customers, on the other hand, enjoy the service of a team of wealth experts providing holistic support comprised of: a Service Banker, Wealth Acquisition Officer, Investment Consultant, and Insurance Specialist to provide insights and guidance that will help keep them on track to meet their financial goals. UnionBank Wealth Elite customers are able to access Global Investment products without opening off-shore accounts, have free international ATM withdrawals, and can transfer cross-border funds to any account in the world with no outgoing fees.

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. 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

Partner Balance API - Retrieves the balance of a UnionBank corporate account

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

Products & Services

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. CARD

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

Billers 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

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)

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



Subsidiaries Products & Services

City Savings Bank (CitySavings)

LOAN PRODUCTS

Teachers' Salary Loan

This loan product is offered to teachers and non-teaching personnel employed in public elementary and secondary schools under the Department of Education (DepEd) and state universities and colleges (SUCs). DepEd salary loans are paid under the Terms and Conditions of the Automatic Payroll Deduction System (APDS) Accreditation (TCAA) while SUC salary loans are governed under the Memorandum of Agreement with the respective CitySavings accredited schools.

Calamity Loan

A loan extended to teachers and non-teaching personnel employed in public elementary and secondary schools if their place of residence is declared as a calamity area. The loans are likewise governed by the DepEd Terms and Conditions of the APDS Accreditation and a Memorandum on calamity-stricken areas.

Government Salary Loan

A salary loan available to regular employees of National Government Agencies (NGAs) and Local Government Units (LGUs), including elected officials and coterminous employees serving a limited tenure based on the term of office of the appointing official. The loan payment is through automatic payroll deduction.

Armed Forces of the Philippines (AFP) Salary Loan

A loan granted to qualified active soldiers and civilian personnel of the AFP, including Army, Navy/Marines, Air Force, Civilians, Technical Administrative Service (TAS) personnel, legal beneficiaries, and pensioners. The loans are paid via automatic payroll deduction.

Bureau of Fire Protection (BFP) Salary Loan

This is offered to active uniformed and non-uniformed BFP personnel. The loan payment is made via automatic payroll deduction.

Pensionado Loan

This is available for GSIS and SSS pensioners with pension deposit accounts with Union Bank of the Philippines. The loans are paid via automatic debit of amortization from the pension deposit account.

Armed Forces of the Philippines (AFP) Pension Loan

A loan extended to retired and disabled AFP soldiers, personnel, and their legal beneficiaries. The loan payment is deducted from their monthly pension.

Motorcycle (MC) Loan

A loan offered to the general public to finance a motorcycle using the purchased unit as collateral. The loan payment is through UnionBank and CitySavings branches, payment centers, digital wallets, and platforms.

DEPOSIT PRODUCTS*

**Deposits are insured by PDIC up to Php 500,000 per depositor*

Regular Savings

With an initial deposit of Php 3,000 and a minimum average daily balance to earn interest of 0.25% per annum. The interest is credited monthly. The clients can have either a passbook, an ATM card, or both.

Checking Account - Personal

This account has an initial deposit and minimum average daily balance of Php 5,000 for individual clients. Clients with a savings account of at least 6 months are qualified to open a checking account. The cost of the checkbook is Php 550.

Checking Account - Corporate

For corporate clients, the initial deposit and minimum average daily balance is Php 10,000. Clients with a savings account of at least 6 months are qualified to open a checking account. The checkbook costs Php 550.

Time Deposit

The minimum placement is Php 50,000 for 30 days up to 5 years and 1 day with interest and principal payout at the end of the term. If pre-terminated, the default interest rate to be applied is the regular savings rate, currently at 0.25% p.a. Interest income is subject to 20% final withholding tax, while the deposit is subject to documentary stamp tax of Php 1.50 for every Php 200 and every fraction thereof multiplied by the number of days.

Floating Rate Time Deposit

A time deposit for 2 years up to 5 years and 1 day with interest earned based on the prevailing Reverse Repurchase (RRP) rate of the Bangko Sentral ng Pilipinas (BSP) + pre-approved spread. The interest earned is given on the selected payment schedule, either monthly or quarterly, upon the tenor or term of the placement.



DIGITAL CHANNELS

CitySavings Mobile App*

A digital mobile application that provides fast, easy, and convenient banking services. Teacher-clients can apply for a loan and easily track the status of their loan application whenever and wherever. Mobile app users can conveniently check their savings accounts, transfer funds, and pay bills.

**Former name: Loan Ranger Mobile App, rebranded to CitySavings Mobile App effective February 2024. BSP-TRISD and FSD5 were notified on February 19, 2024, and acknowledged by BSP-TRISD on February 24, 2024.*

Talk to Maria

The Bank's Messenger chatbot, Talk to Maria, provides 24/7 inquiry service and a seamless application process for new loans. Users can also find the nearest CitySavings ATM and branch.

UnionBank Investment Management and Trust Corporation

Unit Investment Trust Funds

UnionBank Unit Investment Trust Funds (UITF) are an open-ended pooled trust funds, operated and administered by UnionBank Trust and Investment Services Group (TISG). A client invests by purchasing units of participation in the fund and is allowed to 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 may be invested in a diversified set of domestic and offshore financial instruments such as money market securities, bonds, and equities.

UnionBank TISG offers the following UITFs:

- Philippine Peso Denominated Funds:
- UnionBank PHP Short Term Fixed Income Fund

- UnionBank PHP Fixed Income Fund
- UnionBank PHP Tax Exempt Fixed Income Fund (for qualified tax-exempt investors)
- UnionBank PHP Balanced Fund
- UnionBank PHP Equity Fund
- UnionBank PSE Index Tracker Fund
- UnionBank PHP Capital Accumulation Global Fund of Funds
- US Dollar Denominated Funds:
- UnionBank USD Short Term Fixed Income Fund
- UnionBank USD Fixed Income Fund
- UnionBank USD Capital Accumulation Global Fund of Funds

Personal Management Trust

UnionBank Trust and Investment 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) is a highly customizable vehicle that gives the client convenient access to a wide array of investment products. A PMT also allows TISG to distribute the proceeds, interests and/or principal of the client to their beneficiaries, within the terms and conditions agreed upon.

Corporate & Institutional Investment Management

UnionBank Trust and Investment Services Group (TISG) acts as the Investment Manager authorized to manage 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.)

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 Trustee. 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.

Escrow Agency

UnionBank Trust and Investment 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.

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.

Subsidiaries Products & Services

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.

UnionDigital Bank

UBEH Save - High-Interest Rate Savings Account. Offers a savings account with a competitive interest rate (up to 4%), enabling customers to grow their funds more effectively. Customers can easily open an UBEH Save account within minutes by providing your basic information, a valid government ID, and a simple selfie.

UD Time Deposit; Short-term Time Deposit - Introduces fixed-term investments, including a pioneering Php 1,000 pesos time deposit, allowing for short-term savings at competitive rates (up to 6.75% best-in-market for digital banks) and facilitating financial inclusion by providing investment opportunities with a low barrier to entry.

Add Money - Facilitates convenient fund deposits into customer accounts through various channels, including bank transfers or deposits at physical locations via partner channels. Specifically, there are over 9,000+ locations available for cash deposits and more than 8,500+ locations for cash withdrawals, ensuring widespread accessibility and ease of use for account funding.

Get Money - Facilitates the withdrawal of funds or receipt of money from others, ensuring accessibility to funds as needed.

Send Money - Enables users to quickly and securely transfer funds within UnionDigital Bank and to other different banks. We provide complimentary PesoNet and InstaPay transfer services, ensuring cost-effective and efficient transactions for our customers.

Pay Bills - Provides a convenient bill payment service that allows customers to directly settle utilities and other bills from their account, with access to over 500+ billers.

QRPH (P2P) - Utilizes the QR PH system for peer-to-peer transactions, allowing customers to make and receive payments through QR codes scanning, thereby enhancing the overall ease of transactions.

UD Cash Loans - This service revolutionizes access to credit by allowing customers to apply directly through the UD App and receive funds within minutes. Designed with simplicity in mind, it requires minimal documentation, enabling a seamless and rapid credit acquisition process.

UnionBank Financial Services and Insurance Brokerage Inc.

Brokerage Products and Services: Investment Funds

Investors can maximize their investment portfolio's potential with carefully selected investment funds such as mutual funds (MFs) and unit investment trust funds (UITFs). Through investment funds, investors can benefit from diversification, professional investment management, and efficiently access various financial markets across a variety of specific themes, regions, sectors, and asset classes. With professional wealth

management advice, investors can effectively navigate financial markets and align their investment fund portfolio with their overall financial objectives, time horizon, investing experience, and risk tolerance.

- BSP-registered Unit Investment Trust Funds
- SEC-registered Mutual Funds
- Global Investment Funds (Qualified Buyers Only)

Fixed Income

Fixed income securities are investment instruments issued by governments and corporations, and offer stability, reliable returns, and predictable income. These investments form a solid foundation for capital preservation, portfolio diversification, and achieving financial goals. Designed to provide a consistent income stream, these investments are an attractive option for investors seeking stable cash flow and access to opportunities across diverse geographies and industries. With professional wealth management advice, investors can effectively navigate financial markets and align their fixed income portfolio with their overall financial objectives, time horizon, investing experience, and risk tolerance.

- Philippine Government Bonds
- Philippine Bank-Issued Bonds
- Global Government Bonds
- Local Currency Corporate Bonds
- Foreign Currency Corporate Bonds (Qualified Buyers Only)

Qualified Buyer Registration

The Qualified Buyers (QB) Program unlocks a wider spectrum of financial market opportunities by providing privileged access to unique strategies from top global fund houses and a curated selection of international bonds. Leveraging on partnerships with top global fund houses, the QB Program provides investors with unparalleled portfolio diversification across regions, sectors, asset classes, and strategies. With professional wealth management advice, investors can effectively navigate the financial markets and

align their investment portfolio with their overall financial objectives, time horizon, investing experience, and risk tolerance.

Insurance

UFSI offers a wide range of insurance products including life and general insurance products. These products are carefully selected in support of the wealth management proposition of UnionBank.

Insurance is an important part of the client's portfolio and is actively reviewed together with UFSI's team of Relationship Managers and Insurance Specialists. UFSI works hand in hand with clients to deliver the best services and products to sustainably grow and protect their wealth and assets.

Investment-Linked Life Insurance Plans

Investment-Linked Insurance (ILI) – also known as Variable Universal Life Insurance (VUL) – provides clients with life insurance coverage as well as potential for capital appreciation through investments. The capital appreciation is a key feature of ILIs/VULs as the client is given the opportunity to choose available underlying investment funds that match his or her risk profile. These investment funds offer a broad range of exposures in terms of geography, themes, and asset classes.

ILIs/VULs can be further enhanced with riders that offer additional protection against life's numerous uncertainties including accidents, hospitalization, or being stricken with critical illnesses.

For clients, while the primary purpose of ILIs/VULs is protection from the unforeseen and unexpected, these also offer potential wealth accumulation for their golden years.

Traditional Life Insurance Plans

Traditional life insurance can be whole life insurance, endowment plans, or health insurance. Each type addresses clients' unique needs and provides clients and their families a safety net in case of an untimely demise, disablement, or disease. Unique to traditional life insurance is the potential to receive a lump sum amount to enjoy as living benefit should the client survive the maturity of the policy.

In the case of endowment plans, not only can clients receive a maturity benefit, but they can receive periodic endowment payouts throughout the policy's duration.

In recent years, life insurance companies have created plans that provide immediate funds in case of hospitalization or a diagnosis of a critical illness. With modern healthcare, more people are living longer lives and the need for a healthcare plan is no longer nascent but a necessity.

General Insurance Plans

General insurance or non-life insurance encompasses several kinds of solutions that provide clients with protection against risks associated with loss or damage to their properties, vehicles, and even specific assets like works of art. There are also specialized

products which cover financial losses that may come from cybersecurity issues, professional liability, or in the case of businesses, inventory loss and theft.

Travel insurance is also another example. It is a plan that covers financial losses associated with either domestic or international travel. In case of hospital emergencies, personal accidents, or loss of personal effects, having a travel insurance plan can minimize the stress that comes with these inconveniences.

These plans provide clients with an array of solutions that can help protect the assets they have worked hard to accumulate.

UFSI is licensed by the Insurance Commission (IC) to operate as an insurance broker.



Brick & Mortar

METRO MANILA / GREATER MANILA AREA

MAKATI CITY

ANTEL RESIDENCES

G/F Antel Spa Suites
7829 Makati Avenue
Salamanca St., 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
(0917) 819-1537
(0917) 860-9753

AYALA-RUFINO

G/F Rufino Pacific Tower
6784 Ayala Avenue
cor 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

GF PNB Makati Center
6754 Ayala Avenue
Brgy San Lorenzo, Makati City
(0917) 8271132
(0917) 8266905
(02) 7215-7909
(02) 7616-9974

DELA ROSA

G/F Insular Health Care Bldg.
167 Dela Rosa
cor. Legaspi Streets
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 Street
Legaspi Village, Makati City
(02) 7577-7631
(02) 8812-9601
(0917) 863-9762

H.V. DELA COSTA

138 Global Enterprise Bldg.
H.V. Dela Costa St. Salcedo Vill.
Makati City
(02) 7585-0977
(0917) 827-0380

INSULAR AYALA PASEO (The ARK)

G/F Insular Life Building
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
Street Poblacion
Makati City
(02) 7503-8065
(0917) 827-0353

MAGALLANES

G/F Maga Center Building
Paseo de Magallanes
Makati City
(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 Arnaiz Avenue Pasay Road
San Lorenzo Village,
Makati City
(02) 7624-1163

PASEO DE ROXAS

G/F 111 Paseo de Roxas Building
Paseo de Roxas cor. Legaspi St.
Legaspi Village, Makati City
(02) 7796-9057
(0917) 8639823
(0917) 859-9968
(0917) 8609753

8741 PASEO DE ROXAS - WEALTH BR

8741 Paseo de Roxas
cor Villar St., Makati City
(02) 8588-1570
(02) 8667-6312
(0917) 836-7199
(0917) 836-7961

PASONG TAMO-JTKC

G/F JTKC Centre Building
2155 Chino Roces Avenue
Legaspi Village, Makati City
(02) 7585-1044
(02) 7971-0213
(0917) 827-0373

PASONG TAMO EXTENSION

G/F BCS Prime Building
Don Chino Roces Ave.
Pasong Tamo Extension
Makati City
(02) 7971-0221
(0917) 864-1065
(0917) 809-7818
(0917) 822-3648

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 Building, 117 Rada St.
Legaspi Village, Makati City
(02) 7623-1487
(0917) 863-9895
(0917) 860-4611
(0917) 820-3052

CITY OF MANILA

CITYPLACE SQUARE

3/F Lucky Chinatown
-Cityplace Square
Calle Felipe
cor. La Chambre Street
Binondo, Manila
(02) 7261-4167
(02) 7968-2434
(02) 7211-3901
(0917) 827-6546
(0917) 814-0306
(0917) 821-7692

DASMARIÑAS

UnionBank Centre
Manila Building, Dasmariñas
corner Q. Paredes Streets
Binondo, Manila
(02) 7968-2462
(02) 7968-3119
(02) 7968-2517
(0917) 821-8325
(0917) 821-8533
(0917) 822-9479

ESCOLTA

G/F Regina Building
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) 8241-8303
(0917) 827-0281

INTRAMUROS

409 G/F, BF Condominium Bldg.
A. Soriano Avenue
Intramuros, Manila
(02) 8404-1720
(02) 7622-4467
(0917) 827-0258

LOURDES HOSPITAL

G/F Main Building
Our Lady of Lourdes Hospital
46 P. Sanchez Street
Sta. Mesa, Manila
(02) 8713-8546
(02) 8968-6780
(0917) 827-0879
(0917) 863-8597

MALATE

G/F Marioco Building
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
(0917) 846-7606

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 Bldg.
Sto. Cristo St.
corner San Fernando St.
Binondo, Manila.
(02) 2844-4284
(02) 7587-2980
(02) 7616-2101
(0917) 863-8235
(0917) 827-0890

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

WEST AVENUE-BALER

No. 91 Barangay Bungad
West Avenue, Quezon City
(02) 7907-9408
(02) 7971-0196
(0917) 827-2501
(0917) 864-0957

CAINTA, RIZAL**CAINTA**

G/F CRV Building
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) 8944-6282
(0917) 863-8483
(0917) 827-0547

CARDINAL SANTOS

GF Cardinal Santos
Medical Center
10 Wilson St.
Greenhills West
San Juan City
(02) 8234-0718
(0917) 863-8550
(0917) 827-3092

GREENHILLS

Ortigas Avenue
near corner Wilson St.
Greenhills, San Juan City
(02) 7616-7108
(0917) 863-8574
(0917) 827-0992

NORTHEAST**GREENHILLS - WEALTH**

22 Missouri St.
Northeast Greenhills
San Juan City

TAGUIG**2ND AVENUE - BGC**

G/F Blue Sapphire Building
2nd Avenue, corner 30th Street
Bonifacio Global City
Taguig City
(02) 8519-0324
(0917) 849-0513

3RD AVENUE - BGC

G/F Shop B
The Net Square Bldg.
3rd Avenue, cor. 28th Street
Bonifacio Global City
Taguig City
(0917) 818-2493

5TH AVENUE - GLOBAL CITY

Unit 103
G/F One Global Place
5th Avenue cor. 25th Street
Bonifacio Global City
Taguig City
(02) 7907-8963
(0917) 827-2502

BGC-7TH AVENUE

G/F Twenty-Four Seven
McKinley Bldg.
cor. 7th Avenue, 24th Street
McKinley Parkway
Bonifacio Global City
Taguig City
(02) 8573-7281
(0917) 863-8494

BGC 32ND STREET

G/F Trade and Financial Tower
32nd Street corner 7th Avenue
Bonifacio Global City
Taguig City
(02) 7618-7655
(0917) 863-8342

BGC- 34TH STREET

G/F, Shop 2
Panorama Building
34th St. corner Lane A
Bonifacio Global City
Taguig City
02) 8833-211
(0917) 863-8366

BGC 38TH STREET

G/F Orion Building
11th Avenue corner 38th St.
Bonifacio Global City
Taguig City
(02) 8624-4893
(0917) 863-8418

BGC-MCKINLEY ROAD

G/F, Unit 1
Fairways Towers, 5th Avenue
Bonifacio Global City
Taguig City
(02) 7968-6368
(0917) 863-8576

BGC THE LUXE RESIDENCES

G/F Shop 3
The Luxe Residences
28th Street corner 4th 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
9th Avenue cor. 36th Street
Bonifacio Global City
Taguig City
(02) 8968-8391
(0917) 863-8761

BONIFACIO HIGH STREET

W Global Center
Corner 30th and 9th 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) 820-1852

MCKINLEY WEST

Lower G/F, Robinsons
Cyber Sigma Building
Lawton Avenue
Bonifacio South
Taguig City
(02) 8824-8027
(0917) 820-6845

VALENZUELA**MALINTA**

292 Mirjan Building
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 cor. Mabini Streets
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.
Barangay Padre Burgos
Cabanatuan City
(044) 463-0490
(0917) 863-9695

CLARK

Unit 3 and 4
The Pavillion Mall
Philexcel Business Park M. A.
Roxas Highway
Clark Freeport Zone
Pampanga
(045) 499-5141
(0917) 809-3519

CAUAYAN, ISABELA

G/F Isabela Trade Center Bldg.
National Highway
Cauayan City, Isabela
(0917) 863-9707
(078) 652-4401

DAGUPAN

Perez Blvd, Brgy Pogo Chico
Dagupan City, Pangasinan
(075) 523-5575
(0917) 863-9715

LAOAG-SAN NICOLAS

G/F 365 Plaza Building
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

Brick & Mortar

OLONGAPO

87 Magsaysay Drive
East Tapinac
Olongapo City
(047) 602-2618
(0917) 863-9710

PAMPANGA

G/F Mel-Vi Bldg
Olongapo Gapan Road
Dolores
City of San Fernando
Pampanga
(0917) 827-2875

SAN FERNANDO, LA UNION

G/F, Nisce Business Center
Quezon Avenue
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 Hway
Malvar, Santiago City
(0917) 863-9750

SUBIC

19B Manila Avenue
corner Canal Street
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) 864-1496

TUGUEGARAO

Bagay Road
corner Andrews Street
Caritan Centro
Tuguegarao City, Cagayan
(078) 844-3170
(0917) 864-0763

VIGAN

AR Lahoz Building
Jose Singson Street
Vigan, Ilocos Sur
(077) 722-2046
(0917) 864-0765

SOUTHERN LUZON

BACOOOR

G/F 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

Governor's Drive
corner Golden Mile Avenue
Golden Mile Business Park
National Highway, Bgy. Maduya
Carmona, Cavite
(046) 521-7961
(0917) 864-0950

CALAMBA-PARIAN

G/F Andenson Bldg.
Manila South Rd
Bgy. Parian
Calamba, Laguna
(049) 545-6673
(0917) 848-1490

DASMARIÑAS-CAVITE

Gov. D. Mangubat Avenue
Congressional Road
Aguinaldo Highway
Dasmariñas, Cavite
(046) 521-7962
(0917) 840-8102

IMUS-CAVITE

G/F Melta Bldg.
cor. 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
(0917) 804-0739

LIPA

17 B. Morada Avenue
Lipa City, Batangas
(043) 236-9159
(0917) 864-1186

LUCENA

One People Square
M.L. Tagarao Street corner
Granja St., Lucena City
(042) 710-6538
(0917) 864-0985

NAGA

G/F Prime Days Hotel Building
Panganiban Drive, Naga City
(0917) 864-0986
(054) 473-7885

PUERTO PRINCESA

G/F UnionBank Bldg.
J.P. Rizal Avenue
Brgy. Maningning
Puerto Princesa City
Palawan
(048) 434-2007
(0917) 864-1037

SAN PEDRO

Manila South Rd.
cor Cataquiz National Highway
Barangay Landayan
San Pedro, Laguna
(02) 506-5983
(02) 868-8186
(0917) 864-0937

STA. ROSA

718 Rizal Boulevard
corner Zavalla St.
Barangay 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 AYALA FGU - WEALTH

G/F Ayala FGU Center
Biliran Road, Cebu City

CEBU-BANILAD

Unit 114 Banilad Town Center
Gov. M. Cuenco Avenue
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 Street
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
(0917) 863-8207

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 Building
Gen. Maxilom Ave.
Cebu City
(032) 353-4298
(032) 353-4299
(0917) 863-8315
(0917) 863-8331

CEBU-MINGLANILLA

G/F FCT Commercial Building
Poblacion Ward II
Minglanilla, Cebu
(032) 316-8763
(0917) 805-4153

CEBU NORTH DRIVE

G/F North Drive Mall
Ouano Avenue
NRA, Mandaue City, Cebu
(032) 384-1927
(0917) 863-8355

CEBU NORTH ROAD

G/F Khuz'ns Bldg.
North Highway, Estancia
Mandaue City, Cebu
(032) 353-4301
(0917) 863-8367

CEBU-PLARIDEL

104 Plaridel Street
Barangay 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, Mantawi Ave.
North Reclamation Area
Mandaue City, Cebu
(032) 353-4307
(032) 232-0680
(0917) 853-9210

BACOLOD - LACSON

G/F, Philamlife Bldg.
Lacson corner Galo Sts.
Bacolod City
(0917) 841-5969
(0917) 803-6497

BACOLOD - NORTH MANDALAGAN

Ground Floor Unit 101
CODECO Bldg., Lacson St.
corner Consuelo Avenue
Barangay Bata
Bacolod City
(034) 701-7899
(0917) 864-0281
(0917) 863-8645

DUMAGUETE

UnionBank Building
Ramon Pastor Sr. St.
corner San Juan St.
Dumaguete
Negros Oriental
(035) 404-2588
(0917) 864-1244

ILOILO-IZNART

Villanueva Building
Iznart St., Iloilo City
(033) 504-5827
(0917) 864-0791
(0917) 864-0849

ILOILO-GENERAL LUNA

Brgy. Villa Anita Village
Gen. Luna Street
Iloilo City
(033) 504-5833
(0917) 864-0852
(0917) 864-0797

TACLOBAN

G/F Tacloban Plaza Bldg.
Justice Romualdez Street
Tacloban City
(0917) 864-1304
(0917) 827-5962

TAGBILARAN

0041 JS Torralba Street
Brgy. POB II
Tagbilaran City, Bohol
(038) 510-8150
(0917) 864-1340

METRO DAVAO**DAVAO-CABAGUIO**

G/F, Dmirie Bldg.
JP Cabaguio Avenue
Brgy Paciano Bangoy
Davao City
(082) 324-3732
(0917) 806-9916

DAVAO-MAGSAYSAY

R. Magsaysay Avenue
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
(0917) 864-0974

DAVAO QUIRINO

Quirino Ave.
corner San Pedro
Extension Street
Davao City
(082) 324-4417
(0917) 864-0898

DAVAO-RIZAL

G/F & 2/F Quibod
Commercial Complex
Rizal Street, Davao City
(082) 326-1149
(082) 326-1181
(0917) 864-1312
(0917) 864-1352

MINDANAO**BUTUAN**

Ground Floor CAP Bldg.
JC Aquino Ave.
cor. 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) 856-6106
(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 Avenue
Brgy. Poblacion
Iligan City
(063) 302-2640
(0917) 863-9835

PAGADIAN

Sabado Building
Rizal Avenue
San Francisco District
Pagadian City
(062) 214-1332
(062) 214-1841
(0917) 863-9676

ZAMBOANGA CITY

G/F ZAEC Bldg.
Mayor Jaldon St.
cor. Gov. Alvarez Street
Zamboanga City
(062) 312-5447
(062) 312-9565
(0917) 861-4653
(0917) 843-0423

Management Directory

PRESIDENT & CEO

Edwin R. Bautista

SENIOR EXECUTIVE VICE PRESIDENTS

Ana Maria A. Delgado Manoj Varma

EXECUTIVE VICE PRESIDENTS

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Vincent Paul M. Castillo	Norman C. Gabriel	Don Jerico B. Matriano	Jose Paulo R. Soliman	

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Management Directory

ASSISTANT VICE PRESIDENTS

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Morris Morel H. Abesamis
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Sharlyn Veronica M. Alo-Lambot
Rachel Ann G. Amandy
Joyce C. Ancheta
Roosevelt Nelson S. Ang
Ann Lilibeth M. Antiquina
Hazel L. Antivola
Angelo Don D. Apongol
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Nikko Rio C. Arevalo
Romeo Gabriel M. Aspera
Joan Lorraine D. Asprer
Anna Claret F. Asuncion
Ruben Carlo O. Asuncion
Karen O. Aunzo
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Basille Alicesandra L. Avelino
Anna Liza B. Ayugat
Jonathan Luis M. Bagadiong
Salvador G. Bagamasbad, Jr.
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Christian T. Banzuela

Shekilah R. Bartolome
Camille Frances L. Basilio
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Juan Miguel R. Bautista
Marcelo A. Belleca
Wilfredo S. Bernardo
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Juan Antonio A. Bugayong
Jomar R. Bulanon
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Tina Marie T. Calderon
Valyne A. Calma
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Jennylyn C. Car
Delver Albert E. Carillo
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Donna Vittoria F. Castell
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Abigail B. Enciso
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Adriano T. Hipolito
Maria Angela M. Hizon
Angelica Elaine E. Honasan
John Philip A. Ignacio
John Paulo B. Inciong

ASSISTANT VICE PRESIDENTS

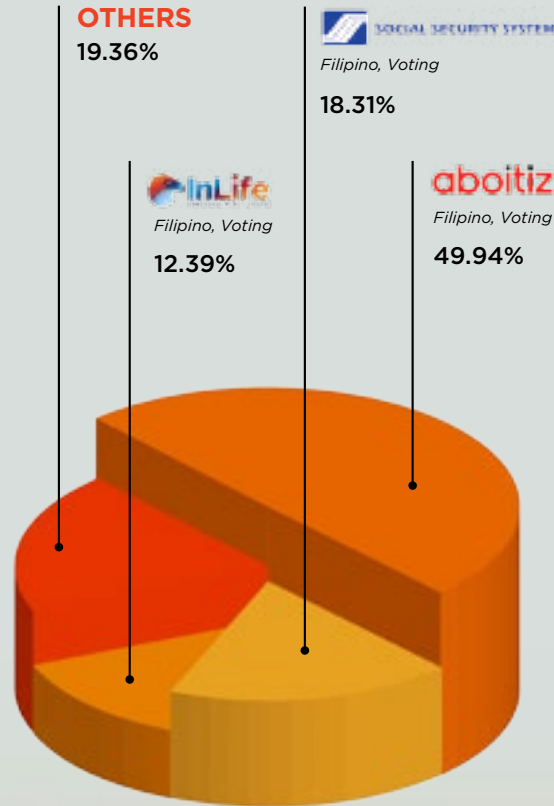
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Carlota P. Jose	Michael Cecil B. Martinez	Jerrica B. Pastor	Ma. Cleofe C. Salamat	Aida T. Ungay
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Michaela Andrea V. Marfori	Rey D. Pascual	Rodylen C. Sacala	Kristine A. Ubaldo	

Corporate Information

Ownership Structure

As of 31 March 2024, UnionBank’s major shareholders are Aboitiz Equity Ventures, Inc. (AEV), Social Security System (SSS) and Insular Life Assurance Company, Ltd. (Insular Life).

Note: Shareholders are according to the Public Ownership Report



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www.unionbankph.com

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Senior Vice President
Corporate Planning
& Investor Relations Head
34/F UnionBank Plaza
Meralco Avenue corner
Onyx and Sapphire Roads
Ortigas Center, Pasig City 1605

Stock Transfer Unit

Reymundo A. Mendoza
UBP Stock Transfer Unit Head
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

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Domestic Calls (PLDT Landline):
1-800-1888-2277
Universal Toll Free:
(IAC)-800-8277-2273
(Applicable in USA, Netherlands,
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Australia, Singapore, Japan,
Korea-Koreatel, Koreal-Onse, Israel)

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On the Cover: **UnionBanker Reagen A. Aguda**,
Digital Media Marketing Head, Digital Marketing

Inside Pages **UnionBanker-Models:**

Katlein Eisra M. Arquiza, Digital Marketing Officer, Digital Marketing

Mary Camille Llado-Apuya, Ma. Katrina Marfil & Lenaira Odviar Oh,

Customer Segments Managers, Customer Segments Management

Cherryme R. Pascual, Senior Consumer Affairs Officer, Consumer Affairs Group

Jose Paolo Miguel R. Lozada, Product Development Senior Manager
Corporate Product Management

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, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud 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.

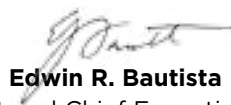
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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

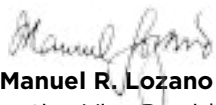
SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing and, in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of 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



Edgar Allan G. Oblena
Senior Vice President
OIC - Financial Controllership

Independent Auditor's Report

The Board of Directors and Stockholders
Union Bank of the Philippines
UnionBank Plaza, Meralco Avenue corner
Onyx Street and Sapphire Road, Ortigas Center, Pasig City

Report on the Consolidated and Parent Company 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, 2023 and 2022, 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, 2023, and notes to the consolidated and parent bank financial statements, including material accounting policy information.

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, 2023 and 2022, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2023 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 Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Independent Auditor's Report

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; 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 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; (c) tested the Group's and the Parent Bank's application of internal credit risk rating system, 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; 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.

Independent Auditor's Report

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 Parent Bank acquired the consumer banking business of another bank in the Philippines. The transaction was accounted for as a business combination, where the Group performed a provisional purchase price allocation, as allowed under PFRS 3, *Business Combination*. In 2023, the Parent Bank completed the identification and fair value measurement of assets and liabilities acquired, resulting in recognition of certain intangible assets, i.e. core deposits and customer relationships. Following PFRS 3, the intangible assets have been recognized retrospectively to the date of acquisition, resulting in the restatement of the comparative 2022 financial information.

We considered the accounting for this business combination as a key audit matter because the amounts involved are material and required significant management judgment and estimates in the identification and measurement of intangible assets using income approach, determination of the fair value of loans and receivables using discounted cash flow methodology and the fair value of properties acquired using valuation techniques that consider recent transaction prices for similar properties and economic conditions prevailing at the time the valuations were made.

The Parent Bank's disclosures about the business acquisition and the finalization of the purchase price allocation are included in Notes 1 and 3 to the consolidated and parent bank financial statements.

Audit Response

We reviewed the purchase agreement covering the acquisition, the consideration paid and the purchase price allocation. We reviewed management's identification of the underlying assets and liabilities based on our understanding of the business acquired and management's explanation on the rationale for the acquisition.

For the identified intangible assets and properties, we evaluated the competence, capabilities and qualifications of the external appraisers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialists in obtaining an understanding and evaluating the methodologies and assumptions used in the determining the fair value of the intangible assets and properties. We assessed the methodologies adopted by referencing with common valuation models. We reviewed the fair value of intangible assets by comparing the key assumptions used such as forecasted cash flows and funding costs against historical performance and other relevant external data. We also tested the parameters used in the determination of the discount rate against market data. We reviewed the fair value of the properties by making reference to the relevant information supporting the sales and listings of comparable properties and the adjustments made to the sales price. We reviewed the fair value of loans and receivables by checking 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. We tested the parameters used in the determination of the discount rate against market data and the Parent Bank's current incremental lending rate for similar type of loans and receivables. We evaluated the appropriateness of the accounting treatment, including the review of the impact of the final purchase price allocation to the comparative consolidated and parent company financial statements as at and for the year ended December 31, 2022. We also reviewed the related disclosures in the consolidated and parent company financial statements considering the requirements of the relevant accounting standards

Independent Auditor's Report

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, 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. 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, 2023, 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, 2023 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 audits 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.

Independent Auditor's Report

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.

Independent Auditor's Report

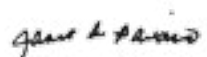
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent bank financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report 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.

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

Our audits 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 37 to the financial statements and Revenue Regulations 15-2010 in Note 38 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

BIR Accreditation No. 08-001998-062-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10079894, January 5, 2024, Makati City

February 28, 2024

Statements of Financial Position

December 31, 2023 and 2022

(Amounts are presented in thousands of Philippine Pesos)

	Group		Parent Bank	
	December 31		December 31	
	2023	2022 (As restated)	2023	2022 (As restated)
RESOURCES				
Cash and Other Cash Items (Note 8)	₱10,439,112	₱9,891,536	₱9,350,898	₱8,924,249
Due from Bangko Sentral ng Pilipinas (Note 8)	82,643,663	94,610,308	63,883,124	66,588,121
Due from Other Banks (Note 9)	27,263,347	46,239,964	23,188,033	42,263,529
Interbank Loans Receivable and Securities Purchased under Reverse Repurchase Agreements (SPURRA) (Note 10)	25,411,119	23,553,973	3,184,078	14,634,811
Trading and Investment Securities				
At fair value through profit or loss (FVTPL) (Note 11)	5,805,716	8,653,516	5,676,867	8,583,178
At amortized cost (Note 12)	314,479,239	244,627,904	305,334,583	235,400,671
At fair value through other comprehensive income (FVOCI) (Note 13)	36,974,774	79,761,762	36,699,234	79,467,678
Loans and Other Receivables - net (Note 14)	526,145,828	479,626,649	411,823,839	393,734,345
Investment in Subsidiaries and Associates (Note 15)	37,675	123,396	36,114,412	31,782,696
Bank Premises, Furniture, Fixtures and Equipment - net (Note 16)	10,193,239	8,706,619	8,539,326	7,236,034
Investment Properties - net (Note 17)	8,592,259	8,258,873	7,359,283	7,124,049
Goodwill (Note 18)	53,992,565	53,992,565	43,339,696	43,339,696
Other Resources - net (Note 19)	43,164,817	34,839,105	35,119,322	28,110,319
TOTAL RESOURCES	₱1,145,143,353	₱1,092,886,170	₱989,612,695	₱967,189,376

Statements of Financial Position

December 31, 2023 and 2022

(Amounts are presented in thousands of Philippine Pesos)

	Group		Parent Bank	
	December 31		December 31	
	2023	2022 (As restated)	2023	2022 (As restated)
LIABILITIES AND CAPITAL FUNDS				
LIABILITIES				
Deposit Liabilities (Note 21)				
Demand	₱233,282,684	₱232,081,793	₱234,228,367	₱233,365,153
Savings	195,864,333	195,020,730	190,062,551	188,480,585
Time	283,421,391	281,201,419	173,264,475	199,075,294
Long-term negotiable certificate of deposits	–	3,000,000	–	3,000,000
	712,568,408	711,303,942	597,555,393	623,921,032
Bills Payable (Note 22)	155,287,929	132,846,789	120,359,136	99,309,124
Notes and Bonds Payable (Note 23)	50,493,627	51,644,325	50,493,627	51,644,325
Other Liabilities (Note 24)	51,167,965	48,877,294	46,116,231	44,723,024
	969,517,929	944,672,350	814,524,387	819,597,505
CAPITAL FUNDS				
Capital funds attributable to the Parent Bank's stockholders (Note 25)				
Common stock	23,537,746	21,421,068	23,537,746	21,421,068
Treasury stock	(2,097)	–	(2,097)	–
Additional paid-in capital	57,769,376	47,949,927	57,769,376	47,949,927
Stock dividend distributable	6,355,129	–	6,355,129	–
Surplus free	88,719,176	90,799,424	89,032,606	91,379,317
Surplus reserves	2,542,762	2,452,975	2,142,570	2,030,080
Net unrealized fair value losses on investment securities at FVOCI (Note 13)	(2,195,087)	(14,057,609)	(2,196,947)	(14,059,469)
Remeasurements of defined benefit plans (Note 29)	(1,627,698)	(1,227,666)	(1,566,266)	(1,166,234)
Other reserves	(108,141)	30,989	16,191	37,182
Total capital funds attributable to the Parent Bank's stockholders	174,991,166	147,369,108	175,088,308	147,591,871
Non-controlling interests	634,258	844,712	–	–
	175,625,424	148,213,820	175,088,308	147,591,871
TOTAL LIABILITIES AND CAPITAL FUNDS	₱1,145,143,353	₱1,092,886,170	₱989,612,695	₱967,189,376

See accompanying Notes to Financial Statements.

Statements of Income

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	2023	2022 (As restated)	2021
INTEREST INCOME ON						
Loans and other receivables (Note 14)	₱59,219,084	₱36,004,714	₱27,372,449	₱38,853,221	₱23,907,388	₱17,497,261
Investment securities at amortized cost and FVOCI (Notes 12 and 13)	15,620,211	12,489,741	7,706,773	15,172,216	12,083,622	7,610,675
Cash and cash equivalents (Notes 8 and 9)	2,160,236	1,000,188	679,740	947,155	584,977	332,870
Interbank loans receivable and SPURRA (Note 10)	1,367,804	826,362	324,020	518,152	652,846	226,551
Trading securities at FVTPL (Note 11)	194,354	203,766	244,587	193,268	203,766	244,587
	78,561,689	50,524,771	36,327,569	55,684,012	37,432,599	25,911,944
INTEREST EXPENSE ON						
Deposit liabilities (Note 21)	15,788,182	6,021,671	2,967,692	9,457,250	4,196,509	1,805,424
Bills payable and other liabilities (Notes 22, 23, 24 and 29)	10,797,983	5,601,709	3,544,787	8,532,872	4,183,835	2,446,570
	26,586,165	11,623,380	6,512,479	17,990,122	8,380,344	4,251,994
NET INTEREST INCOME	51,975,524	38,901,391	29,815,090	37,693,890	29,052,255	21,659,950
PROVISION FOR CREDIT LOSSES (Note 20)	14,040,864	4,068,449	5,811,398	11,025,059	2,571,143	4,657,731
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	37,934,660	34,832,942	24,003,692	26,668,831	26,481,112	17,002,219
OTHER INCOME						
Service charges, fees and commissions (Note 27)	10,412,799	6,781,671	3,773,311	8,680,427	5,685,762	2,492,356
Gains (losses) on trading and investment securities at FVTPL and FVOCI (Notes 11 and 13)	918,647	(181,397)	217,943	917,695	(182,303)	217,533
Gains on sale of investment securities at amortized cost (Note 12)	–	100,223	8,447,595	–	100,223	8,447,595
Miscellaneous (Note 28)	7,470,943	6,598,584	2,861,815	9,304,608	7,497,855	3,542,828
	18,802,389	13,299,081	15,300,664	18,902,730	13,101,537	14,700,312
TOTAL OPERATING INCOME	56,737,049	48,132,023	39,304,356	45,571,561	39,582,649	31,702,531

Statements of Income

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	2023	2022 (As restated)	2021
OTHER EXPENSES						
Salaries and employee benefits (Note 29)	₱13,558,225	₱10,003,171	₱8,646,702	₱10,232,372	₱7,525,194	₱6,591,420
Taxes and licenses (Note 37)	5,941,970	4,110,188	2,881,458	4,045,416	2,738,837	1,929,202
Depreciation and amortization (Note 16)	2,666,493	1,860,432	1,623,679	1,939,485	1,420,123	1,146,458
Occupancy (Note 16)	1,164,202	1,026,889	890,645	891,506	764,356	674,342
Miscellaneous (Note 28)	21,557,379	14,347,165	10,277,070	18,108,976	11,497,383	7,147,271
	44,888,269	31,347,845	24,319,554	35,217,755	23,945,893	17,488,693
PROFIT BEFORE TAX	11,848,780	16,784,178	14,984,802	10,353,806	15,636,756	14,213,838
INCOME TAX EXPENSE (Note 30)	2,644,225	4,039,459	2,407,069	1,525,349	3,036,011	1,688,462
NET PROFIT	₱9,204,555	₱12,744,719	₱12,577,733	₱8,828,457	₱12,600,745	₱12,525,376
Attributable to:						
Parent Bank's stockholders	₱9,072,217	₱12,600,745	₱12,525,376	₱8,828,457	₱12,600,745	₱12,525,376
Non-controlling interests	132,338	143,974	52,357	-	-	-
	₱9,204,555	₱12,744,719	₱12,577,733	₱8,828,457	₱12,600,745	₱12,525,376
Basic/Diluted Earnings per Share (Note 33)	₱3.06	₱4.95	₱5.80	₱2.97	₱4.95	₱5.80

See accompanying Notes to Financial Statements.

Statements of Comprehensive Income

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	2023	2022 (As restated)	2021
NET PROFIT	₱9,204,555	₱12,744,719	₱12,577,733	₱8,828,457	₱12,600,745	₱12,525,376
OTHER COMPREHENSIVE INCOME (LOSS)						
<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	12,279,193	(12,510,381)	(845,911)	12,278,125	(12,556,049)	(835,790)
Realized gains on sale of investment securities at FVOCI recognized in profit or loss (Note 13)	(416,510)	(99,466)	(657,987)	(416,510)	(100,162)	(657,987)
Cumulative translation adjustment	(20,991)	17,235	32,640	(20,991)	17,235	30,559
Share in unrealized mark-to-market gains (losses) on investment securities at FVOCI of subsidiaries (Note 15)	-	-	-	907	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)	(529,145)	372,764	502,675	(621,232)	336,721	427,890
Income tax benefit (expense) (Note 30)	132,286	(93,191)	(193,286)	155,309	(84,180)	(174,589)
Share in changes in remeasurement gains of subsidiaries (Note 15)	-	-	-	65,891	30,406	38,907
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	11,444,833	(12,313,039)	(1,161,869)	11,441,499	(12,312,222)	(1,171,143)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱20,649,388	₱431,680	₱11,415,864	₱20,269,956	₱288,523	₱11,354,233
Attributable to:						
Parent Bank's stockholders	₱20,513,716	₱288,523	₱11,362,598	₱20,269,956	₱288,523	₱11,354,233
Non-controlling interests	135,672	143,157	53,266	-	-	-
	₱20,649,388	₱431,680	₱11,415,864	₱20,269,956	₱288,523	₱11,354,233

See accompanying Notes to Financial Statements.

Statements of Changes In Capital Funds

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group											
	Equity Attributable to Equity Holders of the Parent Bank											
	Capital Stock	Treasury 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	Total Capital Funds
Balances as at January 1, 2023, as previously reported	₱21,421,068	₱-	₱47,949,927	₱-	₱90,727,927	₱2,452,975	(₱14,057,609)	(₱1,227,666)	₱30,989	₱147,297,611	₱844,712	₱148,142,323
Effect of business combination (See Note 1)	-	-	-	-	71,497	-	-	-	-	71,497	-	71,497
Balances as at January 1, 2023, as restated	21,421,068	-	47,949,927	-	90,799,424	2,452,975	(14,057,609)	(1,227,666)	30,989	147,369,108	844,712	148,213,820
Total comprehensive income (loss) for the year	-	-	-	-	9,072,217	-	11,862,522	(400,032)	(20,991)	20,513,716	135,672	20,649,388
Issuance of new shares (Note 25)	2,116,678	-	9,869,950	-	-	-	-	-	-	11,986,628	-	11,986,628
Purchase of treasury stock (Note 25)	-	(2,097)	-	-	-	-	-	-	-	(2,097)	-	(2,097)
Stock dividends (Note 25)	-	-	(50,501)	6,355,129	(6,355,129)	-	-	-	-	(50,501)	-	(50,501)
Cash dividends (Note 25)	-	-	-	-	(4,707,549)	-	-	-	-	(4,707,549)	-	(4,707,549)
Appropriations during the year – net (Note 25)	-	-	-	-	(89,787)	89,787	-	-	-	-	-	-
Acquisition of non-controlling interests (NCI)	-	-	-	-	-	-	-	-	(118,139)	(118,139)	(230,227)	(348,366)
Dividends of subsidiaries to NCI	-	-	-	-	-	-	-	-	-	-	(115,899)	(115,899)
Balances as at December 31, 2023	₱23,537,746	(₱2,097)	₱57,769,376	₱6,355,129	₱88,719,176	₱2,542,762	(₱2,195,087)	(₱1,627,698)	(₱108,141)	₱174,991,166	₱634,258	₱175,625,424

Statements of Changes In Capital Funds

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

Group												
Equity Attributable to Equity Holders of the Parent Bank												
	Capital Stock	Treasury 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	Total Capital Funds
Balances as at January 1, 2022	₱12,193,628	₱-	₱14,214,551	₱3,048,388	₱82,122,752	₱2,798,673	(₱1,448,457)	(₱1,507,361)	₱13,754	₱111,435,928	₱777,300	₱112,213,228
Total comprehensive income (loss) for the year, as previously reported	-	-	-	-	12,529,248	-	(12,609,152)	279,695	17,235	217,026	143,157	360,183
Effect of business combination (See Note 1)	-	-	-	-	71,497	-	-	-	-	71,497	-	71,497
Total comprehensive income (loss) for the year, as restated	-	-	-	-	12,600,745	-	(12,609,152)	279,695	17,235	288,523	143,157	431,680
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 NCI	-	-	-	-	-	-	-	-	-	-	(75,745)	(75,745)
Balances as at December 31, 2022, as restated	₱21,421,068	₱-	₱47,949,927	₱-	₱90,799,424	₱2,452,975	(₱14,057,609)	(₱1,227,666)	₱30,989	₱147,369,108	₱844,712	₱148,213,820
Balances as at January 1, 2021	₱12,184,715	₱-	₱14,214,983	₱-	₱77,096,218	₱2,645,080	₱55,384	(1,815,784)	(₱18,886)	₱104,361,710	₱790,692	₱105,152,402
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)
Balances as at December 31, 2021	₱12,193,628	₱-	₱14,214,551	₱3,048,388	₱82,122,752	₱2,798,673	(₱1,448,457)	(₱1,507,361)	₱13,754	₱111,435,928	₱777,300	₱112,213,228

Statements of Changes In Capital Funds

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	Parent Bank									
	Capital Stock	Treasury 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
Balances as at January 1, 2023, as previously reported	₱21,421,068	₱-	₱47,949,927	₱-	₱91,307,820	₱2,030,080	(₱14,059,469)	(₱1,166,234)	₱37,182	₱147,520,374
Effect of business combination (See Note 1)	-	-	-	-	71,497	-	-	-	-	71,497
Balances as at January 1, 2023, as restated	21,421,068	-	47,949,927	-	91,379,317	2,030,080	(14,059,469)	(1,166,234)	37,182	147,591,871
Total comprehensive income (loss) for the year	-	-	-	-	8,828,457	-	11,862,522	(400,032)	(20,991)	20,269,956
Issuance of new shares (Note 25)	2,116,678	-	9,869,950	-	-	-	-	-	-	11,986,628
Purchase of treasury stock (Note 25)	-	(2,097)	-	-	-	-	-	-	-	(2,097)
Stock dividends (Note 25)	-	-	(50,501)	6,355,129	(6,355,129)	-	-	-	-	(50,501)
Cash dividends (Note 25)	-	-	-	-	(4,707,549)	-	-	-	-	(4,707,549)
Appropriations during the year - net (Note 25)	-	-	-	-	(112,490)	112,490	-	-	-	-
Balances as at December 31, 2023	₱23,537,746	(₱2,097)	₱57,769,376	₱6,355,129	₱89,032,606	₱2,142,570	(₱2,196,947)	(₱1,566,266)	₱16,191	₱175,088,308
Balances as at January 1, 2022	₱12,193,628	₱-	₱14,214,551	₱3,048,388	₱82,754,489	₱2,323,934	(₱1,447,065)	(₱1,449,181)	₱19,947	₱111,658,691
Total comprehensive income (loss) for the year, as previously reported	-	-	-	-	12,529,248	-	(12,612,404)	282,947	17,235	217,026
Effect of business combination (See Note 1)	-	-	-	-	71,497	-	-	-	-	71,497
Total comprehensive income (loss) for the year, as restated	-	-	-	-	12,600,745	-	(12,612,404)	282,947	17,235	288,523
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)	-	-	-	-
Balances as at December 31, 2022, as restated	₱21,421,068	₱-	₱47,949,927	₱-	₱91,379,317	₱2,030,080	(₱14,059,469)	(₱1,166,234)	₱37,182	₱147,591,871
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	-	-	-	-
Balances as at December 31, 2021	₱12,193,628	₱-	₱14,214,551	₱3,048,388	₱82,754,489	₱2,323,934	(₱1,447,065)	(₱1,449,181)	₱19,947	₱111,658,691

See accompanying Notes to Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	2023	2022 (As restated)	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	₱11,848,780	₱16,784,178	₱14,984,802	₱10,353,806	₱15,636,756	₱14,213,838
Adjustments for:						
Provision for credit losses (Note 20)	14,040,864	4,068,449	5,811,398	11,025,059	2,571,143	4,657,731
Depreciation and amortization (Note 16)	3,277,968	2,480,931	2,221,316	2,408,164	1,884,657	1,557,053
Amortization of premium and discount of financial assets and liabilities	1,129,034	1,168,740	2,269,357	1,121,507	1,272,967	2,220,141
Gains on sale of investment properties and property and equipment (Note 16 and 17)	(1,026,933)	(1,209,196)	(25,581)	(1,110,755)	(1,192,575)	(209,261)
Unrealized foreign exchange losses (gains) - net	786,431	1,265,139	(876,088)	781,304	1,187,664	(909,334)
Gains on foreclosure of investment properties (Note 17)	(751,936)	(466,388)	(135,309)	(679,745)	(466,388)	(135,309)
Gains on sale of investment securities at FVOCI (Note 13)	(416,510)	(99,466)	(657,987)	(416,510)	(100,162)	(657,987)
Gain on sale of investments in associates (Note 15)	(22,702)	–	(167,332)	–	–	–
Share in net loss (profit) of subsidiaries and associates (Notes 15 and 28)	22,355	29,666	4,135	(2,837,072)	(1,712,086)	(1,173,016)
Reversal of impairment on investment properties (Note 17)	(751)	(24,695)	(64,649)	(787)	(24,722)	(64,649)
Gains on sale of investment securities at amortized cost (Note 12)	–	(100,223)	(8,447,595)	–	(100,223)	(8,447,595)
Impairment of goodwill and investment in subsidiaries (Notes 15 and 18)	–	–	529,599	–	–	–
Changes in operating assets and liabilities:						
Decreases (increases) in:						
Loans and other receivables	(60,181,803)	(80,626,502)	(19,355,679)	(28,603,062)	(54,060,475)	(17,497,222)
Trading securities at FVTPL	2,847,800	(3,013,511)	12,670,664	2,906,311	(3,011,908)	12,840,034
Other resources	(12,452,972)	(9,394,186)	(6,328,757)	(9,461,654)	(5,491,485)	(4,114,905)
Increases (decreases) in:						
Deposit liabilities	4,264,466	75,537,858	42,715,866	(23,365,639)	65,596,659	27,830,562
Other liabilities	9,971,999	17,677,790	2,905,804	7,448,793	15,065,712	1,533,845
Net cash provided (used) by operations	(26,663,910)	24,078,584	48,105,126	(30,430,280)	37,055,534	31,643,927
Income taxes paid	(4,860,628)	(3,566,294)	(2,171,465)	(3,223,021)	(2,148,791)	(1,260,561)
Net cash provided (used) by operating activities	(31,524,538)	20,512,290	45,933,661	(33,653,301)	34,906,743	30,383,366

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	2023	2022 (As restated)	2021
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at amortized cost	(P13,554,953)	(P118,551,429)	(P125,796,399)	(P13,519,953)	(P113,271,357)	(P124,111,014)
Investment securities at FVOCI	(25,052,262)	(111,135,751)	(78,214,061)	(25,026,221)	(111,112,623)	(78,214,061)
Bank premises, furniture, fixtures and equipment (Note 16)	(2,283,303)	(551,592)	(505,605)	(2,000,248)	(308,016)	(317,391)
Investments in subsidiaries and associates (Notes 1 and 15)	-	(14,400)	(109,608)	(1,547,298)	(7,073,025)	(1,500,000)
Proceeds from maturities/sale of:						
Investment securities at FVOCI	19,524,353	87,266,386	46,097,932	19,478,530	87,191,082	46,067,931
Investment securities at amortized cost	2,800,379	42,109,410	122,933,196	2,690,328	41,846,113	122,903,200
Investment properties (Note 17)	631,815	620,286	464,361	626,621	575,169	407,214
Bank premises, furniture, fixtures and equipment (Note 16)	113,651	45,761	52,920	101,896	18,285	15,543
Investments in associates (Note 15)	86,068	-	313,012	-	-	-
Dividends received from subsidiaries	-	-	-	129,000	188,000	1,496,811
Acquisition of business, net of cash acquired (Notes 1 and 15)	(3,259,683)	(44,942,683)	-	(3,252,782)	(41,193,404)	-
Dissolution of subsidiaries (Notes 1 and 15)	-	-	-	-	-	11
Net cash used in investing activities	(20,993,935)	(145,154,012)	(34,764,252)	(22,320,127)	(143,139,776)	(33,251,756)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of:						
Bills payable	(P1,291,332,050)	(P225,725,630)	(P131,247,110)	(P1,268,901,574)	(P177,520,637)	(P69,805,980)
Notes and bonds payable	(21,616,552)	(38,183,199)	(3,473,520)	(19,115,000)	(35,112,500)	-
Cash dividends (Note 25)	(4,707,549)	(4,269,771)	(4,267,770)	(4,707,549)	(4,269,771)	(4,267,770)
LTNCD	(3,000,000)	-	-	(3,000,000)	-	-
Lease liabilities (Note 24)	(633,871)	(659,030)	(579,064)	(524,291)	(496,312)	(446,112)
Acquisition of NCI's share in a subsidiary	(230,227)	-	-	-	-	-
Dividends of subsidiaries to NCI	(115,899)	(75,745)	(59,300)	-	-	-
Buy-back of treasury shares	(2,097)	-	-	(2,097)	-	-
Cash for fractional shares related to stock dividends (Note 25)	-	-	(55,116)	-	-	(55,116)

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	2023	2022 (As restated)	2021
Proceeds from:						
Bills payable	₱1,313,421,732	₱306,504,535	₱127,075,530	₱1,289,600,128	₱247,352,242	₱62,765,158
Notes and bonds payable (Note 23)	20,500,543	13,904,476	11,057,895	18,005,196	10,932,289	7,650,000
Issuance of new shares, net of issuance costs (Note 25)	11,936,127	39,914,428	63,597	11,936,127	39,914,428	63,597
Subscription of shares by NCI	–	–	10,000	–	–	–
Net cash provided by (used in) financing activities	24,220,157	91,410,064	(1,474,858)	23,290,940	80,799,739	(4,096,223)
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES	(240,224)	42,726	(44,958)	(122,089)	34,162	(44,958)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,538,540)	(33,188,932)	9,649,593	(32,804,577)	(27,399,132)	(7,009,571)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR						
Cash and other cash items	9,891,536	8,904,903	8,958,042	8,924,249	7,988,517	7,814,917
Due from Bangko Sentral ng Pilipinas (BSP)	94,610,308	103,407,946	103,869,770	66,588,121	67,478,389	83,867,434
Due from other banks	46,239,964	54,258,465	68,532,218	42,263,529	51,308,983	64,763,768
Interbank loans receivable and securities purchased under reverse repurchase agreement (SPURRA)	23,553,973	40,913,399	16,475,090	14,634,811	33,033,953	10,373,294
	174,295,781	207,484,713	197,835,120	132,410,710	159,809,842	166,819,413
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	10,439,112	9,891,536	8,904,903	9,350,898	8,924,249	7,988,517
Due from BSP	82,643,663	94,610,308	103,407,946	63,883,124	66,588,121	67,478,389
Due from other banks	27,263,347	46,239,964	54,258,465	23,188,033	42,263,529	51,308,983
Interbank loans receivable and SPURRA	25,411,119	23,553,973	40,913,399	3,184,078	14,634,811	33,033,953
	₱145,757,241	₱174,295,781	₱207,484,713	₱99,606,133	₱132,410,710	₱159,809,842
OPERATIONAL CASH FLOWS FROM INTERESTS AND DIVIDENDS						
Interest received	₱77,075,696	₱47,786,261	₱38,840,197	₱54,692,669	₱36,762,893	₱28,048,227
Interest paid	24,915,594	10,608,914	6,482,612	16,913,293	7,588,579	4,250,186
Dividends received	3,617	6,076	145,789	2,768	2,768	145,789

See accompanying Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

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, 2023, the Bank and its subsidiaries (collectively referred to as the “Group”) has 385 branches and 437 on-site and 165 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 49.94% 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, 2023 and 2022 are as follows:

Name of Subsidiary	Percentage of ownership		Nature of Business
	2023	2022	
City Savings Bank, Inc. (CSB)	99.79%	99.79%	Thrift bank
PetNet, Inc. (PETNET) ^(a)	51.00%	51.00%	Foreign currency trader and remittance business
First-Agro Industrial Rural Bank, Inc. (FAIR Bank) ^(b)	—	100.00%	Rural bank
UBP Investments Corporation (UIC)	100.00%	100.00%	Holding company
First Union Plans, Inc. (FUPI) ^(c)	100.00%	100.00%	Pre-need
First Union Direct Corporation (FUDC) ^(b)	100.00%	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) ^(b)	100.00%	100.00%	Agent for insurance and financial products
UBP Securities, Inc. (UBPSI) ^(b)	100.00%	100.00%	Securities brokerage
Union Data Corp. (UDC) ^(b)	100.00%	100.00%	Data processing
Interventure Capital Corporation (IVCC) ^(b)	60.00%	60.00%	Venture capital
UBX Philippines Corporation (UBX)	100.00%	100.00%	Investment holding and innovation company
UBX Private Limited (UBX SG) ^(c)	100.00%	100.00%	Holding company
UBX Remit Pte Ltd. (UBX Remit) ^(d)	100.00%	100.00%	Remittance company
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) ^(e)	97.75%	70.00%	Private development bank
Progressive Bank, Inc. (PBI) ^(f)	—	100.00%	Rural bank
UnionDigital Bank, Inc. (UnionDigital) ^(g)	100.00%	100.00%	Digital bank
Unionbank Financial Services and Insurance Brokerage Philippines, Inc. (UFSI) ⁽ⁱ⁾	100.00%	100.00%	Insurance and securities brokerage
Unionbank Investment Management and Trust Corporation (UBIMTC) ^(k)	100.00%	—	Trust and other fiduciary business

(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 23.79% share in ownership, respectively. On July 10, 2023, the Parent Bank completed the purchase of 24.96% interest from the minority shareholders.

(f) On July 13, 2023, the SEC approved the merger between Bangko Kabayan, FAIR Bank and PBI, with Bangko Kabayan as the surviving entity

(g) Incorporated on November 25, 2021

(h) Non-operating subsidiaries, wholly-owned by UIC

(i) Acquired 100% ownership as part of the Parent Bank’s acquisition of Citigroup Inc.’s consumer business in the Philippines on August 1, 2022. On February 28, 2023, the SEC approved the change in corporate name from Citicorp Financial Services and Insurance Brokerage Philippines, Inc. to Unionbank Financial Services and Insurance Brokerage Philippines, Inc.

(j) In October 2022, the stockholders of FUPI approved the voluntary cessation and withdrawal of its pre-need business

(k) Incorporated on October 11, 2023



Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

- (a) In its letter dated March 6, 2023, the BSP approved the Bank's application to establish a standalone trust corporation, which will be registered under the name of Unionbank Investment Management and Trust Corporation (UBIMTC), a direct and wholly-owned subsidiary of the Bank. The BSP subsequently granted the Bank authority to register with the SEC via its issuance of a Certificate of Authority to Register dated July 28, 2023.

Pursuant to the requirements for incorporating UBIMTC, the Bank contributed ₱300.0 million on May 9, 2023, in exchange for 300.0 million common shares. These funds were deposited in a treasury-in-trust for account to ensure the timely completion of SEC documentation. On October 11, 2023, the SEC issued UBIMTC's Certificate of Incorporation together with its approved Articles of Incorporation and By-Laws.

As authorized by BSP in its letter dated November 15, 2023, UBIMTC will commence operations in March 2024.

- (b) 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. On the same date, 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 freehold and owned office premises and parking spaces in Citibank Square building in Eastwood, Quezon City, and (iii) the sale of the 100% shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc. CFSI 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.



Finalization of purchase price allocation of Citigroup consumer business

As of December 31, 2022, the Group has provisionally assessed the fair values of the assets and liabilities acquired, except for Cash and other cash items and Due from other banks. In July 2023, the Parent Bank, with the assistance of a third party consultant, completed the determination of the fair values of assets and liabilities acquired, which includes the following adjustments:

- (1) the determination of the fair value of previously unidentified intangible assets attributable to the business acquired amounting to ₱8.49 billion, which comprises of customer relationship of ₱4.81 billion, and core deposits of ₱3.68 billion,
- (2) other adjustments, resulting in net reduction in net asset of ₱89.62 million;
- (3) adjustments in purchase price amounting to ₱76.81 million as a result of the above adjustments; and
- (4) reduction to the initially recorded goodwill amounting to ₱8.32 billion.

As required by PFRS, the above adjustments are retrospectively adjusted on the Group's 2022 comparative financial statements. Refer to the section "Restatement of comparative information" below.

The final fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in millions):

	Fair values recognized on acquisition date
Assets	
Cash and other cash items	₱1,598
Due from other banks	28,126
Loans and receivables	65,493
Intangible assets*	8,486
Bank premises, furniture and fixtures, and equipment	2,120
Other resources	2,699
Total assets	108,522
Liabilities	
Deposit liabilities	65,265
Other liabilities	4,506
Total liabilities	69,771
Net Assets Acquired	₱38,751

*This consists of customer relationships of ₱4.81 billion, and core deposits of ₱3.68 billion.

The final goodwill from the acquisition is determined as follows (amounts in millions):

Total Purchase price	₱77,926
Less: Fair values of net assets acquired	38,751
Goodwill	₱39,175

The goodwill arising from the acquisition is attributed to the opportunities for future growth in the credit card and personal loans business of the Group, and expected synergies in the consumer banking business of the combined Parent Bank and Citi acquired business. None of the resulting goodwill is expected to be deductible for tax purposes.

The fair value of the loans and receivables acquired as part of the business combination amounted to ₱65.55 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 ⁽¹⁾
Purchase price	₱77,926	₱72,829
Less: Cash acquired from the acquisition of business	29,724	28,383
Net cash outflow from the acquisition	₱48,202	₱44,446

(1) For purposes of the Parent Bank financial statements, the purchase price above excludes the purchase of shares in UFSI amounting to ₱5.10 billion, which is included in 'acquisition of an investment in subsidiaries and associates' in the statement of cash flows.

Restatement of comparative information

As required by PFRS, the Bank retrospectively adjusted the provisional amounts recognized at the acquisition date. These adjustments reflect information about facts and circumstances that existed at the time of acquisition that, if known, would have influenced the measurement of the amounts recognized then. The retrospective adjustments made on the comparative period mainly include the following:

- (1) Net increase in other resources as a result of recognition of intangible assets related to customer relationship and core deposit, less amortization recognized in 2022 amounting to ₱252.56 million, recognition of credit card origination cost, net of amortization amounting to ₱432.07 million and net reduction in miscellaneous asset as a result of derecognition of prepaid insurance totaling ₱58.38 million, .
- (2) Net reduction in loans and receivable as a result of derecognition of the capitalized origination costs amounting to ₱31.25 million, net of amortization recognized in 2022.
- (3) Additional tax expense recognized in 2022 as a result of above adjustments, amounting to ₱108.02 million

The table below presents the impact of the retrospective adjustments (amounts in millions):

Group

	As of December 31, 2022		
	As previously reported	Increase (Decrease)	As restated
<i>Statements of financial position</i>			
Loans and other receivables	₱479,658	(₱31)	₱479,627
Goodwill	62,310	(8,317)	53,993
Other resources	26,342	8,497	34,839
Other liabilities	48,800	77	48,877
Surplus free	90,728	71	90,799



	For the year ended December 31, 2022		
	As previously reported	Increase (Decrease)	As restated
<i>Statements of income</i>			
Depreciation and amortization	₱1,607	₱253	₱1,860
Salaries and employee benefits	10,031	(28)	10,003
Miscellaneous expenses	14,751	(404)	14,347
Total operating expenses	31,527	(179)	31,348
Profit before tax	16,605	179	16,784
Tax expense	3,931	108	4,039
Net profit	12,674	71	12,745

Parent Bank

	As of December 31, 2022		
	As previously reported	Increase (Decrease)	As restated
<i>Statements of financial position</i>			
Loans and other receivables	₱393,765	(₱31)	₱393,734
Goodwill	51,659	(8,319)	43,340
Other resources	19,635	8,475	28,110
Other liabilities	44,646	77	44,723
Surplus free	91,308	71	91,379

	For the year ended December 31, 2022		
	As previously reported	Increase (Decrease)	As restated
<i>Statements of income</i>			
Depreciation and amortization	₱1,167	₱253	₱1,420
Salaries and employee benefits	7,553	(28)	7,525
Miscellaneous expenses	11,901	(404)	11,497
Total operating expenses	24,125	(179)	23,946
Profit before tax	15,458	179	15,637
Tax expense	2,928	108	3,036
Net profit	12,530	71	12,601

- (c) 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, 2023.
- (d) 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 3,649 outlets nationwide. It offers a variety of cash-based services including remittance, currency exchange and bills payment.
- (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) 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. UBX SG, a subsidiary of UBX, is incorporated to engage in the development of financial technology innovations and engage in electronic commerce business.
- (g) Bangko Kabayan is authorized to engage in the business of extending financial services to farmers, 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).

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).

FAIR Bank was registered with the SEC primarily to engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises.

On June 22, 2023, the BSP approved the Parent Bank's request to purchase 1,011,961 shares or 27.52% ownership interest in Bangko Kabayan. On July 10, 2023, the Parent Bank completed the purchase, increasing the Group's ownership in Bangko Kabayan to 97.52%. CSB's and UIC's ownership remained the same at 49% and 21%, respectively.

Bangko Kabayan, FAIR Bank and PBI applied for the 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 of Bangko Kabayan, FAIR Bank and PBI, with Bangko Kabayan as the surviving entity, does not breach the thresholds for compulsory notification. On June 17, 2022 and September 12, 2022, the banks received the consent from PDIC and approval of the BSP, respectively. On July 13, 2023, SEC approved the aforementioned merger. The merger resulted in an increase in the Group's ownership in Bangko Kabayan to 97.75%. CSB's ownership in Bangko Kabayan remained at 49% while UIC's ownership in Bangko Kabayan increased to 23.79%.

With the approval of its merger with Fairbank and Progressive Bank, Inc. on July 13, 2023, Bangko Kabayan, Inc., as the surviving entity, has added 12 branches and 2 branch lite, based at Cebu and Iloilo, to its former 23 branches and 1 branch lite, located in Southern Luzon (Batangas, Laguna, and Quezon).

- (h) 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.

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.

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.

On June 23, 2023, the BOD of the Parent Bank approved the infusion of additional capital of ₱900 million to UnionDigital to support business growth. Subsequently, on September 29, 2023 and November 13, 2023, the Parent Bank infused capital amounting to ₱300.00 million and ₱600.00 million, respectively.

As of December 31, 2023 and 2022, the Parent Bank's total equity investment in UnionDigital amounted to ₱3.9 billion and ₱3.0 billion, respectively.

Non-operating subsidiaries

- (a) The BOD of FUDC authorized to temporarily suspend its business operations effective June 1, 2022 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) 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.
- (d) 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 ₱10,724, ₱3,283, and ₱7,442, respectively, as of December 31, 2023 and ₱12,436, ₱3,341 and ₱9,095, respectively, as of December 31, 2022.

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, 2023 were authorized for issue by the Bank's BOD on February 28, 2024.

2. Material Accounting Policy Information

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, 2023. Adoption of these pronouncements did not have any significant impact on the Bank's financial position or performance unless otherwise indicated.

- Amendments to PAS 12, *International Tax Reform-Pillar Two Model Rules*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

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, 2024

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current, Liabilities with Covenants*
- Amendments to PAS 7 and PFRS 7, *Supplier Finance Agreements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of Exchangeability*

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, acquired computer software, customer relationships and core deposits acquired from business combination. 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, and 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. Costs associated with maintaining computer software are expensed as incurred. Customer relationships and core deposits acquired from business combination are recognized at their acquisition date fair values, and are amortized on a straight-line basis over the expected useful lives ranging from ten to 14 years. These costs are recognized as part of Depreciation and amortization in the statement of income.

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 SPURRA, 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 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.

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. 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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023.

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 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 such 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.

Reclassification of Financial Assets as 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 both on the asset and liability sides. For the FCDU, the Acquisition has significantly changed its FCDU funding profile and together with its existing diversified funding structure, resulted in a change in objective of the management of financial assets in the FCDU moving forward.

With the substantial increase in the asset base of the Parent Bank and the significant change in the CASA profile, there is a need to adjust the Parent Bank's balance sheet and capital management strategies to reap the maximum benefit. These developments have led the Parent Bank to reevaluate its asset and liability management strategies for FCDU. Existing bank assets, including the objectives of the FVOCI Business Model have been reviewed, including the re-assessment of their accounting classification and the related impact to risk metrics. The Bank then revisited its strategy, and consequently, has determined that there has been a fundamental change to its existing business model for managing FCDU FVOCI securities, which resulted in selling the securities being integral to the management of the securities to no longer exist and expected to be incidental only. The portfolio is now held under hold to collect where contractual cash flows will be collected and reinvested to ensure that the desired balance sheet structure is achieved in the most efficient manner. 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 business model change and the consequent reclassification of FCDO FVOCI sub-portfolio (excluding the FX Liquidity sub-portfolio) to FCDO HTC.

As required by PFRS 9, the reclassification was applied 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 investment securities at FVOCI 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), as if the investment securities are carried at amortized cost since acquisition; and, (3) increase in FCDO 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.

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. 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 2023 and 2022, the Parent Bank updated the stage assessment to include enhancements on the factors considered in the 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 2023 and 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). In 2023, the Bank developed new ECL models for the newly acquired Citibank portfolios. In addition, PD estimates for certain retail products were created. For wholesale sectors, the Parent Bank incorporated environmental and social (E&S) factors into the calculation of PDs based on E&S client due diligence.
- 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, 13 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, 2023 and 2022 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.

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 2023, 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 10.2% to 26.3% and from 11.63% to 34.81% as of December 31, 2023 and 2022, respectively. The long-term growth rates used is 6.2% as of December 31, 2023 and 5.7% as of December 31, 2022. The CGUs to which the goodwill is allocated and related carryings are disclosed in Note 18.

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, the Parent 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 the identifiable intangible assets from the acquisition. In 2023, the Parent Bank finalized the determination of the fair values of the assets acquired and liabilities assumed from the acquisition of Citigroup Inc.'s consumer banking business in the Philippines.

In 2022, 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.
- For identifiable intangible assets such as customer relationships and core deposits, fair values are determined based on the discounted cash flows of the expected benefits from the net assets acquired.

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) is composed of seven (7) members of the BOD. The EXCOM exercises certain functions as delegated by the BOD, including among others, the approval of credit and loan transactions, asset recovery, real and other properties acquired 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 at least seven (7) members of the BOD, majority of whom are independent directors including the Chairman, who cannot be the chairman of the board or any other board committee. The RMC advises the BOD regarding the 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 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 seven (7) members of the BOD, all of whom are non-executive, with the Chairman being an independent director. 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 that covers all business and functional units, including outsourced services, services provided to external parties, and environmental and social-related operational risk requirements. 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.

- *Reporting responsibilities.* The Audit Committee regularly reports to the Board of Directors about committee activities in relation to its responsibilities and how they were discharged, issues, and related recommendations.

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 respective committee secretariats; 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 governance and compliance requirements and works closely with the subsidiaries' Chief Compliance Officers in the execution of these standards.

The CGC acts as the Bank's Nomination Committee and reviews the qualifications of and screens candidates for the board including nominees for independent directors and key officers of the Parent Bank. It also oversees the succession plan for board members and senior officers, and directs the alignment of the latter's remuneration with corporate and individual performance.

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 and 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 brought up among private organizations and individuals advocating good governance philosophy.

- (g) The Related Party Transaction Committee is composed of at least five (5) members of the BOD, all of whom are independent directors, with the Internal Audit Head and Chief Compliance Officer as resource persons. The Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring that the latter 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. On January 26, 2024, the Board of Directors appointed two more independent directors to the Related Party Transaction Committee, increasing the current number of members to five.



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 consumer, 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 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 customer segment, 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, 2023 and 2022, 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, 2023 and 2022:

	2023	
	Group	Parent Bank
Corporate loans	₱132,676,825	₱132,676,825
Consumer products*	120,130,248	120,130,248
Commercial loans	75,045,930	75,045,930
Home loans	70,547,795	70,547,795
CSB salary loans	84,456,190	–
Other receivables from customers**	46,418,744	11,860,899
Total receivables from customers	529,275,732	410,261,697
Investments and placements	491,108,029	436,698,874
	₱1,020,383,761	₱846,960,571

*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

**Comprised of HR loans, quick loans and Home Credit receivables

	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

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 ₱4.31 billion and ₱3.83 billion as of December 31, 2023 and 2022, 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 2023 and 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, 2023 and 2022:

Credit Score	Masterscale	December 31, 2023			Total
		Stage 1	Stage 2	Stage 3	
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	3,883,509	-	-	3,883,509
BBB	3	2,770,438	-	-	2,770,438
BBB- to BB+	4	9,567,635	-	-	9,567,635
<i>Standard Grade</i>					
BB to BB-	5	49,358,202	40,118	-	49,398,320
B+	6	16,089,803	-	-	16,089,803
B to B-	7	29,983,735	4,832,351	-	34,816,086
CCC+ to CCC	8	3,583,286	10,170,378	-	13,753,664
<i>Substandard Grade</i>					
Lower than CCC	9	2,138,896	157,496	-	2,296,392
<i>Non-Performing</i>					
Default	10	-	-	100,978	100,978
		₱117,375,504	₱15,200,343	₱100,978	₱132,676,825

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
		₱119,542,864	₱10,804,150	₱152,958	₱130,499,972

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, 2023 and 2022 for financial and non-financial institutions:

Financial Institutions

		December 31, 2023			
		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	2,509,605	-	-	2,509,605
<i>Standard Grade</i>					
BB to BB-	5	29,328	-	-	29,328
B+	6	1,152,948	-	-	1,152,948
B to B-	7	17,526,941	-	-	17,526,941
CCC+ to CCC	8	738,545	-	-	738,545
<i>Substandard Grade</i>					
Lower than CCC	9	75,396	-	-	75,396
<i>Non-Performing</i>					
Default	10	-	-	28,176	28,176
		₱22,032,763	₱-	₱28,176	₱22,060,939

		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
		₱19,715,098	₱-	₱28,430	₱19,743,528



Non-financial Institutions

December 31, 2023					
Amounts					
Masterscale	Stage 1	Stage 2	Stage 3	Total	
1	P-	P-	P-	P-	
2	-	-	-	-	
3	360,593	-	-	360,593	
4	4,018,599	-	-	4,018,599	
5	13,994,067	47,556	-	14,041,623	
6	6,860,808	-	-	6,860,808	
7	14,892,588	-	-	14,892,588	
8	1,483,261	28,839	-	1,512,100	
9	307,030	1,525,569	-	1,832,599	
10	3,272	21,878	9,440,931	9,466,081	
	₱41,920,218	₱1,623,842	₱9,440,931	₱52,984,991	

December 31, 2022					
Amounts					
Masterscale	Stage 1	Stage 2	Stage 3	Total	
1	P-	P-	P-	P-	
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	
	₱44,612,878	₱6,970,136	₱3,905,956	₱55,488,970	

Small and Medium Enterprise (SME) Financial Products

SME portfolio is composed of Business Lines 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 reviewed and updated as necessary while data analytics have been enhanced to improve portfolio quality and product offers.

Consumer Financial Products

The Consumer loan portfolio of the Parent Bank is composed of four main product lines, namely: Home Loans, Credit Card, Personal Loans, and Auto Loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all products. Credit models are constantly reviewed and updated as necessary supported by enhanced data analytics to improve portfolio quality and product offers.

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, days past due, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance).

Both Home Loans (except Contract to Sell - CTS) and Legacy Credit Cards use rating scale 1 to 6, while Citi Credit Cards and Personal Loans use rating scale 1 to 13 and 1 to 17, respectively. CTS utilizes the Corporate ratings ranging from 1 to 9. Meanwhile, Auto Loans and SME products use rating scale 1 to 5.

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, 2023 and 2022:

Home Loans

December 31, 2023				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱7,859,646	₱28,100	₱-	₱7,887,746
2	10,828,564	46,860	-	10,875,424
3	9,507,714	187,012	-	9,694,726
4	8,532,904	419,933	-	8,952,837
5	8,795,005	735,960	-	9,530,965
6	2,905,576	1,621,101	-	4,526,677
7	12,069,230	-	-	12,069,230
Default	-	-	7,010,190	7,010,190
	₱60,498,639	₱3,038,966	₱7,010,190	₱70,547,795

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
	₱58,266,289	₱1,580,016	₱5,813,164	₱65,659,469



Consumer Products (Credit cards and Personal loan portfolio)

December 31, 2023				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
0	P17,859,240	P234,278	P-	P18,093,518
1	11,807,491	2,261	-	11,809,752
2	18,166,397	12,795	-	18,179,192
3	19,122,782	10,823	-	19,133,605
4	12,244,860	16,775	-	12,261,635
5	9,980,209	21,950	-	10,002,159
6	273,541	291	-	273,832
7	523,765	1,754	-	525,519
8	701,743	15,805	-	717,548
9	39,307	109,088	-	148,395
10	68,774	195,742	-	264,516
11	51,735	409,384	-	461,119
12	-	616,926	-	616,926
13	-	72,940	1,615,309	1,688,249
14	-	104,610	-	104,610
15	-	40,954	-	40,954
16	-	80,847	-	80,847
17	-	-	422,955	422,955
	P90,839,844	P1,947,223	P2,038,264	P94,825,331

December 31, 2022				
Amounts				
Delinquency Bucket	Stage 1	Stage 2	Stage 3	Total
0	P73,051,126	P192,070	P27,577	P73,270,773
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
	P74,620,804	P965,949	P503,940	P76,090,693

Consumer Products (SME Financial Products, Legacy Credit Cards and Auto Loans)

December 31, 2023				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P3,642,044	P83,997	P-	P3,726,041
2	3,481,836	218	-	3,482,054
3	3,064,521	40,052	-	3,104,573
4	4,063,824	72,780	-	4,136,604
5	5,282,769	143,649	-	5,426,418
6	4,140,919	1,159,220	-	5,300,139
7	-	-	-	-
8	-	-	-	-
9	-	-	-	-
Default	-	-	129,088	129,088
	P23,675,913	P1,499,916	P129,088	P25,304,917



December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P2,804,812	P182,287	P-	P2,987,099
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
	P19,406,249	P857,300	P2,848,244	P23,111,793

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, 2023 and 2022:

December 31, 2023				
Amounts				
Credit Score	Stage 1	Stage 2	Stage 3	Total
D to E	P11,268,117	P34,833	P-	P11,302,950
B to C	64,281,214	1,596,857	-	65,878,071
A	1,143,608	110,276	-	1,253,884
Default	-	-	6,021,285	6,021,285
	P76,692,939	P1,741,966	P6,021,285	P84,456,190



Credit Score	December 31, 2022			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
D to E	₱11,204,266	₱—	₱—	₱11,204,266
B to C	46,106,634	1,096,789	—	47,203,423
A	247,694	188,085	—	435,779
Default	—	—	5,185,814	5,185,814
	₱57,558,594	₱1,284,874	₱5,185,814	₱64,029,282

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 purchased and (iv) customer liabilities under acceptances, (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, 2023 and 2022 of the Group's and Parent Bank's other receivables from customers.

	December 31, 2023			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
Group	₱34,868,654	₱2,241,167	₱9,308,923	₱46,418,744
Parent Bank	10,847,410	239,451	774,038	11,860,899



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

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, 2023 and 2022:

Sovereign - Group

December 31, 2023				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱15,056,577	₱-	₱-	₱15,056,577
2	-	-	-	-
3	-	-	-	-
4	277,725	-	-	277,725
5	1,741,414	-	-	1,741,414
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	286,359,197	-	-	286,359,197
10	-	-	-	-
11	3,278,223	1,299,905	-	4,578,128
12	-	-	-	-
13	-	-	-	-
14	-	2,232,039	-	2,232,039
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	₱306,713,136	₱3,531,944	₱-	₱310,245,080



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	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	-	-	-	-
	₱288,105,748	₱3,037,116	₱-	₱291,142,864

Corporate – Group

December 31, 2023				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱18,469,539	₱-	₱-	₱18,469,539
2	2,050,789	-	-	2,050,789
3	622,974	-	-	622,974
4	112,625,385	-	-	112,625,385
5	7,984,325	-	-	7,984,325
6	12,397,023	-	-	12,397,023
7	4,079,434	-	-	4,079,434
8	2,379,104	-	-	2,379,104
9	5,544,929	-	-	5,544,929
10	10,550,593	-	-	10,550,593
11	4,158,854	-	-	4,158,854
12	-	-	-	-
13	-	-	-	-
Default	-	-	-	-
	₱180,862,949	₱-	₱-	₱180,862,949



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	-	-	-	-
	₱201,709,254	₱-	₱-	₱201,709,254

Sovereign – Parent Bank

December 31, 2023				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱15,056,577	₱-	₱-	₱15,056,577
2	-	-	-	-
3	-	-	-	-
4	277,725	-	-	277,725
5	1,741,414	-	-	1,741,414
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	277,165,707	-	-	277,165,707
10	-	-	-	-
11	3,278,223	1,299,905	-	4,578,128
12	-	-	-	-
13	-	-	-	-
14	-	2,232,039	-	2,232,039
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	₱297,519,646	₱3,531,944	₱-	₱301,051,590



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	257,339,212	-	-	257,339,212
10	-	-	-	-
11	1,315,359	789,534	-	P2,104,893
12	2,014,319	-	-	2,014,319
13	-	-	-	-
14	-	2,247,582	-	2,247,582
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	P278,778,742	P3,037,116	P-	P281,815,858

Corporate – Parent Bank

December 31, 2023				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P18,469,539	P-	P-	P18,469,539
2	2,050,789	-	-	2,050,789
3	622,974	-	-	622,974
4	71,489,154	-	-	71,489,154
5	7,984,325	-	-	7,984,325
6	12,397,023	-	-	12,397,023
7	-	-	-	-
8	2,379,104	-	-	2,379,104
9	5,544,929	-	-	5,544,929
10	10,550,593	-	-	10,550,593
11	4,158,854	-	-	4,158,854
12	-	-	-	-
13	-	-	-	-
Default	-	-	-	-
	P135,647,284	P-	P-	P135,647,284



December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P37,191,682	P-	P-	P37,191,682
2	4,473,290	-	-	4,473,290
3	632,707	-	-	632,707
4	83,703,955	-	-	83,703,955
5	5,469,752	-	-	5,469,752
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	-	-	-	-
	P160,639,001	P-	P-	P160,639,001

Analysis of Movements of Gross Carrying Amounts

Movements in 2023 and 2022 for total receivables from customers follow. The balances presented include the related accrued interest receivables:

Group

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	P431,414,633	P25,137,043	P23,943,886	P480,495,562
Newly originated assets that remained in Stage 1 as at December 31, 2023	198,247,972	-	-	198,247,972
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	-	5,689,456	9,538,467	15,227,923
Movements in receivable balance (excluding write-offs)	(146,525,650)	(4,205,922)	(5,870,947)	(156,602,519)
Transfers to Stage 1	3,892,876	(2,153,493)	(1,739,383)	-
Transfers to Stage 2	(9,469,703)	9,815,342	(345,639)	-
Transfers to Stage 3	(9,655,654)	(6,989,003)	16,644,657	-
Amounts written-off	-	-	(8,093,206)	(8,093,206)
Balances at end of year	P467,904,474	P27,293,423	P34,077,835	P529,275,732

	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, 2023	204,366,140	-	-	204,366,140
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	-	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
Balances at end of year	P431,414,633	P25,137,043	P23,943,886	P480,495,562



Parent Bank

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱354,666,830	₱22,312,321	₱13,617,365	₱390,596,516
Newly originated assets that remained in Stage 1 as at December 31, 2023	115,800,971	–	–	115,800,971
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	2,516,824	2,454,117	4,970,941
Movements in receivable balance (excluding write-offs)	(90,226,268)	(2,525,845)	(1,651,979)	(94,404,092)
Transfers to Stage 1	2,613,555	(1,733,947)	(879,608)	–
Transfers to Stage 2	(9,049,528)	9,385,315	(335,787)	–
Transfers to Stage 3	(6,615,269)	(6,404,927)	13,020,196	–
Amounts written-off	–	–	(6,702,639)	(6,702,639)
Balances at end of year	₱367,190,291	₱23,549,741	₱19,521,665	₱410,261,697

	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, 2023	137,123,696	–	–	137,123,696
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	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
Balances at end of year	₱354,666,830	₱22,312,321	₱13,617,365	₱390,596,516

The movements in 2023 and 2022 for total receivables from customers follow:

Corporate Loans - Group and Parent Bank

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱119,542,864	₱10,804,150	₱152,958	₱130,499,972
Newly originated assets that remained in Stage 1 as at December 31, 2023	25,719,830	–	–	25,719,830
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	263,017	–	263,017
Movements in receivable balance (excluding write-offs)	(23,189,804)	(564,210)	(51,980)	(23,805,994)
Transfers to Stage 2	(4,697,386)	4,697,386	–	–
Balances at end of year	₱117,375,504	₱15,200,343	₱100,978	₱132,676,825



	2022			Total
	Stage 1	Stage 2	Stage 3	
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, 2023	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	–	–
Amounts written off	–	–	(1,025,902)	(1,025,902)
Balances at end of year	₱119,542,864	₱10,804,150	₱152,958	₱130,499,972

Commercial Loans - Group and Parent Bank

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱64,327,976	₱6,970,136	₱3,934,386	₱75,232,498
Newly originated assets that remained in Stage 1 as at December 31, 2023	52,714,903	–	–	52,714,903
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	1,231,556	1,259,386	2,490,942
Movements in receivable balance (excluding write-offs)	(53,505,362)	(1,778,647)	(108,404)	(55,392,413)
Transfers to Stage 1	588,016	(577,664)	(10,352)	–
Transfers to Stage 2	(115,872)	115,872	–	–
Transfers to Stage 3	(56,680)	(4,337,411)	4,394,091	–
Balances at end of year	₱63,952,981	₱1,623,842	₱9,469,107	₱75,045,930

	2022			Total
	Stage 1	Stage 2	Stage 3	
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, 2023	57,610,451	–	–	57,610,451
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	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	–
Balances at end of year	₱64,327,976	₱6,970,136	₱3,934,386	₱75,232,498



Home Loans - Group and Parent Bank

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱58,266,289	₱1,580,016	₱5,813,164	₱65,659,469
Newly originated assets that remained in Stage 1 as at December 31, 2023	17,021,583	–	–	17,021,583
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	267,831	342,728	610,559
Movements in receivable balance (excluding write-offs)	(11,076,034)	(266,835)	(1,396,014)	(12,738,883)
Transfers to Stage 1	1,155,702	(435,759)	(719,943)	–
Transfers to Stage 2	(2,307,460)	2,551,886	(244,426)	–
Transfers to Stage 3	(2,561,441)	(658,173)	3,219,614	–
Amounts written off	–	–	(4,933)	(4,933)
Balances at end of year	₱60,498,639	₱3,038,966	₱7,010,190	₱70,547,795

	2022			Total
	Stage 1	Stage 2	Stage 3	
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)
Balances at end of year	₱58,266,289	₱1,580,016	₱5,813,164	₱65,659,469

Other Consumer Products - Group and Parent Bank

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱94,027,053	₱1,823,249	₱3,352,184	₱99,202,486
Newly originated assets that remained in Stage 1 as at December 31, 2023	15,441,984	–	–	15,441,984
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	588,056	769,937	1,357,993
Movements in receivable balance (excluding write-offs)	9,945,664	877,508	(60,419)	10,762,754
Transfers to Stage 1	770,059	(671,481)	(98,578)	–
Transfers to Stage 2	(1,866,880)	1,953,236	(86,356)	–
Transfers to Stage 3	(3,802,123)	(1,123,429)	4,925,551	–
Amounts written-off	–	–	–	(6,634,968)
Balances at end of year	₱114,515,757	₱3,447,139	₱2,167,351	₱120,130,248



	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances 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, 2023	8,759,275	–	–	8,759,275
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	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
Balances at end of year	₱94,027,053	₱1,823,249	₱3,352,184	₱99,202,486

Consumer Products

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances as of acquisition date	₱74,620,804	₱965,949	₱503,940	₱76,090,693
Newly originated assets that remained in Stage 1 as at December 31, 2023	8,483,398	–	–	8,483,398
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	233,176	218,623	451,799
Movements in receivable balance (excluding write-offs)	11,358,752	1,014,325	1,001,918	13,374,995
Transfers to Stage 1	703,662	(640,912)	(62,750)	–
Transfers to Stage 2	(1,318,020)	1,396,221	(78,201)	–
Transfers to Stage 3	(3,008,751)	(1,021,536)	4,030,287	–
Amounts written-off	–	–	(3,575,554)	(3,575,554)
Balances at end of year	₱90,839,845	₱1,947,223	₱2,038,263	₱94,825,331

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances 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, 2023	3,182,203	–	–	3,182,203
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	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)
Balances at end of year	₱74,620,804	₱965,949	₱503,940	₱76,090,693



CSB Salary Loans - Group

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱57,558,594	₱1,284,874	₱5,185,814	₱64,029,282
Newly originated assets that remained in Stage 1 as at December 31, 2023	64,157,086	–	–	64,157,086
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	1,563,239	1,793,030	3,356,269
Movements in receivable balance (excluding write-offs)	(43,917,268)	(965,756)	(2,203,423)	(47,086,447)
Transfers to Stage 1	92,449	(74,277)	(18,172)	–
Transfers to Stage 2	(129,695)	131,226	(1,531)	–
Transfers to Stage 3	(1,068,227)	(197,340)	1,265,567	–
Balances at end of year	₱76,692,939	₱1,741,966	₱6,021,285	₱84,456,190

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances 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)
Balances at end of year	₱57,558,594	₱1,284,874	₱5,185,814	₱64,029,282

Other Receivables from Customers

Other receivables from customers include HR loans, Quick loans and Home Credit and CSB personal loan receivables.

Group

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱37,691,857	₱2,674,618	₱5,505,380	₱45,871,855
Newly originated assets that remained in Stage 1 as at December 31, 2023	23,192,586	–	–	23,192,586
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	1,775,758	5,373,385	7,149,143
Movements in receivable balance (excluding write-offs)	(24,782,845)	(1,507,982)	(2,050,708)	(28,341,535)
Transfers to Stage 1	1,286,650	(394,313)	(892,337)	–
Transfers to Stage 2	(352,411)	365,737	(13,326)	–
Transfers to Stage 3	(2,167,183)	(672,652)	2,839,834	–
Amounts written-off	–	–	(1,453,306)	(1,453,306)
Balances at end of year	₱34,868,654	₱2,241,167	₱9,308,923	₱46,418,744



	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances 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)
Balances at end of year	₱37,691,857	₱2,674,618	₱5,505,380	₱45,871,855

Parent Bank

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱18,502,648	₱1,134,770	₱364,673	₱20,002,091
Newly originated assets that remained in Stage 1 as at December 31, 2023	4,902,671	–	–	4,902,671
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	166,365	82,065	248,430
Movements in receivable balance (excluding write-offs)	(12,400,731)	(793,661)	(35,162)	(13,229,554)
Transfers to Stage 1	99,779	(49,045)	(50,734)	–
Transfers to Stage 2	(61,931)	66,936	(5,005)	–
Transfers to Stage 3	(195,026)	(285,914)	480,940	–
Amounts written-off	–	–	(62,739)	(62,739)
Balances at end of year	₱10,847,410	₱239,451	₱774,038	₱11,860,899

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances 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)
Balances at end of year	₱18,502,648	₱1,134,770	₱364,673	₱20,002,091



Investments and Placements

Movements in 2023 and 2022 for investments and placements follow. The balances presented include accrued interest receivables:

Group

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱489,815,002	₱3,037,116	₱-	₱492,852,118
Newly originated assets that remained in Stage 1 as at December 31, 2023	200,016,146	-	-	200,016,146
Newly originated assets that moved to Stage 2 as at December 31, 2023	-	516,780	-	516,780
Movements in the balance (excluding write-offs)	(202,255,063)	(21,952)	-	(202,277,015)
Balances at end of year	₱487,576,085	₱3,531,944	₱-	₱491,108,029

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances 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
Movements in the balance (excluding write-offs)	(129,664,982)	258,219	-	(129,406,763)
Balances at end of year	₱489,815,002	₱3,037,116	₱-	₱492,852,118

Parent

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱439,417,743	₱3,037,116	₱-	₱442,454,859
Newly originated assets that remained in Stage 1 as at December 31, 2023	154,800,568	-	-	154,800,568
Newly originated assets that moved to Stage 2 as at December 31, 2023	-	516,780	-	516,780
Movements in the balance (excluding write-offs)	(161,051,381)	(21,952)	-	(161,073,333)
Balance at end of year	₱433,166,930	₱3,531,944	₱-	₱436,698,874

	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)
Balance at end of year	₱439,417,743	₱3,037,116	₱-	₱442,454,859

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, 2023, 2022, and 2021, the net impact of the subsequent accretion of the 2020 loan modifications amounted to income of ₱47.14 million, ₱129.15 million,



and ₱101.37 million for the Group, respectively, and income of ₱46.52 million, ₱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, 2023 and 2022 is shown below:

Group					
	Exposure before collaterals	Properties	Deposits	Others	Exposure after financial effect of collaterals
As of December 31, 2023	₱548,898,606	₱27,626,545	₱824,136	₱90,110,026	₱430,337,900
As of December 31, 2022	496,377,906	₱32,771,126	₱764,920	₱86,173,770	376,668,090
Parent Bank					
	Exposure before collaterals	Properties	Deposits	Others	Exposure after financial effect of collaterals
As of December 31, 2023	₱426,207,235	₱25,425,229	₱749,558	₱89,230,221	₱310,802,228
As of December 31, 2022	403,594,811	30,824,454	722,316	85,015,443	287,032,598

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).

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 2023						Total
	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	₱10,439	₱-	₱-	₱-	₱-	₱-	₱10,439
Due from BSP	59,247	23,413	-	-	-	-	82,660
Due from other banks	27,263	-	-	-	-	-	27,263
Interbank loans receivable and SPURRA	-	25,431	-	-	-	-	25,431
	96,949	48,844	-	-	-	-	145,793
<i>Financial assets at FVTPL</i>							
Derivative assets	-	26	74	129	255	928	1,412
Debt securities	-	5,113	-	-	-	-	5,113
<i>Financial assets at FVOCI</i>							
Debt securities	-	325	188	441	984	54,872	56,810
Equity securities	-	-	-	-	-	63	63
<i>Financial assets at amortized cost</i>							
	-	1,576	2,101	3,581	12,987	428,368	448,613
	-	7,040	2,363	4,151	14,226	484,231	512,011
<i>Loans and other receivables</i>							
Other receivables	-	69,664	71,541	55,254	73,981	323,990	594,430
Accounts receivable	-	-	-	-	-	10,750	10,750
Accrued interest receivable	-	-	-	-	-	14,692	14,692
Sales contract receivable	-	27	54	78	146	3,312	3,617
	-	69,691	71,595	55,332	74,127	352,744	623,489
<i>Other financial assets</i>							
Returned checks and other cash items	-	282	-	-	-	-	282
Sundry debits	-	246	-	-	-	-	246
	-	528	-	-	-	-	528
Total assets	₱96,949	₱126,103	₱73,958	₱59,482	₱88,353	₱836,975	₱1,281,820
<i>Non-derivative liabilities</i>							
<i>Deposit liabilities</i>							
Demand	₱233,283	₱-	₱-	₱-	₱-	₱-	₱233,283
Savings	195,864	-	-	-	-	-	195,864
Time and LTNCD	402	167,166	76,952	12,550	10,755	25,553	293,378
	429,549	167,166	76,952	12,550	10,755	25,553	722,525
Bills payable	-	35,217	50,473	3,754	11,540	64,663	165,647
Notes and bonds payable	-	58	397	576	1,032	53,193	55,256
Manager's checks	7,513	-	-	-	-	-	7,513
Accrued interest payable	-	3,472	-	-	-	-	3,472
Accounts payable	-	14,716	-	-	-	-	14,716
Other liabilities	-	10,009	-	-	-	-	10,009
	437,062	230,638	127,822	16,880	23,327	143,409	979,138
<i>Derivative Liabilities</i>							
	-	52	253	295	632	2,520	3,752
Total liabilities	₱437,062	₱230,690	₱128,075	₱17,175	₱23,959	₱145,929	₱982,890



	Group						Total
	2022						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial assets							
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
Interbank loans receivable and SPURRA	8,274	15,292	-	-	-	-	23,566
	136,692	37,628	-	-	-	-	174,320
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
	2,091	100,502	39,618	31,607	48,437	377,129	599,384
Other financial assets							
Returned checks and other cash items	-	30	-	-	-	-	30
Sundry debits	-	154	-	-	-	-	154
	-	184	-	-	-	-	184
Total assets	₱138,783	₱150,893	₱44,522	₱35,601	₱56,031	₱798,457	₱1,224,387
Non-derivative liabilities							
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
	430,271	171,623	62,678	7,124	29,440	18,633	719,769
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
	437,605	222,260	113,102	12,374	63,908	105,541	954,790
Derivative Liabilities	-	923	393	92	191	799	2,398
Total liabilities	₱437,605	₱223,183	₱113,495	₱12,466	₱64,099	₱106,340	₱957,188

	Parent Bank						Total
	2023						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial assets							
Cash and other cash items	₱9,351	₱-	₱-	₱-	₱-	₱-	₱9,351
Due from BSP	55,883	8,005	-	-	-	-	63,888
Due from other banks	23,188	-	-	-	-	-	23,188
Interbank loans receivable and SPURRA	-	3,187	-	-	-	-	3,187
	88,422	11,192	-	-	-	-	99,614
Financial assets at FVTPL							
Derivative assets	-	26	74	129	255	928	1,412
Debt securities	-	4,984	-	-	-	-	4,984
Financial assets at FVOCI							
Debt securities	-	325	188	440	953	54,624	56,530
Equity securities	-	-	-	-	-	63	63
Financial assets at amortized cost							
	-	1,424	1,925	3,547	12,775	416,802	436,473
	-	6,759	2,187	4,116	13,983	472,417	499,462
Loans and other receivables	-	65,531	63,152	44,614	54,884	236,102	464,283
Other receivables							
Accounts receivable	-	-	-	-	-	8,415	8,415
Accrued interest receivable	-	7,553	-	-	-	-	7,553
Sales contract receivable	-	26	51	73	137	3,123	3,410
	-	73,110	63,203	44,687	55,021	247,640	483,661
Other financial assets							
Returned checks and other cash items	-	282	-	-	-	-	282
Sundry debits	-	246	-	-	-	-	246
	-	528	-	-	-	-	528
Total assets	₱88,422	₱91,589	₱65,390	₱48,803	₱69,004	₱720,057	₱1,083,265

(Forward)



	Parent Bank						
	2023						
	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	₱234,228	₱-	₱-	₱-	₱-	₱-	₱234,228
Savings	190,063	-	-	-	-	-	190,063
Time and LTNCD	90	111,777	54,710	5,029	2,252	1,248	175,106
	424,381	111,777	54,710	5,029	2,252	1,248	599,397
Bills payable	-	35,217	39,061	2,082	1,472	47,201	125,033
Notes and bonds payable	-	58	397	576	1,032	53,193	55,256
Manager's checks	7,509	-	-	-	-	-	7,509
Accrued interest payable	-	2,495	-	-	-	-	2,495
Accounts payable	-	12,821	-	-	-	-	12,821
Other liabilities	-	8,837	-	-	-	-	8,837
	431,890	171,205	94,168	7,687	4,756	101,642	811,348
<i>Derivative liabilities</i>							
	-	52	253	295	632	2,520	3,752
Total liabilities	₱431,890	₱171,257	₱94,421	₱7,982	₱5,388	₱104,162	₱815,100

	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>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
Interbank loans receivable and SPURRA	-	14,646	-	-	-	-	14,646
	109,376	23,052	-	-	-	-	132,428
Financial assets at FVTPL							
Derivative assets	-	445	367	125	192	905	2,034
Debt securities	-	7,408	-	-	-	-	7,408
Equity securities	-	-	-	-	-	-	-
Financial assets at FVOCI							
Debt securities	-	3,206	2,997	1,158	1,252	79,169	87,782
Equity securities	-	-	-	-	-	46	46
Financial assets at amortized cost							
	-	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
Other receivables							
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
Other financial assets							
Returned checks and other cash items	-	30	-	-	-	-	30
Sundry debits	-	154	-	-	-	-	154
	-	184	-	-	-	-	184
Total assets	₱109,376	₱130,831	₱42,732	₱33,781	₱50,896	₱672,483	₱1,040,099

<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



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, 2023 and 2022 follows (amounts in millions):

	December 31, 2023	
	Group	Parent Bank
Total HQLA	₱303,469	₱252,662
Total net cash outflows	186,732	147,849
LCR Ratio	162.52%	170.89%

	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%

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, 2023 and 2022, the NSFR was at 123.54% and 123.81%, respectively, for the Group, and at 124.03% and 122.03%, 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.



The Bank uses a 10-day 99% VaR historical simulation with full revaluation approach. The historical simulation with full revaluation approach is the general market accepted methodology in the measurement of VaR. This 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, 2023 and 2022 follows (amounts in millions of Philippine pesos)

	Foreign Exchange	Interest Rate	Equity	Total VaR
2023	₱762.3	₱1,813.7	₱-	₱2,576.0
Average daily	503.7	1,620.3	-	2,124.0
Highest	910.9	2,053.2	-	2,864.1
Lowest	138.2	1,062.0	-	1,206.6
2022	₱135.4	₱1,132.7	₱-	₱1,574.3
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

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, liabilities and off-balance sheet items based on the current balance sheet composition 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 shock and appropriate time factor to derive the EaR per tenor. The 1st 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. EaR limits are reviewed and updated regularly to ensure that the risks brought by the changes in the balance sheet and liquidity strategies are within the risk appetite of the Bank.

The Bank also calculates EaR for the 2nd and 3rd years in order to measure medium-term vulnerabilities, i.e., those occurring in the 2nd and 3rd years. In addition, EaR is also calculated based on the current balance sheet composition plus projections to provide additional valuable insights in managing IRRBB. 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
	2023			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱195,451	₱58,261	₱272,434	₱526,146
Placements	76,067	–	59,251	135,318
Investments	3,799	4,925	348,536	357,260
	275,317	63,186	680,221	1,018,724
<i>Liabilities</i>				
Deposit liabilities	253,498	9,955	449,115	712,568
Bills payable	122,319	9,645	23,324	155,288
Notes and bonds payable	8,267	–	42,227	50,494
	384,084	19,600	514,666	918,350
Asset-Liability Gap	(₱108,767)	₱43,586	₱165,555	₱100,374



	Group			Total
	2022			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱175,895	₱67,406	₱236,326	₱479,627
Placements	103,164	–	61,240	164,404
Investments	6,539	2,678	323,826	333,043
	285,598	70,084	621,392	977,074
<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
	337,552	60,023	498,220	895,795
Asset-Liability Gap	(₱51,954)	₱10,061	₱123,172	₱81,279

	Parent Bank			Total
	2023			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱177,588	₱45,751	₱188,485	₱411,824
Placements	34,372	–	55,883	90,255
Investments	3,663	4,896	339,152	347,711
	215,623	50,647	583,520	849,790
<i>Liabilities</i>				
Deposit liabilities	169,889	2,127	425,539	597,555
Bills payable	110,162	679	9,518	120,359
Notes and bonds payable	8,267	–	42,227	50,494
	288,318	2,806	477,284	768,408
Asset-Liability Gap	(₱72,695)	₱47,841	₱106,236	₱81,382

	Parent Bank			Total
	2022			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱169,462	₱57,440	₱166,832	₱393,734
Placements	56,906	–	66,580	123,486
Investments	6,464	2,658	314,330	323,452
	232,832	60,098	547,742	840,672
<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
	271,992	43,991	458,891	774,874
Asset-Liability Gap	(₱39,160)	₱16,107	₱88,851	₱65,798

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 shifts (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 at least on a monthly basis. 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. It involves subjecting the Bank's total interest rate sensitive assets and liabilities to probable short, medium and long-term interest rate movements, assuming parallel and non-parallel (flatteners and steepeners) in the yield curve.

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 IRRBB models and its assumptions are validated by an independent party prior to use. 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)
2023				
Change in annualized net interest income	(₱1,647.7)	₱1,647.7	(₱1,259.0)	₱1,259.0
As a percentage of net interest income	(3.17%)	3.17%	(3.34%)	3.34%
2022				
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%

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, 2023 and 2022 is shown below:

	Group		
	2023		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱108,171	₱730,640	₱838,811
Due from other banks	4,100,751	2,558,199	6,658,950
Interbank loans receivables and SPURRA	–	188,520	188,520
Financial assets at FVTPL	–	703	703
Financial assets at amortized cost	–	1,926,099	1,926,099
Loans and other receivables	3,167,946	613,475	3,781,421
	7,376,868	6,017,636	13,394,504
<i>Liabilities:</i>			
Deposit liabilities	–	5,428,675	5,428,675
Bills payable	19,082,743	14,312,054	33,394,797
Notes and bonds payable	6,921,250	–	6,921,250
Derivative liabilities	–	7,007	7,007
Accrued interest and other expenses	376,128	30,168	406,296
Other liabilities	361,075	153,748	514,823
	26,741,196	19,931,652	46,672,848
Currency swaps and forwards	51,291,204	15,844,124	67,135,328
Net exposure	₱31,926,876	₱1,930,108	₱33,856,984
	Group		
	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	5,507,861	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
	9,102,440	5,392,682	14,495,122
<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	(₱24,387,970)	₱214,657	(₱24,173,313)



	Parent Bank		
	2023		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱52,625	₱423,204	₱475,829
Due from other banks	3,954,839	2,273,638	6,228,477
Interbank loans receivable and SPURRA	—	188,520	188,520
Financial assets at FVTPL	—	703	703
Financial assets at amortized cost	—	1,926,099	1,926,099
Loans and other receivables	3,141,829	82,374	3,224,203
	7,149,293	4,894,538	12,043,831
<i>Liabilities:</i>			
Deposit liabilities	—	5,428,675	5,428,675
Bills payable	19,082,743	14,312,054	33,394,797
Notes and bonds payable	6,921,250	—	6,921,250
Derivative liabilities	—	7,007	7,007
Accrued interest and other expenses	376,128	1,642	377,770
Other liabilities	48,082	122,445	170,527
	26,428,203	19,871,823	46,300,026
Currency swaps and forwards	51,291,204	15,098,480	66,389,684
Net exposure	₱32,012,294	₱121,195	₱32,133,489

	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)

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.



	2023		2022	
	% Change	Effect on Net Profit For the Year	% Change	Effect on Net Profit For the Year
U.S. dollars	1.0%	(705,647)	1.0%	(245,721)
Japanese yen	2.0%	(630,043)	2.0%	1,250
Euros	1.0%	7,608	1.5%	2,529
Others	1.2%	6,894	1.6%	(355)

Operational Risk

BSP Circular No. 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. While the proper and consistent implementation of these rules and regulations is the primary responsibility of the respective units within the Bank and its subsidiaries, the monitoring of the latter's compliance with these regulations rests on 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 potential 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, 2023 and 2022, as reported to the BSP, follow (amounts in millions):

	Group		Parent Bank	
	2023	2022	2023	2022
Common Equity Tier 1 Capital				
Paid-up common stock	₱23,538	₱21,421	₱23,538	₱21,421
Common stock dividends distributable	6,355	–	6,355	–
Additional paid in capital	57,769	47,950	57,769	47,950
Surplus free	75,449	77,052	77,388	78,044
Undivided profits	8,624	11,506	9,241	12,093
Other comprehensive income/(loss)	(3,390)	(15,289)	(3,357)	(15,384)
Minority interest in financial allied subsidiary	655	866	–	–
Sub-total	169,000	143,506	170,934	144,124
Less Regulatory Adjustments:				
Treasury stock	₱3	₱–	₱2	₱–
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	448	293	400	1,191
Deferred income tax	9,024	7,288	6,936	5,301
Goodwill	48,843	57,232	43,340	51,456
Other intangible assets	12,820	3,760	10,810	1,499
Defined benefit pension fund assets	–	7	–	–
Un-booked valuation reserves	–	2,109	–	1,694
Investments in equity of consolidated subsidiary banks and quasi banks, and other financial allied undertakings	–	–	36,439	31,325
Total regulatory adjustments to Common Equity Tier 1 capital	71,138	70,689	97,927	92,466
Total Common Equity Tier 1 capital	97,862	72,817	73,007	51,658
Total Tier 1 capital	₱97,862	₱72,817	₱73,007	₱51,658
Tier 2 Capital				
General loan loss provision	₱5,770	₱4,443	₱4,773	₱3,268
Unsecured subordinated debt	6,762	6,756	6,762	6,756
Total Tier 2 capital	12,532	11,199	11,535	10,024
Net Tier 1 capital	97,862	72,817	73,007	51,658
Net Tier 2 capital	12,532	11,199	11,535	10,024
Total qualifying capital	110,394	84,016	84,542	61,682
Credit risk-weighted assets	608,482	556,365	477,080	455,410
Market risk-weighted assets	20,816	7,127	20,789	6,831
Operational risk-weighted assets	74,642	80,922	55,781	60,374
Total risk-weighted assets	₱703,940	₱644,414	₱553,650	₱522,615
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets	15.68%	13.04%	15.27%	11.80%
Total Tier 1 expressed as percentage of total risk-weighted assets	13.90%	11.30%	13.19%	9.88%
Total Common Equity Tier 1 expressed as percentage of total risk-weighted assets	13.90%	11.30%	13.19%	9.88%
Conservation buffer	7.90%	5.30%	7.19%	3.88%

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	
	2023	2022	2023	2022
On-books assets	₱589,047	₱534,813	₱457,879	₱433,867
Off-books assets	9,401	10,410	9,387	10,401
Counterparty risk-weighted assets:				
in the banking books	8,671	9,619	8,671	9,619
in the trading books	1363	1,523	1363	1,523
Gross Credit Risk-Weighted Assets	₱608,482	₱556,365	₱477,300	₱455,410
Excess of amount permitted in upper Tier 2	–	–	220	–
Total Credit Risk-Weighted Assets	₱608,482	₱556,365	₱477,080	₱455,410
Capital Requirements	₱60,848	₱55,637	₱47,708	₱45,541
Interest rate exposures	₱8,328	₱5,419	₱8,328	₱5,419
Equity exposures	–	–	–	–
Foreign exchange exposures	12,488	1,708	12,461	1,412
Total Market Risk-Weighted Assets	₱20,816	₱7,127	₱20,789	₱6,831
Capital Requirements	₱2,082	₱713	₱2,079	₱683
Total Operational Risk-Weighted Assets - Basic indicator	₱74,642	₱80,922	₱55,781	₱60,374
Capital Requirements	₱7,464	₱8,092	₱5,578	₱6,037

The total credit exposure broken down by type of exposures and risk weights follow (amounts in millions):

	Group					Total Weighted Assets
	2023					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
Cash on hand	₱10,436	₱10,436	₱10,436	₱–	₱–	₱–
Checks and other cash items	13	13	13	–	–	3
Due from BSP	82,766	82,766	82,766	–	–	–
Due from other banks	27,263	27,263	25,467	1,796	–	13,845
Financial assets at FVTPL	99	99	60	39	–	39
Financial assets at FVOCI	37,620	37,620	37,331	289	–	297
Financial assets at amortized cost	319,078	306,630	263,923	42,707	–	56,196
Loans and receivables	505,126	503,742	86,754	400,617	16,371	448,747
SPURRA	25,227	4,446	4,446	–	–	–
Sales contract receivable (SCR)	2,452	2,452	–	1,045	1,407	3,156
ROPA	5,025	5,025	–	–	5,025	7,537
Other assets	55,451	55,451	–	55,451	–	55,451
Total risk-weighted on-books assets not covered by CRM	1,070,556	1,035,943	511,196	501,944	22,803	585,271
Total risk-weighted on-books assets covered by CRM	–	34,612	34,612	–	–	3,776
	₱1,070,556	₱1,070,555	₱545,808	₱501,944	₱22,803	₱589,047
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱4,496	₱–	₱–	₱4,496	₱–	₱4,496
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	3,057	–	–	3,057	–	3,057

(Forward)



	Group					Total Weighted Assets
	2023					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
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	₱16,881	₱-	₱-	₱3,377	₱-	₱3,377
	₱24,434	₱-	₱-	₱9,401	₱-	₱9,401
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱114,057	₱15,892	₱13,897	₱1,995	₱-	₱8,671
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱-	₱-	₱-	₱-	₱-	₱-
Exchange Rate Contracts	101,841	2,231	1,679	552	-	1,363
Total	₱101,841	₱2,231	₱1,679	₱552	₱-	₱1,363

	Group					Total Weighted Assets
	2022					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
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
	₱1,011,238	₱1,011,237	₱553,203	₱445,056	₱12,980	₱534,813
Risk-Weighted Off-Books Assets						
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	17,873	-	-	3,574	-	3,574
	₱27,009	₱-	₱-	₱10,410	₱-	₱10,410

(Forward)



	Group 2022					Total Weighted Assets
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱97,000	₱18,770	₱18,302	₱468	₱-	₱9,619
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱1,115	₱-	₱-	₱-	₱-	₱-
Exchange Rate Contracts	107,982	2,413	1,685	728	-	1,523
Total	₱109,097	₱2,413	₱1,685	₱728	₱-	₱1,523
Parent Bank 2023						
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱9,351	₱9,351	₱9,351	₱-	₱-	₱-
Cash and other cash items	-	-	-	-	-	-
Due from BSP	63,976	63,976	63,976	-	-	-
Due from other banks	23,196	23,196	21,572	1,624	-	11,726
Financial asset at FVTPL	-	-	-	-	-	-
Financial assets at FVOCI	37,344	37,344	37,281	63	-	63
Financial assets at amortized cost	309,799	297,352	254,645	42,707	-	56,178
Loans and other receivables	396,801	395,611	86,580	301,006	8,025	336,924
SPURRA	2,996	-	-	-	-	-
SCR	2,342	2,342	-	994	1,348	3,016
ROPA	3,872	3,872	-	-	3,872	5,808
Other assets	40,415	40,415	-	55,459	-	40,415
Total risk-weighted on-books assets not covered by CRM	890,092	873,459	473,405	386,809	13,245	454,133
Total risk-weighted on-books assets covered by CRM	-	16,633	16,633	-	-	3,776
	₱890,092	₱890,092	₱490,038	₱386,809	₱13,245	₱457,909
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱4,496	₱-	₱-	₱4,496	₱-	₱4,496
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	3,057	-	-	1,528	-	1,528
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	16,813	-	-	3,363	-	3,363
	₱24,366	₱-	₱-	₱9,387	₱-	₱9,387
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱114,057	₱15,892	₱13,897	₱1,995	₱-	₱8,671
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱-	₱-	₱-	₱-	₱-	₱-
Exchange Rate Contracts	101,841	2,231	1,679	552	-	1,363
Total	₱101,841	₱2,231	₱1,679	₱552	₱-	₱1,363



	Parent Bank					Total Weighted Assets
	2022					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
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
	₱863,994	₱863,994	₱502,095	₱354,642	₱7,257	₱433,867
Risk-Weighted Off-Books Assets						
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
	₱26,962	₱–	₱–	₱10,401	₱–	₱10,401
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱97,000	₱18,770	₱18,302	₱468	₱–	₱9,619
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱1,115	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	107,982	2,413	1,685	728	–	1,523
Total	₱109,097	₱2,413	₱1,685	₱728	₱–	₱1,523

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, 2023 and 2022. 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, 2023 and 2022 follow (amounts in millions, except for percentages):

	Consolidated		Parent Bank	
	2023	2022	2023	2022
Tier 1 Capital	₱97,862	₱72,817	₱73,007	₱51,658
Exposure Measure	1,123,087	1,035,178	915,156	888,335
BLR	8.71%	7.03%	7.98%	5.82%

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 2023 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 2023, the Group and Parent Bank's ICAAP Document was submitted to the BSP on March 30, 2023.

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.

In 2023, given the significant growth in mass market and digital banking products, the Group revisited the level of aggregation of its consumer banking segment. Given the differences in processes and customer characteristics, the Group assessed that there is a change in the level of aggregation, and Mass Market/ Digital Banking is now presented as a separate operating segment. In accordance with PFRS, the Group retroactively presented the comparative information separating this segment from the others.

The Group's main business segments are presented below.

(a) *Consumer Banking*

This segment principally handles individual customer deposits, funds transfer facilities and provides consumer type loans, such as personal loans, automobiles and mortgage financing, and credit card facilities.

(b) *Institutional 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) Mass Market/Digital Banking

Mass Market banking primarily provides a range of mass market financial products and services such as salary loans, pension loans, seafarer loans, motorcycle loans, company loans, LGU salary loans, and traditional deposits. Digital Banking offers retail financial products, including deposits and loans, on a highly secure digital banking platform.

(d) Treasury Banking

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.

(e) Trust and Insurance

The segment handles trust, asset management and fiduciary services provided by the Bank to its customers.

(f) 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, 2023, 2022 and 2021 follow (amounts in millions):

	Consumer Banking	Mass Market/ Digital	Institutional	Treasury	Trust/ Insurance and Brokerage	Headquarters	Total
December 31, 2023							
Results of operations							
Net interest income and other income	₱42,037	₱14,992	₱8,554	₱3,784	₱1,224	₱187	₱70,778
Other expenses	(20,612)	(8,454)	(3,680)	(1,786)	(672)	(9,684)	(44,888)
Income before credit losses and income tax	₱21,425	₱6,538	₱4,874	₱1,998	₱552	(₱9,497)	25,890
Provision for credit losses							(14,041)
Tax expense							(2,644)
Net income							₱9,205
Segment resources	₱194,610	₱182,076	₱210,701	₱383,954	₱1,869	₱171,933	₱1,145,143
Segment liabilities	₱403,353	₱155,938	₱150,684	₱214,413	₱245	₱44,885	₱969,518
Other information:							
Depreciation and amortization	₱35	₱644	₱70	₱5	₱6	₱1,906	₱2,666
Capital expenditures	171	605	362	43	–	3,144	4,325



Segment Reporting and Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities

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	Consumer Banking	Mass Market/Digital	Institutional	Treasury	Trust/Insurance and Brokerage	Headquarters	Total
December 31, 2022							
Results of operations							
Net interest income and other income	₱23,657	₱11,095	₱9,329	₱5,260	₱727	₱2,132	₱52,200
Other expenses	(11,544)	(6,449)	(3,134)	(1,940)	(332)	(7,949)	(31,348)
Income before credit losses and income tax	₱12,113	₱4,646	₱6,195	₱3,320	₱395	(₱5,817)	20,852
Provision for credit losses							(4,068)
Tax expense							(4,039)
Net income							₱12,745
Segment resources	₱174,533	₱148,966	₱210,838	₱405,454	₱1,600	₱151,495	₱1,092,886
Segment liabilities	₱394,203	₱126,431	₱130,426	₱250,306	₱222	₱43,084	₱944,672
Other information:							
Depreciation and amortization	₱26	₱381	₱53	₱4	₱7	₱1,389	₱1,860
Capital expenditures	759	216	273	140	–	2,778	4,166

	Consumer Banking	Mass Market/Digital	Institutional	Treasury	Trust/Insurance and Brokerage	Headquarters	Total
December 31, 2021							
Results of operations							
Net interest income and other income	₱11,053	₱8,856	₱9,522	₱13,254	₱337	₱2,094	₱45,116
Other expenses	(6,090)	(5,991)	(3,148)	(1,319)	(176)	(7,596)	(24,320)
Income before credit losses and income tax	₱4,963	₱2,865	₱6,374	₱11,935	₱161	(₱5,502)	20,796
Provision for credit losses							(5,811)
Tax expense							(2,407)
Net income							₱12,578
Segment resources	₱78,100	₱123,500	₱198,796	₱337,676	₱74	₱92,949	₱831,095
Segment liabilities	₱290,339	₱105,372	₱151,029	₱150,119	₱7	₱22,016	₱718,882
Other information:							
Depreciation and amortization	₱13	₱424	₱50	₱4	₱7	₱1,126	₱1,624
Capital expenditures	259	139	342	7	–	2,639	3,386

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, 2023			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱4,542,117	₱–	₱–	₱4,542,117
Equity securities	97,849	442,100	31,000	570,949
Derivative assets	–	640,325	52,325	692,650
Trust fund assets	–	55,673	–	55,673
Financial assets at FVOCI				
Debt securities	36,685,421	–	–	36,685,421
Equity securities	–	–	289,353	289,353
<i>Liabilities</i>				
Derivative liabilities	–	926,176	–	926,176
December 31, 2022				
<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



Parent Bank

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱4,542,117	₱–	₱–	₱4,542,117
Equity securities	–	442,100	–	442,100
Derivative assets	–	640,325	52,325	692,650
Financial assets at FVOCI				
Debt securities	36,636,587	–	–	36,636,587
Equity securities	–	–	62,647	62,647
<i>Liabilities</i>				
Derivative liabilities	–	926,176	–	926,176
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<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

b) *Financial instruments measured at amortized cost and investment properties for which fair value is disclosed*

Group

	December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱314,479,239	₱293,924,390	₱–	₱–	₱293,924,390
Loans and other receivables	526,145,828	–	–	514,125,509	514,125,509
<i>Nonfinancial Assets</i>					
Investment properties	8,592,259	–	–	18,908,548	18,908,548
<i>Liabilities</i>					
<i>Financial Liabilities</i>					
Deposit liabilities	712,568,408	–	–	714,376,295	714,376,295
Bills payable	155,287,929	–	152,063,102	–	152,063,102
Notes and bonds payable	50,493,627	–	48,342,776	–	48,342,776
	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	479,626,649	–	–	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



Parent Bank

	December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
Financial assets at amortized cost	₱305,334,583	₱285,206,482	₱-	₱-	₱285,206,482
Loans and other receivables	411,823,839	-	-	399,803,520	399,803,520
Investment properties	7,359,283	-	-	17,343,691	17,343,691
Liabilities					
Deposit liabilities	597,555,393	-	-	599,363,280	599,363,280
Bills payable	120,359,136	-	117,134,309	-	117,134,309
Notes and bonds payable	50,493,627	-	48,342,776	-	48,342,776
	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
Financial assets at amortized cost	₱235,400,671	₱210,794,053	₱-	₱-	₱210,794,053
Loans and other receivables	393,734,345	-	-	387,226,850	387,226,850
Investment properties	7,124,049	-	-	16,572,598	16,572,598
Liabilities					
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

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 in the valuation techniques used by the Group during the year for its investment properties.



Fair Value Measurement, Offsetting of Financial Assets and Financial Liabilities and Cash and Balances with the BSP

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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, 2023 and 2022 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.

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, 2023				December 31, 2022			
	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		
Financial Assets								
Derivative Assets								
Currency forwards	P171,025	P75,833	P-	P95,192	P807,279	P379,452	P-	P427,827
Cross currency interest rate swaps	469,300	57,965	-	411,335	315,602	21,550	-	294,052
Loans and Receivables	25,785,023	-	25,785,023	-	23,948,338	-	23,948,338	-
Total financial assets	P26,425,348	P133,798	P25,785,023	P506,527	P25,071,219	P401,002	P23,948,338	P721,879
Financial Liabilities								
Derivative Liabilities								
Currency forwards	P741,313	P75,833	P-	P665,480	P1,306,506	P379,452	P-	P927,054
Cross currency swaps	184,863	57,965	-	126,898	240,267	21,550	-	218,717
Deposit Liabilities	595,679	373,904	-	221,775	652,651	331,529	-	321,122
Bills Payable	25,411,119	25,411,119	-	-	23,553,973	23,553,973	-	-
Total financial liabilities	P26,932,974	P25,918,821	P-	P1,014,153	P25,753,397	P24,286,504	P-	P1,466,893
Parent Bank								
	December 31, 2023				December 31, 2022			
	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	
Financial assets								
Derivative assets								
Currency forwards	P171,025	P75,833	P-	P95,192	P807,279	P379,452	P-	P427,827
Cross currency interest rate swaps	469,300	57,965	-	411,335	315,602	21,550	-	294,052
Loans and receivables	3,498,457	-	3,498,457	-	14,966,340	-	14,966,340	-
Total financial assets	P4,138,782	P133,798	P3,498,457	P506,527	P16,089,221	P401,002	P14,966,340	P721,879
Financial liabilities								
Derivative liabilities								
Currency forwards	P741,313	P75,833	P-	P665,480	P1,306,506	P379,452	P-	P927,054
Cross currency swaps	184,863	57,965	-	126,898	240,267	21,550	-	218,717
Deposit liabilities	511,063	314,379	-	196,684	610,047	331,529	-	278,518
Bills Payable	3,184,078	3,184,078	-	-	14,634,811	14,634,811	-	-
Total financial liabilities	P4,621,317	P3,632,255	P-	P989,062	P16,791,631	P15,367,342	P-	P1,424,289



8. Cash and Balances with the BSP

These accounts are composed of the following as of December 31:

	Group		Parent Bank	
	2023	2022	2023	2022
Cash and other cash items	₱10,439,112	₱9,891,536	₱9,350,898	₱8,924,249
Due from BSP				
Mandatory reserves	₱56,967,441	₱62,263,916	₱53,955,218	₱59,250,130
Non-mandatory reserves	25,676,222	32,346,392	9,927,906	7,337,991
	₱82,643,663	₱94,610,308	₱63,883,124	₱66,588,121

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 5.00% to 6.71% in 2023, from 1.50% to 5.00% in 2022, and from 1.50% to 2.00% in 2021, 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 ₱1,465,746, ₱896,452 and ₱665,311 in 2023, 2022, and 2021, respectively, while the total interest income on Due from BSP recognized by the Parent Bank amounted to ₱290,285, ₱487,778 and ₱325,236 in 2023, 2022, and 2021, 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:

	Group		Parent Bank	
	2023	2022	2023	2022
Foreign banks	₱22,905,216	₱41,686,572	₱22,905,216	₱41,686,572
Local banks	4,358,131	4,553,392	282,817	576,957
	₱27,263,347	₱46,239,964	₱23,188,033	₱42,263,529



The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2023	2022	2023	2022
U.S. dollars	₱20,482,672	₱39,093,926	₱20,373,199	₱38,909,437
Philippine pesos	4,507,037	4,362,703	541,197	570,757
Other currencies	2,273,638	2,783,335	2,273,637	2,783,335
	₱27,263,347	₱46,239,964	₱23,188,033	₱42,263,529

Annual interest rates on these deposits range from 0.00% to 5.40% in 2023, from 0.00% to 2.30% in 2022, and from 0.00% to 2.00% in 2021. Total interest income on Due from other banks earned by the Group amounted to ₱694,490, ₱103,736, and ₱14,429 in 2023, 2022, and 2021, respectively, while total interest income earned by the Parent Bank amounted to ₱656,870, ₱97,199, and ₱7,634 in 2023, 2022, and 2021, respectively.

Due from other banks is net of allowance for credit losses amounting to ₱11,874 and ₱18,447, as of December 31, 2023 and 2022, 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 10 days as of 2023 and from 1 to 68 days as of 2022. 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 ₱251,783, ₱260,343, and ₱23,256 in 2023, 2022, and 2021, respectively, for the Group, and ₱251,783, ₱259,183, and ₱22,170 in 2023, 2022, and 2021, respectively, for the Parent Bank. Interest income on SPURRA amounted to ₱1,116,021, ₱566,019, and ₱300,764 in 2023, 2022, and 2021, respectively, for the Group, and ₱266,369, ₱393,663, and ₱204,381 in 2023, 2022, and 2021, respectively, for the Parent Bank.

Annual interest rates on interbank loans receivable range from 0.00% to 6.44% in 2023, from 0.05% to 5.03% in 2022, and 0.01% to 2.00% in 2021. SPURRA bears nominal annual interest ranging from 5.50% to 6.48% in 2023, from 0.00% to 5.23% in 2022, and from 0.10% to 3.05% in 2021.

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, 2023 and 2022 consist of the following:

	Group		Parent Bank	
	2023	2022	2023	2022
Debt securities held for trading	₱4,542,117	₱6,996,559	₱4,542,117	₱6,996,559
Equity securities designated at FVTPL	570,949	481,388	442,100	411,050
Derivative assets	692,650	1,175,569	692,650	1,175,569
	₱5,805,716	₱8,653,516	₱5,676,867	₱8,583,178



The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2023	2022	2023	2022
Philippine pesos	₱3,222,363	₱5,304,291	₱3,093,514	₱5,233,953
U.S. dollars	2,582,650	3,348,270	2,582,650	3,348,270
Others	703	955	703	955
	₱5,805,716	₱8,653,516	₱5,676,867	₱8,583,178

The Group recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱502,136, (₱281,559), and (₱440,044) in 2023, 2022, and 2021, respectively, while the Parent Bank recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱501,185, (₱282,465) and (₱440,453), in 2023, 2022, and 2021, 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 ₱194,354, ₱203,766, and ₱244,587 in 2023, 2022, and 2021, respectively, for the Group, and ₱193,268, ₱203,766, and ₱244,587 in 2023, 2022, and 2021, respectively, for the Parent Bank. In 2023 and 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.

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, 2023		
	Notional Amount	Fair Values	
		Assets	Liabilities (Note 24)
Currency forwards			
Bought	₱67,830,319	₱100,663	₱688,115
Sold	15,469,007	70,362	53,198
Cross currency interest rate swaps			
Payer	20,848,585	35,580	158,876
Receiver	21,207,464	433,720	25,987
Warrants		52,325	–
		₱692,650	₱926,176
		December 31, 2022	
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		52,688	–
		₱1,175,569	₱1,546,773



12. Financial Assets at Amortized Cost

The Group's and the Parent Bank's financial assets at amortized cost as of December 31, 2023 and 2022 consist of the following:

	Group		Parent Bank	
	2023	2022	2023	2022
Government bonds and other debt securities	₱293,919,676	₱242,659,492	₱284,865,020	₱233,522,259
Private bonds and commercial papers	20,864,219	2,273,341	20,774,219	2,183,341
	314,783,895	244,932,833	305,639,239	235,705,600
Allowance for impairment (Note 20)	(304,656)	(304,929)	(304,656)	(304,929)
	₱314,479,239	₱244,627,904	₱305,334,583	₱235,400,671

Investment securities of both the Group and the Parent Bank with an aggregate principal amount of ₱120,461,769 and ₱103,659,400 of December 31, 2023 and 2022, 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, 2023 and 2022 follows:

	Group		Parent Bank	
	2023	2022	2023	2022
Philippine pesos	₱217,448,551	₱211,267,150	₱208,303,895	₱202,039,917
U.S. dollars	95,104,589	31,492,475	95,104,589	31,492,475
Others	1,926,099	1,868,279	1,926,099	1,868,279
	₱314,479,239	₱244,627,904	₱305,334,583	₱235,400,671

Financial assets at amortized cost denominated in Philippine pesos have annual fixed interest rates ranging from 2.38% to 9.50% in 2023, from 2.38% to 18.25% in 2022, and from 1.03% to 18.25% in 2021, while financial assets at amortized cost denominated in U.S. dollars and Euros have annual fixed interest rates ranging from 1.25% to 9.63% in 2023 and 2022, and from 3.25% to 9.50% in 2021. These bonds have remaining maturities of 1 year to 30 years as at December 31, 2023 and 2022 and 1 year to 29 years as at December 31, 2021.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to ₱13,810,046, ₱9,731,453, and ₱5,865,798 in 2023, 2022, and 2021, respectively, by the Group, and ₱13,365,395, ₱9,330,858, and ₱5,777,352 in 2023, 2022, and 2021, 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 as of December 31, 2023, and 2022, 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, and ₱47.4 billion in 2022 and 2021, respectively, resulting in gains totaling ₱0.10 billion, and ₱8.45 billion in 2022 and 2021, respectively (see Note 3). There were no sale of investment securities classified as Investment securities at amortized cost in 2023.



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, 2023 and 2022 consist of the following:

	Group		Parent Bank	
	2023	2022	2023	2022
Debt securities:				
Government bonds	₱36,646,114	₱62,104,853	₱36,636,587	₱62,095,606
Private bonds and commercial papers	39,307	17,384,174	–	17,325,825
Equity securities	289,353	272,735	62,647	46,247
	₱36,974,774	₱79,761,762	₱36,699,234	₱79,467,678

The breakdown of this account as to currency as of December 31, 2023 and 2022 follows:

	Group		Parent Bank	
	2023	2022	2023	2022
Philippine pesos	₱36,748,068	₱23,609,883	₱36,699,234	₱23,542,286
U.S. dollars	226,706	56,151,879	–	55,925,392
	₱36,974,774	₱79,761,762	₱36,699,234	₱79,467,678

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 2023 and 2022, and from 2.88% to 6.88% for 2021, while debt securities denominated in U.S. dollars have annual interest rates ranging from 1.25% to 9.63% in 2023 and 2022, and from 1.13% to 9.63% in 2021. Interest income, including amortization of premium or discount, amounted to ₱1,810,165 and ₱1,806,821 in 2023 for the Group and Parent Bank, respectively, ₱2,758,288 and ₱2,752,764 in 2022 for the Group and Parent Bank, respectively, and ₱1,840,975 and ₱1,833,323 in 2021 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 2023, 2022 and 2021, the Group and the Parent Bank recognized gains from the sale of investments securities at FVOCI amounting to ₱0.42 billion, ₱0.10 billion, and ₱0.66 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, 2023 and 2022, allowance for credit losses credited against other comprehensive income amounted to ₱65 and ₱12,287, respectively.



14. Loans and Other Receivables

The Group's and the Parent Bank's loans and other receivables as of December 31, 2023 and 2022 consist of the following:

	Group		Parent Bank	
	December 31		December 31	
	2023	2022	2023	2022
Receivables from customers:				
Loans and discounts	₱509,344,030	₱459,972,123	₱393,690,035	₱372,906,505
Customers' liabilities under acceptances and trust receipts	10,944,955	11,616,859	10,944,955	11,616,859
Bills purchased	2,432,182	3,180,968	2,432,182	3,180,968
Accrued interest receivable	6,554,565	5,725,612	3,194,525	2,892,184
	529,275,732	480,495,562	410,261,697	390,596,516
Unearned discounts	(2,741,969)	(2,235,708)	(367,697)	(235,514)
Allowance for impairment (Note 20)	(19,166,486)	(14,038,685)	(13,415,639)	(9,177,037)
	507,367,277	464,221,169	396,478,361	381,183,965
Other receivables:				
Accounts receivable	12,346,579	9,316,601	8,920,956	6,718,338
Accrued interest receivable	4,506,661	4,244,524	4,358,097	4,063,998
Sales contracts receivable	2,768,725	2,319,031	2,666,485	2,215,959
Installment contracts receivable	909	2,188	-	-
	19,622,874	15,882,344	15,945,538	12,998,295
Allowance for impairment (Note 20)	(844,323)	(476,864)	(600,060)	(447,915)
	18,778,551	15,405,480	15,345,478	12,550,380
	₱526,145,828	₱479,626,649	₱411,823,839	₱393,734,345

Restructured loans amounted to ₱2,534,769 and ₱2,766,595 as of December 31, 2023 and 2022, respectively, for the Group, and ₱2,464,565 and ₱2,733,513 as of December 31, 2023 and 2022, respectively, for the Parent Bank. Interest income on these restructured loans amounted to ₱113,116, ₱136,650, and ₱38,733 in 2023, 2022 and 2021, respectively, for the Group, and ₱111,147, ₱136,129 and ₱25,189 in 2023, 2022 and 2021, respectively, for the Parent Bank.

The maturity profile of loans and other receivables (net of unearned discounts) follows:

	Group		Parent Bank	
	2023	2022	2023	2022
Less than one year	₱206,226,521	₱206,542,153	₱179,801,242	₱197,799,858
One year to less than five years	221,942,259	169,116,975	128,518,701	97,237,602
Beyond five years	117,987,857	118,514,319	117,519,595	108,353,086
	₱546,156,637	₱494,173,447	₱425,839,538	₱403,390,546

Loans and other receivables bear annual interest ranging from 4.25% to 14.00% in 2023 and 2022, and from 4% to 14% in 2021.



The breakdown of loans (receivable from customers excluding accrued interest receivable) as to type of interest rate follows:

	Group		Parent Bank	
	2023	2022	2023	2022
Variable interest rates	₱379,224,034	₱274,129,500	₱278,853,696	₱274,129,500
Fixed interest rates	143,497,133	200,640,450	128,213,476	113,574,832
	₱522,721,167	₱474,769,950	₱407,067,172	₱387,704,332

The amounts of interest income per type of loans and receivables for each reporting period are as follows:

	Group		
	2023	2022	2021
Receivables from customers	₱59,015,283	₱35,862,813	₱27,270,729
Other receivables:			
Sales contracts receivable	203,642	141,615	101,402
Installment contracts receivable	159	286	318
	₱59,219,084	₱36,004,714	₱27,372,449

	Parent Bank		
	2023	2022	2021
Receivables from customers	₱38,670,624	₱23,773,696	₱17,402,061
Sales contracts receivable	182,597	133,692	95,200
	₱38,853,221	₱23,907,388	₱17,497,261

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:

	% Interest	2023	2022
Acquisition costs:			
CSB	99.79%	₱6,746,861	₱6,746,861
UFSI (Note 1)	100%	5,097,261	5,097,261
UnionDigital (Note 1)	100%	3,900,000	3,000,000
UBX	100%	1,100,000	1,100,000
UIC	100%	924,861	924,861
UBIMTC (Note 1)	100%	300,000	–
FUPI	100%	290,002	290,002
UBPSI	100%	5,000	5,000
UDC	100%	3,125	3,125
		₱18,367,110	₱17,167,110



The movement in investments in subsidiaries is shown below:

	2023	2022	2021
Acquisition costs:			
Beginning balances	₱17,167,110	₱10,069,849	₱8,573,349
Additional investments (Note 1)	1,200,000	7,097,261	1,500,000
Others	—	—	(3,500)
	18,367,110	17,167,110	10,069,849
Accumulated equity in total comprehensive income:			
Beginning balances	14,615,586	13,013,106	13,294,638
Share in net profit (Note 28)	2,837,072	1,712,086	1,173,016
Dividends	(129,000)	(188,000)	(1,496,811)
Share in other comprehensive income (loss) (Note 29)	76,346	82,778	38,774
Others	—	(4,384)	3,489
	17,400,004	14,615,586	13,013,106
Net investment in subsidiaries	₱35,767,114	₱31,782,696	₱23,082,955

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.

Investment in Associates

As of December 31, 2023 and 2022, the Group has investment in associates with aggregate carrying amounts of ₱37,675 and ₱123,396, respectively. The aggregate share in losses on these associates amounted to ₱21,300, ₱30,125, and ₱14,186 in 2023, 2022, and 2021, respectively.

On June 22, 2023, the BSP approved the Parent Bank's request to purchase 1,011,961 shares in Bangko Kabayan. On July 10, 2023, the Parent Bank completed the purchase representing 27.52% ownership interest in Bangko Kabayan. This is accounted as an Investment in associate in the Parent Bank's statement of financial position. The result of the purchase of the said shares increased the Group's ownership in Bangko Kabayan to 97.52%. CSB's and UIC's ownership remained the same at 49% and 21%, respectively (see Note 1).

Sale of Investments in Fintech Platform Ventures Pte Ltd. by UBX SG

On October 31, 2023, UBX SG sold its 31.98% stake in FinTech Platform Ventures Pte. Ltd. (FPV)'s for a total consideration of \$2.10 million (₱118.9 million) of which \$0.38 million (₱21.3 million) was kept in an escrow account as provision for future tax liability. The sale resulted in a gain on sale of investment in associate amounting to \$0.42 million (₱22.7 million).

Sale of Investments in Pacific Payments Pte. Ltd by UBX SG

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.

Sale of Investments in CC Mobile Financial Services Philippines, Inc. by UBX PH

On June 11, 2021, UBX sold its 35% equity ownership in CC Mobile Financial Services Philippines, Inc. to 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.

Summarized Financial Information

The following table presents the combined financial information of the subsidiaries, which comprises of CSB, UnionDigital, PETNET, UBX, CFSI, UIC, Bangko Kabayan, FAIR Bank, PBI and UBIMTC as of and for the years ended December 31, 2023 and 2022:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2023	₱187,953,140	₱157,096,503	₱25,946,479	₱3,126,768
2022	154,318,123	127,538,388	16,079,090	2,491,764

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, 2023 and 2022 are shown below.

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold and Improvements	
December 31, 2023						
Cost	₱1,182,455	₱6,198,435	₱5,868,900	₱4,049,322	₱1,918,847	₱19,217,959
Accumulated depreciation and amortization	-	(1,075,637)	(3,897,871)	(2,632,391)	(1,418,821)	(9,024,720)
Net carrying amounts	₱1,182,455	₱5,122,798	₱1,971,029	₱1,416,931	₱500,026	₱10,193,239
December 31, 2022						
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)
Net carrying amounts	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619
	Parent Bank					
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold and Improvements	Total
December 31, 2023						
Cost	₱558,820	₱5,701,310	₱4,288,699	₱3,218,343	₱910,845	₱14,678,017
Accumulated depreciation and amortization	-	(803,000)	(2,688,984)	(2,148,168)	(498,539)	(6,138,691)
Net carrying amounts	₱558,820	₱4,898,310	₱1,599,715	₱1,070,175	₱412,306	₱8,539,326
December 31, 2022						
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)
Net carrying amounts	₱248,301	₱3,902,450	₱1,530,367	₱1,069,103	₱485,813	₱7,236,034



A reconciliation of the carrying amounts at the beginning and end of 2023 and 2022 of this account (including right-of-use assets) is shown below:

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold and Improvements	
Balances at January 1, 2023, net of accumulated depreciation and amortization	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619
Additions	355,276	1,152,394	707,799	675,994	67,834	2,959,297
Disposals	(23,481)	(13,430)	(30,469)	–	–	(67,380)
Reclassifications/adjustments	–	(9)	(1,371)	48,491	(1,348)	45,763
Depreciation and amortization charges for the year	–	(157,529)	(541,625)	(611,475)	(140,431)	(1,451,060)
Balances at December 31, 2023, net of accumulated depreciation and amortization	₱1,182,455	₱5,122,798	₱1,971,029	₱1,416,931	₱500,026	₱10,193,239
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 (as restated - Note 1)	–	(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
Balances at December 31, 2022, net of accumulated depreciation and amortization	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619
	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold and Improvements	
Balances at January 1, 2023, net of accumulated depreciation and amortization	₱248,301	₱3,902,450	₱1,530,367	₱1,069,103	₱485,813	₱7,236,034
Additions	334,000	1,145,646	514,233	468,129	6,369	2,468,377
Disposals	(23,481)	(13,429)	(21,557)	–	–	(58,467)
Reclassifications/adjustments	–	–	(3,283)	1,622	–	(1,661)
Depreciation and amortization charges for the year	–	(136,357)	(420,045)	(468,679)	(79,876)	(1,104,957)
Balances at December 31, 2023, net of accumulated depreciation and amortization	₱558,820	₱4,898,310	₱1,599,715	₱1,070,175	₱412,306	₱8,539,326
Balances at January 1, 2022, net of accumulated depreciation and amortization	₱248,301	₱2,024,558	₱1,622,650	₱956,692	₱484,125	₱5,336,326
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 (as restated – Note 1)	–	(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	₱248,301	₱3,902,450	₱1,530,367	₱1,069,103	₱485,813	₱7,236,034



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, 2023 and 2022, 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		
	2023	2022 (as restated)	2021
Bank premises, furniture, fixtures and equipment*	₱839,585	₱743,254	₱647,994
Investment properties (Note 17)	389,636	370,290	406,421
Computer software (Note 19)	595,876	322,612	405,150
Customer relationships (Note 19)	343,500	143,125	–
Core deposits (Note 19)	289,714	136,505	–
Foreclosed machineries and chattel	208,182	144,646	164,114
	₱2,666,493	₱1,860,432	₱1,623,679

*Excluding depreciation of ROU asset presented in Occupancy amounting to ₱611,475 and ₱620,499 in 2023 and 2022, respectively.

	Parent Bank		
	2023	2022 (as restated)	2021
Bank premises, furniture, fixtures and equipment*	₱636,278	₱552,480	₱498,472
Investment properties (Note 17)	374,242	358,600	394,241
Computer software (Note 19)	316,402	252,365	253,745
Customer relationships (Note 19)	343,500	143,125	–
Core deposits (Note 19)	262,643	109,434	–
Foreclosed machineries and chattel	6,420	4,119	–
	₱1,939,485	₱1,420,123	₱1,146,458

*Excluding depreciation of ROU asset presented in Occupancy amounting to ₱468,679 and ₱464,534 in 2023 and 2022, respectively.

In 2023, 2022, and 2021 depreciation charges amounted to ₱611.48 million, ₱620.50 million, and ₱597.64 million, respectively, for the ROU asset of the Group and ₱468.68 million, ₱464.53 million, and ₱410.60 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, 2023 and 2022, 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 this account are below.

	Group		Parent	
	As at December 31		As at December 31	
	2023	2022	2023	2022
Cost	₱11,648,702	₱11,432,533	₱10,190,789	₱10,129,917
Accumulated depreciation	(2,951,583)	(3,101,955)	(2,766,694)	(2,934,165)
Accumulated impairment loss	(104,860)	(71,705)	(64,812)	(71,703)
Net carrying amounts	₱8,592,259	₱8,258,873	₱7,359,283	₱7,124,049

The movements in the Group's and the Parent Bank's investment properties are shown below.

	Group		
	2023		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,533,566	₱8,898,967	₱11,432,533
Reclassifications/adjustments	–	10,676	10,676
Additions	–	1,716,395	1,716,395
Disposals	(142)	(1,510,760)	(1,510,902)
Balances at December 31	2,533,424	9,115,278	11,648,702
Accumulated Depreciation and Amortization			
Balances at January 1	789,725	2,312,230	3,101,955
Reclassifications/adjustments	–	5,335	5,335
Depreciation	52,738	336,898	389,636
Disposals	–	(545,343)	(545,343)
Balances at December 31	842,463	2,109,120	2,951,583
Accumulated Impairment Losses			
Balances at January 1	–	71,705	71,705
Reclassifications/adjustments	–	40,969	40,969
Reversals on provision for impairment	–	(751)	(751)
Disposals	–	(7,063)	(7,063)
Balances at December 31	–	104,860	104,860
Net Book Values	₱1,690,961	₱6,901,298	₱8,592,259

	Group		
	2022		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
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	2,533,566	8,898,967	11,432,533
Accumulated Depreciation and Amortization			
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	789,725	2,312,230	3,101,955
Accumulated Impairment Losses			
Balances at January 1	–	96,427	96,427
Reversals on provision for impairment	–	(24,722)	(24,722)
Balances at December 31	–	71,705	71,705
Net Book Values	₱1,743,841	₱6,515,032	₱8,258,873



	Parent Bank		
	2023		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,198,110	₱7,931,807	₱10,129,917
Additions	–	1,522,822	1,522,822
Disposals	–	(1,461,950)	(1,461,950)
Balances at December 31	2,198,110	7,992,679	10,190,789
Accumulated Depreciation and Amortization			
Balances at January 1	649,281	2,284,884	2,934,165
Depreciation	45,854	328,388	374,242
Disposals	–	(541,713)	(541,713)
Balances at December 31	695,135	2,071,559	2,766,694
Accumulated Impairment Losses			
Balances at January 1	–	71,703	71,703
Reversals on provision for impairment	–	(787)	(787)
Disposals	–	(6,104)	(6,104)
Balances at December 31	–	64,812	64,812
Net Book Values	₱1,502,975	₱5,856,308	₱7,359,283

	Parent Bank		
	2022		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,198,110	₱8,090,635	₱10,288,745
Additions	–	831,156	831,156
Disposals	–	(988,760)	(988,760)
Balances at December 31	2,198,110	7,931,807	10,129,917
Accumulated Depreciation and Amortization			
Balances at January 1	603,427	2,153,016	2,756,443
Depreciation	45,854	312,746	358,600
Disposals	–	(180,878)	(180,878)
Balances at December 31	649,281	2,284,884	2,934,165
Accumulated Impairment Losses			
Balances at January 1	–	96,425	96,425
Reversals on provision for impairment	–	(24,722)	(24,722)
Balances at December 31	–	71,703	71,703
Net Book Values	₱1,548,829	₱5,575,220	₱7,124,049

Real property taxes related to these investment properties paid by the Group and recognized as expense in 2023, 2022, and 2021 totaled ₱48,291, ₱41,242, and ₱33,676, 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 ₱118,560, ₱209,600, and ₱108,047, in 2023, 2022, and 2021, 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 ₱751.94 million and ₱679.75 million for the Group and the Parent Bank, respectively, in 2023, ₱466.39 million and ₱135.31 million for the Group and the Parent Bank in 2022 and 2021, respectively.

The gain (loss) on disposal of foreclosed properties, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱1,023.53 million, ₱1,224.04 million, and (₱43.69 million), in 2023, 2022, and 2021, respectively, for the Group, and ₱1,110.20 million, ₱1,193.00 million, and ₱207.36 million in 2023, 2022, and 2021, respectively, for the Parent Bank.

Information about the fair value of investment properties is presented in Note 7.



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, with the assistance of a third party consultant, completed the determination of the fair value of assets and liabilities acquired and the related goodwill.

None of the goodwill recognized 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) credit card and personal loans products within the consumer banking business; and (ii) UFSI at entity level

The following presents the movement in goodwill of the Group for 2023 and 2022:

	Group	
	2023	2022 (As restated)
Beginning balance	₱53,992,565	₱14,818,932
Acquisition of business and a subsidiary (Note 1)	-	39,173,633
Ending balance	₱53,992,565	₱53,992,565



The goodwill of the Group is allocated to the following CGUs:

	Group		Parent Bank	
	2023	2022 (As restated)	2023	2022 (As restated)
Parent Bank				
Parent Bank's Credit card/personal loan Business	₱35,452,798	₱35,452,798	₱35,452,798	₱35,452,798
Parent Bank's Corporate and Commercial Banking	3,208,998	3,208,998	3,208,998	3,208,998
Parent Bank's Retail Banking	4,677,900	4,677,900	4,677,900	4,677,900
	43,339,696	43,339,696	43,339,696	43,339,696
CSB				
CSB's DepEd Salary Loans Business*	3,371,353	3,371,353	–	–
CSB's Motorcycle Loans Business**	2,729,424	2,729,424	–	–
	6,100,777	6,100,777	–	–
PETNET	715,118	715,118	–	–
UFSI	3,720,835	3,720,835	–	–
Bangko Kabayan	116,139	116,139	–	–
	₱53,992,565	₱53,992,565	₱43,339,696	₱43,339,696

*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 in 2021 and 2020 for CSB's motorcycle loans business amounted to ₱752.77 million.

Refer to Note 1 for the discussion on the acquisition of the Citigroup Inc.'s consumer banking business

In July 2023, the Bank completed the allocation of goodwill arising from the acquisition of Citigroup's consumer banking business in the Philippines to the CGUs. As allowed by PFRS, the Bank allocated the goodwill to the individual CGU or an aggregation of a group of CGUs that are expected to benefit from the synergies arising from the acquisition, which includes (i) a group of CGUs within the Consumer Banking Group, comprising of the Bank's credit card and personal loans business; and (ii) UFSI at entity level.

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.

The recoverable amount of the Group's CGUs 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. 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.

In 2023 and 2022, the Group performed its annual impairment test and noted that there is no impairment to be recognized for the CGUs (see note 3).



19. Other Resources

The composition of Other resources account as of December 31 follows:

	Group		Parent Bank	
	2023	2022 (As restated)	2023	2022 (As restated)
Deferred tax assets (Note 30)	₱9,680,031	₱7,707,203	₱7,710,187	₱5,856,878
Software under development	9,650,075	6,190,999	9,650,075	6,190,999
Computer software – net	5,327,888	3,836,706	3,182,556	1,499,300
Customer relationships – net	4,322,375	4,665,875	4,322,375	4,665,875
Core deposits – net	3,426,743	3,716,456	3,304,923	3,567,565
Advances and other investments	1,614,541	1,755,564	1,525,288	1,754,866
Creditable withholding taxes	1,449,688	1,604,581	1,329,675	1,400,877
Deferred charges	1,229,215	993,808	819,419	432,074
Prepaid expenses	1,032,466	927,173	714,724	745,778
Documentary stamps	778,537	363,585	428,597	329,892
Non-current assets held for sale	626,545	331,476	–	–
Returned checks and other cash items	281,599	29,999	281,599	29,999
Sundry debits	246,755	153,758	246,755	153,758
Net retirement asset (Note 29)	189,241	31,955	–	–
Miscellaneous	3,352,374	2,511,069	1,606,920	1,485,756
	43,208,073	34,881,888	35,123,093	28,113,617
Allowance for impairment (Note 20)	(43,256)	(42,783)	(3,771)	(3,298)
	₱43,164,817	₱34,839,105	₱35,119,322	₱28,110,319

Movements in the Computer software, Customer relationship and Core deposits accounts follow:

	Group		
	Computer Software	Customer Relationship	Core Deposits
Balances at January 1, 2023, net of accumulated amortization	₱3,836,706	₱4,665,875	₱3,716,457
Additions	2,340,414	–	–
Amortization charges for the year	(595,876)	(343,500)	(289,714)
Reclassifications/adjustments	(253,356)	–	–
Balances at December 31, 2023, net of accumulated amortization	₱5,327,888	₱4,322,375	₱3,426,743
Balances at January 1, 2022, net of accumulated amortization	₱2,159,596	₱–	₱175,962
Additions	2,027,117	–	–
Amortization charges for the year	(322,612)	(143,125)	(136,505)
Reclassifications/adjustments	(27,395)	–	–
Effects of business combination (Note 1)	–	4,809,000	3,677,000
Balances at December 31, 2022, net of accumulated amortization	₱3,836,706	₱4,665,875	₱3,716,457



	Parent Bank		
	Computer Software	Customer Relationship	Core Deposit
Balances at January 1, 2023, net of accumulated amortization	₱1,499,300	₱4,665,875	₱3,567,565
Additions	1,999,658	-	-
Amortization charges for the year	(316,402)	(343,500)	(262,643)
Balances at December 31, 2023, net of accumulated amortization	₱3,182,556	₱4,322,375	₱3,304,923
Balances at January 1, 2022, net of accumulated amortization	₱1,722,139	₱-	₱-
Additions	29,528	-	-
Amortization charges for the year	(252,365)	(143,125)	(109,435)
Reclassifications/adjustments	(2)	-	-
Effects of business combination (Note 1)	-	4,809,000	3,677,000
Balances at December 31, 2022, net of accumulated amortization	₱1,499,300	₱4,665,875	₱3,567,565

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	
	2023	2022	2023	2022
Receivable from customers (Note 14)	₱19,166,486	₱14,038,685	₱13,415,639	₱9,177,037
Other receivables (Note 14)	844,323	476,864	600,060	447,915
Investments and placements (Notes 9, 12 and 13)	316,638	335,663	312,518	331,543
Others	148,116	114,488	68,583	75,001
	₱20,475,563	₱14,965,700	₱14,396,800	₱10,031,496

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

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱2,475,127	₱1,037,808	₱10,525,750	₱14,038,685
Newly originated assets that remained in Stage 1 as at December 31, 2023	1,223,586	–	–	1,223,586
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	372,563	3,074,350	3,446,913
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	648,930	597,385	432,500	1,678,815
Amounts written-off	(60,003)	(40,846)	(3,690,060)	(3,790,909)
Transfers to Stage 1	613,455	(384,742)	(228,713)	–
Transfers to Stage 2	(85,165)	195,996	(110,831)	–
Transfers to Stage 3	(775,406)	(1,000,666)	1,776,072	–
Impact on ECL of exposures transferred between stages	(437,266)	580,080	2,426,582	2,569,396
Balances at end of year	₱3,603,258	₱1,357,576	₱14,205,652	₱19,166,486

	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)
Balances at end of year	₱2,475,127	₱1,037,808	₱10,525,750	₱14,038,685



Total Receivables from Customers – Parent Bank

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱1,697,803	₱829,162	₱6,650,072	₱9,177,037
Newly originated assets that remained in Stage 1 as at December 31, 2023	947,769	–	–	947,769
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	230,571	1,225,536	1,456,107
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	776,814	570,969	(237,679)	1,110,104
Transfers to Stage 1	562,996	(363,160)	(199,836)	–
Transfers to Stage 2	(71,785)	175,513	(103,728)	–
Transfers to Stage 3	(105,725)	(779,441)	885,166	–
Impact on ECL of exposures transferred between stages	(532,300)	563,837	3,096,437	3,127,974
Amounts written-off	(60,003)	(40,846)	(2,302,503)	(2,403,352)
Balances at end of year	₱3,215,569	₱1,186,605	₱9,013,465	₱13,415,639

	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)
Balances at end of year	₱1,697,803	₱829,162	₱6,650,072	₱9,177,037



Reconciliation of the allowance for impairment by class follows:

Corporate Loans - Group and Parent Bank

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱48,511	₱233,297	₱141,586	₱423,394
Newly originated assets that remained in Stage 1 as at December 31, 2023	50,036	–	–	50,036
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	12,840	–	12,840
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(29,533)	(64,030)	(40,608)	(134,171)
Transfers to Stage 2	(864)	864	–	–
Impact on ECL of exposures transferred between stages	–	7,735	–	7,735
Balances at end of year	₱68,150	₱190,706	₱100,978	₱359,834

	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 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	–	–
Impact on ECL of exposures transferred between stages	(95,755)	2,952	–	(92,803)
Amounts written-off	–	–	(1,025,902)	(1,025,902)
Balances at end of year	₱48,511	₱233,297	₱141,586	₱423,394

In 2023, there were no write-offs for corporate loans.



Commercial Loans - Group and Parent Bank

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱315,049	₱245,527	₱2,896,794	₱3,457,370
Newly originated assets that remained in Stage 1 as at December 31, 2023	237,326	–	–	237,326
Newly originated assets that moved to Stage 2 & 3 as at December 31, 2023	–	81,184	661,092	742,276
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(262,786)	(88,412)	(1,146)	(352,344)
Transfers to Stage 1	16,552	(13,674)	(2,878)	–
Transfers to Stage 2	(56)	56	–	–
Transfers to Stage 3	(440)	(136,715)	137,155	–
Impact on ECL of exposures transferred between stages	(15,990)	3,728	1,013,384	1,001,122
Balances at end of year	₱289,655	₱91,694	₱4,704,401	₱5,085,750

	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 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
Balances at end of year	₱315,049	₱245,527	₱2,896,794	₱3,457,370

In 2023 and 2022, there were no write-offs for commercial loans.



Home Loans - Group and Parent Bank

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱475,196	₱33,831	₱1,247,656	₱1,756,683
Newly originated assets that remained in Stage 1 as at December 31, 2023	262,545	–	–	262,545
Newly originated assets that moved to Stage 3 as at December 31, 2023	–	5,941	58,264	64,205
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL inputs, model and assumptions	(244,869)	(1,177)	(179,197)	(426,329)
Transfers to Stage 1	152,585	(9,053)	(143,532)	–
Transfers to Stage 2	(13,082)	60,764	(47,682)	–
Transfers to Stage 3	(13,898)	(14,513)	28,411	–
Impact on ECL of exposures transferred between stages	(146,833)	8,270	669,270	530,707
Amounts written-off	–	–	(3,847)	(3,847)
Balances at end of year	₱471,644	₱84,063	₱1,628,257	₱2,183,964

	2022			
	Stage 1	Stage 2	Stage 3	Total
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)
Balances at end of year	₱475,196	₱33,831	₱1,247,656	₱1,756,683



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.

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱755,729	₱168,100	₱2,140,699	₱3,064,528
Newly originated assets that remained in Stage 1 as at December 31, 2023	391,493	-	-	391,493
Newly originated assets that moved to Stage 3 as at December 31, 2023	-	125,613	461,065	586,678
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	1,392,981	817,718	(21,238)	2,189,461
Transfers to Stage 1	385,702	(333,427)	(52,275)	-
Transfers to Stage 2	(57,633)	113,570	(55,937)	-
Transfers to Stage 3	(89,918)	(581,278)	671,196	-
Impact on ECL of exposures transferred between stages	(361,479)	538,489	1,417,450	1,594,460
Amounts written-off	(60,003)	(40,846)	(2,250,237)	(2,351,086)
Balances at end of year	₱2,356,872	₱807,939	₱2,310,723	₱5,475,534

	2022			Total
	Stage 1	Stage 2	Stage 3	
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)
Balances at end of year	₱755,729	₱168,100	₱2,140,699	₱3,064,528



Other Consumer Products - Citi

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱138,621	₱98,832	₱76,855	₱314,308
Newly originated assets that remained in Stage 1 as at December 31, 2023	204,419	–	–	204,419
Newly originated assets that moved to Stage 3 as at December 31, 2023	–	107,277	135,226	242,503
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	1,459,625	833,686	719,786	3,013,097
Transfers to Stage 1	368,661	(327,120)	(41,541)	–
Transfers to Stage 2	(19,663)	71,911	(52,248)	–
Transfers to Stage 3	(44,666)	(576,419)	621,085	–
Impact on ECL of exposures transferred between stages	(346,480)	501,724	934,596	1,089,840
Amounts written-off	–	–	(1,166,531)	(1,166,531)
Balances at end of year	₱1,760,517	₱709,891	₱1,227,228	₱3,697,636

CSB Salary Loans – Group

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱270,800	₱174,497	₱849,136	₱1,294,433
Newly originated assets that remained in Stage 1 as at December 31, 2023	83,820	–	–	83,820
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	33,937	150,906	184,843
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(234,675)	(118,435)	34,646	(318,464)
Transfers to Stage 1	23,974	(14,939)	(9,035)	–
Transfers to Stage 2	(4,016)	5,445	(1,429)	–
Transfers to Stage 3	(7,730)	(36,169)	43,899	–
Amounts written-off	–	–	–	–
Balances at end of year	₱132,173	₱44,336	₱1,068,123	₱1,244,632



	2022			Total
	Stage 1	Stage 2	Stage 3	
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)
Balances at end of year	₱270,800	₱174,497	₱849,136	₱1,294,433

Other Receivables from CustomersGroup

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱609,842	₱182,554	₱3,249,881	₱4,042,277
Newly originated assets that remained in Stage 1 as at December 31, 2023	198,366	–	–	198,366
Newly originated assets that moved to Stage 3 as at December 31, 2023	–	113,048	1,743,023	1,856,071
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	73,981	54,526	561,414	689,921
Transfers to Stage 1	34,642	(13,649)	(20,993)	–
Transfers to Stage 2	(9,514)	15,297	(5,783)	–
Transfers to Stage 3	(663,420)	(231,991)	895,411	–
Impact on ECL of exposures transferred between stages	40,867	19,053	(593,807)	(533,887)
Amounts written-off	–	–	(1,435,976)	(1,435,976)
Balances at end of year	₱284,765	₱138,836	₱4,393,171	₱4,816,772



	2022			
	Stage 1	Stage 2	Stage 3	Total
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)
Balances at end of year	₱609,842	₱182,554	₱3,249,881	₱4,042,277

Parent Bank

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱103,319	₱148,405	₱223,338	₱475,062
Newly originated assets that remained in Stage 1 as at December 31, 2023	6,369	–	–	6,369
Newly originated assets that moved to Stage 3 as at December 31, 2023	–	4,993	45,115	50,108
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(78,979)	(93,130)	5,596	(166,513)
Transfers to Stage 1	8,157	(7,006)	(1,151)	–
Transfers to Stage 2	(150)	259	(109)	–
Transfers to Stage 3	(1,469)	(46,935)	48,404	–
Impact on ECL of exposures transferred between stages	(7,998)	5,615	(3,667)	(6,050)
Amounts written-off	–	–	(48,419)	(48,419)
Balances at end of year	₱29,249	₱12,201	₱269,107	₱310,557



	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱123,498	₱4,009	₱605,851	₱733,358
Newly originated assets that remained in Stage 1 as at December 31, 2022	91,837	–	–	91,837
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	144,620	11,580	156,200
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(108,071)	(1,327)	(90,064)	(199,462)
Transfers to Stage 1	1,263	(352)	(911)	–
Transfers to Stage 2	(1)	793	(792)	–
Transfers to Stage 3	(4,001)	(889)	4,890	–
Impact on ECL of exposures transferred between stages	(1,205)	1,551	35,533	35,879
Amounts written-off	(1)	–	(342,749)	(342,750)
Balances at end of year	₱103,319	₱148,405	₱223,338	₱475,062

Investments and PlacementsGroup

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱44,176	₱291,487	₱–	₱335,663
Newly originated assets that remained in Stage 1 as at December 31, 2023	15,103	–	–	15,103
Effect of collections and other movements in receivable balance (excluding write-offs)	–	3,456	–	3,456
Impact of changes in ECL model and assumptions	(21,282)	(16,302)	–	(37,584)
Balances at end of year	₱37,997	₱278,641	₱–	₱316,638

	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	–	–	–	–
Balances at end of year	₱44,176	₱291,487	₱–	₱335,663



Parent Bank

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱40,056	₱291,487	₱-	₱331,543
Newly originated assets that remained in Stage 1 as at December 31, 2023	15,103	-	-	15,103
Newly originated assets that moved to Stage 2 as at December 31, 2023	-	3,456	-	3,456
Effect of collections and other movements in receivable balance (excluding write-offs)	(21,282)	(16,302)	-	(37,584)
Balances at end of year	₱33,877	₱278,641	₱-	₱312,518

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱54,144	₱235,311	₱-	₱289,455
Newly originated assets that remained in Stage 1 as at December 31, 2022	392	-	-	392
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)	(14,480)	56,176	-	41,696
Balances at end of year	₱40,056	₱291,487	₱-	₱331,543

21. Deposit Liabilities

The breakdown of deposit liabilities account follows:

	Group		Parent Bank	
	2023	2022	2023	2022
Due to banks:				
Demand	₱1,223,082	₱1,729,960	₱1,223,082	₱1,729,960
Savings	264,879	195,453	264,021	195,396
Time	188,340	159,893	185,765	157,364
Long-term certificate of deposits	-	10,000	-	10,000
	1,676,301	2,095,306	1,672,868	2,092,720
Due to customers:				
Demand	232,059,602	230,351,833	233,005,285	231,635,193
Savings	195,599,454	194,825,277	189,798,530	188,285,189
Time	283,233,051	281,041,526	173,078,710	198,917,930
Long-term certificate of deposits	-	2,990,000	-	2,990,000
	710,892,107	709,208,636	595,882,525	621,828,312
	₱712,568,408	₱711,303,942	₱597,555,393	₱623,921,032



The breakdown of deposit liabilities account as to currency follows:

	Group		Parent Bank	
	2023	2022	2023	2022
Philippine pesos	₱616,554,615	₱619,749,669	₱501,541,600	₱532,366,759
Foreign currencies	96,013,793	91,554,273	96,013,793	91,554,273
	₱712,568,408	₱711,303,942	₱597,555,393	₱623,921,032

Deposit liabilities bear annual interest rates ranging from 0.00% to 7.00% in 2023, from 0.00% to 8.00% in 2022, and from 0.00% to 8.00% in 2021 for the Group and from 0.00% to 6.00% in 2023, from 0.00% to 5.75% in 2022, and from 0.00% to 5.75% in 2021 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 matured 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 ₱15.79 million, ₱6.02 million, and ₱2.97 million, in 2023, 2022, and 2021 respectively, in the Group's statements of income, and ₱9.46 million, ₱4.20 million, and ₱1.81 million in 2023, 2022, and 2021, respectively, in the Parent Bank's statements of income.

Under existing BSP regulations at the start of 2023, non-FCDU deposit liabilities of the Bank are subject to unified reserve requirement equivalent to 12.0% (under BSP Circular No. 1092). In 2023, BSP Circular No. 1175 were issued reducing the reserve requirement to 9.5%, 6.0%, 2.0% and 1.0% for universal and commercial banks, digital banks, thrift banks, and rural banks, respectively, effective reserve week June 30, 2023.

BSP Circulars No. 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 and amended by BSP Circular No. 1155 issued in 2022.

LTNCDs are subject to required reserves of 4.0% under BSP Circular 1041. As of December 31, 2023, the Group has no outstanding LTNCD.

Regular reserves as of December 31, 2023 and 2022 amounted to ₱56,967,441 and ₱62,263,916, respectively, for the Group, and ₱53,955,218 and ₱59,250,130, respectively, for the Parent Bank (see Note 8).



22. Bills Payable

Bills payable consist of borrowings from:

	Group		Parent Bank	
	2023	2022	2023	2022
Banks, other financial institutions and individuals	₱154,975,282	₱131,571,232	₱120,056,162	₱98,043,240
Others	312,647	1,275,557	302,974	1,265,884
	₱155,287,929	₱132,846,789	₱120,359,136	₱99,309,124

Bills payable to banks and other financial institutions consist mainly of amortized cost balance of short, medium and long-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	
	2023	2022	2023	2022
Foreign currencies	₱84,836,387	₱99,303,162	₱84,836,387	₱99,303,162
Philippine pesos	70,451,542	33,543,627	35,522,749	5,962
	₱155,287,929	₱132,846,789	₱120,359,136	₱99,309,124

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		
	2023	2022	2021	2023	2022	2021
Banks, other financial institutions and individuals	₱8,466,972	₱3,002,685	₱1,229,757	₱6,263,551	₱1,621,975	₱175,039
BSP	87,028	–	21	87,028	–	21
Others	327	485	762	327	485	762
	₱8,554,327	₱3,003,170	₱1,230,540	₱6,350,906	₱1,622,460	₱175,822

In November 2022, the Parent Bank raised \$358 million 3-year syndicated loan facility. The proceeds were 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		
	2023	2022	2021
Philippine pesos	3.50% to 8.37%	1.00% to 8.37%	1.00% to 8.28%
Foreign currencies	0.32% to 6.41%	1.06% to 5.23%	0.10% to 3.05%



23. Notes and Bonds Payable

The Group's and the Parent Bank's notes and bonds payable as of December 31, 2023 and 2022 consist of the following:

	Coupon Interest	Principal Amount	Outstanding Balance		Issue Date	Maturity Date	Redemption Date
			December 31, 2023	December 31, 2022			
USD Senior Medium Term Notes Due 2025	2.125%	₱16,611,000	₱16,568,058	₱16,659,943	October 22, 2020	October 22, 2025	
Peso Senior Series F Bonds Due 2025	6.563%	10,338,500	10,269,590	–	December 5, 2023	June 5, 2025	
USD Social Bonds Due 2028	6.821%*	8,305,500	8,266,271	8,312,899	July 23, 2021	July 23, 2028	
Peso Senior Series G Bonds Due 2026	6.680%	7,829,500	7,739,007	–	December 5, 2023	December 5, 2026	
Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025	5.250%	6,800,000	6,762,293	6,756,565	February 24, 2020	May 24, 2030	May 24, 2030
Peso Senior Series D Bonds Due 2026	3.375%	885,000	888,408	880,047	December 9, 2020	March 9, 2026	March 9, 2026
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	December 9, 2020	December 9, 2023	December 9, 2023
Total for the Group and Parent Bank		₱69,884,500	₱50,493,627	₱51,644,325			

*floating interest rate based on SOFR rate, which is based on prevailing rate as of December 31, 2023

USD Senior Medium Term Notes Due 2025

These USD300 million Senior Medium Term Notes Due 2025 were issued under the updated USD2 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 Senior Series F Bonds Due 2025 and Peso Senior Series G Bonds Due 2026

On December 5, 2023, the Bank issued and listed on the PDEX its ₱18.17 billion of Peso denominated fixed rate bonds via a dual tranche offering. This is the largest bond issuance by the Bank from its ₱50.00 billion Bonds Program, which received strong demand from both retail and institutional investors. This enabled the Bank to upsize the issuance to over nine times its initial minimum offer size of ₱2.00 billion for the two tranches.

The 1.5Y Series F Bonds due 2025 raised a total of ₱10.34 billion and carries an interest rate of 6.56% per annum while the 3Y Series G Bonds due 2026 raised a total of ₱7.83 billion and carries an interest rate of 6.68% per annum (collectively, the "New Bonds").

Concurrent with the issuance of the New Bonds, the Bank also implemented the country's first public non-sovereign bond exchange which extended to the holders of its ₱8.12 billion 2.75% Fixed Rate Series C Bonds due December 9, 2023 (the "Exchangeable Bonds") the option to sell to UnionBank such Exchangeable Bonds in exchange for subscription to any of the New Bonds (the "Bond Exchange"). The Bond Exchange settlement date was on December 4, 2023, with ₱236.70 million of Exchangeable Bonds to be exchanged with the New Bonds.



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 ₱39.0 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 ₱39.0 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 USD150 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 D Bonds Due 2026

These fixed rate Senior Series Bonds Due 2026 amounting to ₱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.

The interest expense on notes and bonds payable amounted to ₱2,123,773, ₱2,490,116, and ₱2,197,668 in 2023, 2022, and 2021, respectively, for the Group, and ₱2,075,693, ₱2,465,079, and ₱2,173,188 in 2023, 2022, and 2021, 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, 2023 and 2022, 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	
	2023	2022	2023	2022
Accounts payable	₱14,715,682	₱15,399,428	₱12,821,356	₱13,842,626
Accrued taxes and other expenses	13,039,259	10,718,444	10,729,290	8,825,604
Manager’s checks	7,512,789	7,333,511	7,509,074	7,319,745
Other credits - dormant	3,055,238	2,831,198	2,927,349	2,742,792
Bills purchased - domestic and foreign	2,432,182	3,180,968	2,432,182	3,180,968
Payment orders payable	1,950,117	614,557	1,950,117	614,557
Post-employment defined benefit obligation (Note 29)	1,571,666	999,012	1,464,586	910,109
Lease liabilities	1,551,143	1,424,530	1,180,973	1,177,555
Unearned income - bancassurance (Note 32)	590,258	715,710	590,258	715,710
Sundry credits	1,117,848	1,661,559	1,115,410	1,661,559
Derivative liabilities (Note 11)	926,176	1,546,773	926,176	1,546,773
Withholding taxes payable	498,995	451,502	365,536	358,269
Pre-need reserves	1,646	12,346	–	–
Miscellaneous	2,204,966	1,987,756	2,103,924	1,826,757
	₱51,167,965	₱48,877,294	₱46,116,231	₱44,723,024



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	
	2023	2022	2023	2022
As at January 1	₱1,424,530	₱1,382,880	₱1,177,555	₱1,043,850
Additions	685,477	567,389	468,129	514,000
Payments	(633,871)	(659,030)	(524,291)	(496,312)
Accretion of interest (Note 34)	75,007	67,851	59,580	56,240
Effect of business combination (Note 1)	–	65,440	–	59,777
As at December 31	₱1,551,143	₱1,424,530	₱1,180,973	₱1,177,555

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, 2023 and 2022, the Group has no lease commitments which have not yet commenced.

The breakdown of Accrued taxes and other expenses account follows:

	Group		Parent Bank	
	2023	2022	2023	2022
Accrued interest payable	₱3,472,484	₱1,801,913	₱2,495,138	₱1,418,309
Accrued income and other taxes	860,068	1,044,520	728,144	663,356
Other accruals	8,706,707	7,872,011	7,506,008	6,743,939
	₱13,039,259	₱10,718,444	₱10,729,290	₱8,825,604

Other accruals represent mainly fringe and other personnel benefits.

25. Capital Funds

Capital Stock

The Parent Bank's capital stock as of December 31, 2023 and 2022 consists of the following:

	Shares		Amount	
	2023	2022	2023	2022
Common – ₱10 par value				
Authorized	5,030,785,238	2,530,785,238	₱50,307,852	₱25,307,852
Issued	2,353,774,567	2,142,106,764	23,537,746	21,421,068
Treasury stock	(27,977)	–	(2,097)	–
Issued and outstanding	2,353,746,590	2,142,106,764	23,535,649	21,421,068
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱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, 2023 and 2022, there are 2,351.5 million and 2,139.6 million shares listed at the PSE, respectively. The number of holders and the closing price of the said shares is 4,949 and ₱50.35 per share as of December 31, 2023, respectively, and 4,961 and ₱86.10 per share as of December 31, 2022, respectively.

Issuance of Shares under the Employee Stock Plan

The Bank issued 697,339, 199,964 and 516,435 common shares on February 6, 2023, January 28, 2022 and February 4, 2021, respectively, and 891,351 common shares on January 29, 2021, to qualified employees under the Parent Bank's Employee Stock Plan (ESP).

The last tranche of the issuance of shares under the ESP was on February 6, 2023. A total of 3.6 million common shares were issued over the five-year period.

On March 10, 2023, in accordance with the terms of the ESP and its supporting agreements, the Parent Bank acquired 27,977 common shares at a price per share of ₱74.97 or in the total amount of ₱2.10 million. The ESP provides that in the event of death or disability of an employee participating in the ESP, the Parent Bank shall buy back shares that have not been previously released to the employee and are subject to a holding period.

Issuance of Shares through Stock Rights

Also on February 6, 2023, the Parent Bank issued approximately 211.0 million common shares priced at ₱56.88 per share. The shares were offered to eligible shareholders as of record date of January 12, 2023 at a ratio of 1 right share for every 10.1536 existing common shares. The issued shares were listed at the PSE on the same date. Net proceeds to the Parent Bank amounted to ₱11.86 billion.

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.

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.

Surplus Free

At the annual meeting of the stockholders of the Parent Bank held on April 28, 2023, the stockholders approved the following matters as endorsed by the BOD at its meeting held on February 24, 2023:

- a. Amendment of the Parent Bank's Articles of Incorporation (AOI) to increase the authorized capital stock from ₱35.3 billion to ₱60.3 billion, with the increase of ₱25.0 billion equivalent to 2,500,000,000 common shares with a par value of ₱10.00.
- b. Declaration of 27% stock dividends in the amount of ₱6.4 billion equivalent to 635.5 million 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, 2023.

Fractional shares resulting from the stock dividend declaration were paid in cash based on the closing rate of ₱87.50 as of February 27, 2023, the next trading day at the PSE following the date of approval by the BOD of the stock dividend declaration and computed up to two (2) decimal places.

On August 1, 2023 and December 5, 2023, the Parent Bank obtained the BSP and the SEC approvals, respectively, for the increase in the authorized capital stock and for the issuance of common shares to stockholders of record as of December 22, 2023 and payment date on January 4, 2024.

The following is a summary of the cash dividends declared and distributed by the Parent Bank in 2023, 2022, and 2021:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
February 1, 2023	February 15, 2023	N/A	February 27, 2023	₱2.00	2,353,774,567	₱4,707,549
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

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 and ₱0.66 million from appropriated reserves for the years ended December 31, 2022, and 2021, respectively. No transfer has been made for the year ended December 31, 2023.

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, 2023, 2022, and 2021, the Group and the Parent Bank appropriated ₱31.2 million, ₱31.7 million, and ₱24.0 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, 2023 and 2022, surplus reserves related to the difference between GLLP over ECL allowance amounted to ₱2.17 billion and ₱2.12 billion, respectively, for the Group and ₱1.77 billion and ₱1.69 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:

	Group					
	2023			2022 (As Restated)		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	₱10,439,112	₱-	₱10,439,112	₱9,891,536	₱-	₱9,891,536
Due from BSP	82,643,663	-	82,643,663	94,610,308	-	94,610,308
Due from other banks	27,275,221	-	27,275,221	46,258,411	-	46,258,411
IBLR and SPURRA	25,411,162	-	25,411,162	23,553,973	-	23,553,973
Trading and investment securities at FVTPL	5,805,716	-	5,805,716	8,653,516	-	8,653,516
at amortized cost - gross	4,855,282	309,928,613	314,783,895	431,164	244,501,669	244,932,833
at FVOCI	29,506	36,945,268	36,974,774	6,127,961	73,633,801	79,761,762
Loans and receivables - net of unearned discounts	205,981,555	340,175,082	546,156,637	206,510,904	287,631,294	494,142,198
Other resources	585,449	1,802,360	2,387,809	245,340	1,787,617	2,032,957
	363,026,666	688,851,323	1,051,877,989	396,283,113	607,554,381	1,003,837,494
Nonfinancial Assets						
Investment in associates	-	37,675	37,675	-	123,396	123,396
Bank premises, furniture, fixtures and equipment	-	19,217,959	19,217,959	-	16,504,614	16,504,614
Investment properties	-	11,648,702	11,648,702	-	11,432,533	11,432,533
Goodwill	-	53,992,565	53,992,565	-	53,992,565	53,992,565
Other resources	3,260,691	37,559,573	40,820,264	2,953,714	29,895,217	32,848,931
	3,260,691	122,456,474	125,717,165	2,953,714	111,948,325	114,902,039
	₱366,287,357	₱811,307,797	₱1,177,595,154	₱399,236,827	₱719,502,706	₱1,118,739,533
Allowance for credit losses and impairment (Notes 20)			20,475,455			14,953,413
Accumulated depreciation (Notes 16 and 17)			11,976,303			10,899,950
			32,451,758			25,853,363
			₱1,145,143,353			₱1,092,886,170
Financial Liabilities						
Deposit liabilities	₱680,342,981	₱32,225,427	₱712,568,408	₱649,537,302	₱61,766,640	₱711,303,942
Bills payable	118,394,375	36,893,554	155,287,929	107,029,992	25,816,797	132,846,789
Notes and bonds payable	-	50,493,627	50,493,627	8,097,039	43,547,286	51,644,325
Other liabilities	41,706,033	5,307,645	47,013,678	38,313,521	4,702,712	43,016,233
	840,443,389	124,920,253	965,363,642	802,977,854	135,833,435	938,811,288
Nonfinancial Liabilities						
Accrued income and other taxes	860,068	-	860,068	1,044,520	-	1,044,520
Other liabilities	498,995	2,795,224	3,294,219	451,502	4,365,040	4,816,542
	1,359,063	2,795,224	4,154,287	1,496,022	4,365,040	5,861,062
	₱841,802,452	₱127,715,477	₱969,517,929	₱804,473,876	₱140,198,475	₱944,672,350



**Maturity Profile of Assets and Liabilities and
Service Charges, Fees and Commissions**

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	Parent Bank					
	2023			2022 (As Restated)		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	₱9,350,898	₱-	₱9,350,898	₱8,924,249	₱-	₱8,924,249
Due from BSP	63,883,124	-	63,883,124	66,588,121	-	66,588,121
Due from other banks	23,195,787	-	23,195,787	42,277,856	-	42,277,856
IBLR and SPURRA	3,184,121	-	3,184,121	14,634,811	-	14,634,811
Trading and investment securities						
at FVTPL	5,676,867	-	5,676,867	8,583,178	-	8,583,178
at amortized cost - gross	4,719,843	300,919,396	305,639,239	356,113	235,349,487	235,705,600
at FVOCI	-	36,699,234	36,699,234	6,108,089	73,359,589	79,467,678
Loans and receivables - net of unearned discounts	179,801,242	246,038,296	425,839,538	197,768,610	205,590,687	403,359,297
Other resources	528,354	1,525,288	2,053,642	183,757	1,754,866	1,938,623
	290,340,236	585,182,214	875,522,450	345,424,784	516,054,629	861,479,413
Nonfinancial Assets						
Investment in subsidiaries	-	36,114,412	36,114,412	-	31,782,696	31,782,696
Bank premises, furniture, fixtures and equipment	-	14,678,017	14,678,017	-	12,356,880	12,356,880
Investment properties	-	10,190,789	10,190,789	-	10,129,917	10,129,917
Goodwill	-	43,339,696	43,339,696	-	43,339,696	43,339,696
Other resources	2,472,996	30,596,455	33,069,451	2,534,922	23,640,072	26,199,230
	2,472,996	134,919,369	137,392,365	2,534,922	121,249,261	123,784,183
	₱292,813,232	₱720,101,583	₱1,012,914,815	₱347,959,706	₱637,303,890	₱985,263,596
Allowance for credit losses and impairment			14,396,692			10,019,209
Accumulated depreciation (Notes 16 and 17)			8,905,385			8,055,011
			23,302,077			18,074,220
			₱989,612,695			₱967,189,376
Financial Liabilities						
Deposit liabilities	595,611,052	1,944,341	597,555,393	584,787,370	39,133,662	623,921,032
Bills payable	97,271,395	23,087,741	120,359,136	88,265,362	11,043,762	99,309,124
Notes and bonds payable	-	50,493,627	50,493,627	8,097,039	43,547,286	51,644,325
Other liabilities	37,484,533	4,843,836	42,328,369	35,164,978	4,332,394	39,497,372
	730,366,980	80,369,545	810,736,525	716,314,749	98,057,104	814,371,853
Nonfinancial Liabilities						
Accrued income and other taxes	728,144	-	728,144	663,356	-	663,356
Other liabilities	365,536	2,694,182	3,059,718	358,269	4,204,027	4,562,296
	1,093,680	2,694,182	3,787,862	1,021,625	4,204,027	5,225,652
	₱731,460,660	₱83,063,727	₱814,524,387	₱717,336,374	₱102,261,131	₱819,597,505

27. Service Charges, Fees and Commissions

This account is broken down as follows:

	Group			Parent Bank		
	2023	2022	2021	2023	2022	2021
Service charges	₱8,487,387	₱5,308,086	₱2,817,479	₱7,747,743	₱4,812,508	₱1,850,655
Brokerage fees	769,277	312,756	22,588	6,405	19,888	22,588
Commissions from bancassurance (Note 32)	589,520	377,657	230,570	589,520	377,657	230,570
Bank commissions	203,243	241,109	189,630	198,945	218,555	157,510
Others	363,372	542,063	513,044	137,814	257,154	231,033
	₱10,412,799	₱6,781,671	₱3,773,311	₱8,680,427	₱5,685,762	₱2,492,356

Others include various commission income on remittance transactions and management fees.



28. Miscellaneous Income and Expenses

Miscellaneous Income

Miscellaneous income is composed of the following:

	Group		
	2023	2022	2021
Foreign exchange gains - net	₱2,126,188	₱2,151,194	₱1,295,539
Recoveries from charged-off assets	1,149,193	579,130	164,270
Gain (loss) on sale of investment properties (Note 17)	1,023,532	1,224,045	(43,689)
Cards rebates and migration support	826,689	463,827	-
Gain on foreclosure of investment properties (Note 17)	751,936	466,388	135,309
Fines and penalties	424,541	289,138	175,877
Income from trust operations (Note 31)	311,816	316,939	239,994
Rental (Notes 17 and 34)	127,739	218,019	116,450
Gain on sale of investments in associates and subsidiary (Note 15)	22,702	-	167,332
Dividend	3,617	6,076	145,789
Gain (loss) on sale of property and equipment	3,401	(14,849)	18,108
Trust fund income (loss) (Note 19)	3,341	(1,301)	212
Others	696,248	899,978	446,624
	₱7,470,943	₱6,598,584	₱2,861,815

	Parent Bank		
	2023	2022	2021
Share in net profit of subsidiaries (Note 15)	₱2,837,072	₱1,712,086	₱1,173,016
Foreign exchange gains - net	1,464,603	1,523,650	869,122
Gain on sale of investment properties (Note 17)	1,110,198	1,193,004	207,360
Recoveries from charged-off assets	1,106,189	533,616	131,843
Cards rebates and migration support	826,689	463,827	-
Gain on foreclosure of investment properties (Note 17)	679,745	466,388	135,309
Fines and penalties	424,541	289,138	175,877
Income from trust operations (Note 31)	311,816	316,939	239,994
Rental (Notes 17 and 34)	180,273	154,907	132,734
Dividend	2,768	2,768	145,789
Gain (loss) on sale of property and equipment	558	(429)	1,900
Others	360,156	841,961	329,884
	₱9,304,608	₱7,497,855	₱3,542,828



Miscellaneous Expenses

The breakdown of miscellaneous expenses follows:

	Group		
	2023	2022	2021
Information technology	₱5,726,110	₱3,115,086	₱1,559,722
Advertising and publicity	4,882,498	2,255,794	1,078,193
Insurance	1,518,627	1,353,558	1,095,425
Outside services	1,488,965	1,260,553	1,304,352
Fees and commission	1,364,037	573,087	205,180
Provision for impairment on investment properties and other non-financial assets (Note 17)	916,619	374,536	318,639
Management and professional fees	903,708	1,062,648	424,333
Supervision and compliance costs	781,521	684,576	597,197
Communication	644,736	460,209	434,029
Card-related expenses	508,396	730,958	493,255
Stationery and supplies	424,516	353,613	369,415
Transportation and travel	416,558	334,164	175,810
Litigation	303,581	183,726	73,377
Repairs and maintenance	224,376	169,308	129,711
Fines and penalties	95,918	87,503	65,679
Representation and entertainment	76,332	74,712	43,165
Impairment on goodwill (Note 18)	-	-	529,599
Others	1,280,881	1,273,134	1,379,989
	₱21,557,379	₱14,347,165	₱10,277,070

	Parent Bank		
	2023	2022	2021
Information technology	₱5,215,041	₱2,937,704	₱1,475,863
Advertising and publicity	4,792,726	2,187,771	1,052,145
Insurance	1,264,648	1,176,892	952,327
Fees and commission	1,149,643	388,987	127,030
Outside services	1,083,916	863,284	706,927
Supervision and compliance costs	747,560	660,929	517,116
Management and professional fees	700,469	676,020	337,332
Card-related expenses	508,396	730,958	493,255
Communication	446,582	324,773	287,329
Provision for (reversal of) impairment on investment properties and other non-financial assets (Note 17)	403,042	2,186	(64,649)
Stationery and supplies	368,009	285,337	322,034
Litigation	300,055	170,532	69,306
Transportation and travel	214,406	171,298	80,497
Repairs and maintenance	174,097	124,642	92,144
Representation and entertainment	51,928	63,983	36,471
Others	688,458	732,087	662,144
	₱18,108,976	₱11,497,383	₱7,147,271



29. Salaries and Employee Benefits

Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are as follows:

	Group		
	2023	2022	2021
Short-term benefits:			
Salaries and wages	₱7,395,773	₱5,581,557	₱4,378,637
Bonuses and fringe benefits	4,763,223	3,276,495	3,279,091
Social security costs	386,205	267,273	209,543
Other benefits	225,620	200,104	250,263
Post-employment and other long-term benefits	787,404	677,742	529,168
	₱13,558,225	₱10,003,171	₱8,646,702
	Parent Bank		
	2023	2022	2021
Short-term benefits:			
Salaries and wages	₱5,318,750	₱4,234,232	₱3,167,844
Bonuses and fringe benefits	3,850,248	2,452,656	2,712,001
Social security costs	261,460	164,995	123,634
Other benefits	171,337	159,729	160,551
Post-employment and other long-term benefits	630,577	513,582	427,390
	₱10,232,372	₱7,525,194	₱6,591,420

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, among the retirement plans are being maintained for UnionBank, former iBank employees and former Citigroup Inc.'s consumer banking business 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, UFSI.

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.

UFSI 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 2023 and 2022.

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):

	<u>Group</u>	
	<u>2023</u>	<u>2022</u>
Present value of the obligation	₱7,299,841	₱6,194,063
Fair value of plan assets	5,917,416	5,227,021
	₱1,382,425	₱967,042



As of December 31, 2023 and 2022, the net retirement obligation amounting to ₱1,382,425 and ₱967,042 is separately shown as Net retirement asset of ₱189,241 and ₱31,955, respectively (see Note 19), and as Post-employment defined benefit obligation of ₱1,571,666 and ₱998,997, respectively (see Note 24).

	Parent Bank	
	2023	2022
Present value of the obligation	₱6,505,811	₱5,468,708
Fair value of plan assets	5,041,225	4,558,600
	₱1,464,586	₱910,109

The movements in the present value of the post-employment benefit obligation recognized in the financial statements are as follows:

	Group		
	2023	2022	2021
Balance at beginning of year	₱6,194,063	₱5,285,027	₱5,225,149
Current service cost	617,879	579,173	529,168
Interest expense	392,446	244,198	158,374
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	425,647	(917,442)	(524,992)
Experience adjustments	56,868	27,707	60,611
Changes in demographic assumptions	50	(3,246)	977
Benefits paid	(387,112)	(375,742)	(164,260)
Effects of business combinations*(Note 1)	-	1,354,388	-
Balance at end of year	₱7,299,841	₱6,194,063	₱5,285,027

*Represents retirement obligation of employees from the acquired business at the date of business combination

	Parent Bank		
	2023	2022	2021
Balance at beginning of year	₱5,468,709	₱4,514,965	₱4,544,704
Current service cost	521,682	459,481	427,390
Interest expense	346,395	235,886	157,398
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	473,555	(877,330)	(472,541)
Experience adjustments	(27,055)	15,287	80,474
Changes in demographic assumptions	-	-	1,134
Benefits paid	(277,475)	(211,825)	(223,594)
Effects of business combinations* (Note 1)	-	1,332,245	-
Balance at end of year	₱6,505,811	₱5,468,708	₱4,514,965

*Represents retirement obligation of employees from UnionBank, iBank, and Citibank PH Consumer Business Plans

The movements in the fair value of plan assets are presented below.

	Group		
	2023	2022	2021
Balance at beginning of year	₱5,227,021	₱4,321,676	₱4,113,808
Interest income	344,075	208,245	118,247
Return on plan asset (excluding amounts included in net interest)	(46,580)	(520,217)	39,271
Contributions to the plan	720,135	417,379	219,028
Benefits paid	(327,235)	(261,690)	(168,678)
Effects of business combinations (Note 1)	-	1,061,628	-
Balance at end of year	₱5,917,416	₱5,227,021	₱4,321,676



	Parent Bank		
	2023	2022	2021
Balance at beginning of year	₱4,558,600	₱3,621,937	₱3,439,660
Interest income	301,472	195,439	115,739
Return on plan asset (excluding amounts included in net interest)	(174,732)	(525,321)	36,957
Contributions to the plan	633,360	416,742	253,175
Benefits paid	(277,475)	(211,825)	(223,594)
Effects of business combinations* (Note 1)	-	1,061,628	-
Balance at end of year	₱5,041,225	₱4,558,600	₱3,621,937

*Represents fair value of plans for UnionBank, iBank, and Citibank PH Consumer Business Plans

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	Group	
	2023	2022
Bank deposits	₱789,749	₱403,505
Quoted equity securities:		
Financial and insurance activities	3,125,493	2,614,648
Real estate activities	88,133	68,099
Electricity, gas and water	30,675	35,533
Wholesale and retail trade	-	13,376
Others	564,438	123,645
	3,808,739	2,855,301
Debt securities:		
Corporate bonds	677,912	813,103
Philippine government bonds	624,496	40,124
	1,302,408	853,227
Receivable related to the plan assets of the employees from the acquired business (Note 1)	-	1,061,628
Others	16,520	53,360
	₱5,917,416	₱5,227,021

	Parent Bank	
	2023	2022
Bank deposits	₱769,724	₱380,409
Quoted equity securities:		
Financial and insurance activities	2,560,165	2,207,860
Real estate activities	88,130	68,096
Electricity, gas and water	21,151	26,502
Wholesale and retail trade	-	13,376
Others	400,910	123,589
	3,070,356	2,439,423
Debt securities:		
Corporate bonds	581,251	647,751
Philippine government bonds	604,224	20,364
	1,185,475	668,115
Others	15,670	9,025
	₱5,041,225	₱3,496,972



Equity securities under the fund are primarily investments in corporations listed in the PSE, which include ₱478,398 and ₱352,208 investments in the shares of stocks of the Parent Bank as of December 31, 2023 and 2022, respectively, while debt securities represent investments in government and corporate bonds, which include ₱311,861 and ₱354,516 investment in the notes of the Parent Bank as of December 31, 2023 and 2022, 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 ₱241,771 and ₱348,462 deposits with the Parent Bank as of December 31, 2023 and 2022, respectively (see Note 32).

Actual returns on plan assets amounted to ₱221,388 in 2023, (₱311,972) in 2022, and ₱157,518 in 2021 for the Group. Actual returns on plan assets amounted to ₱50,635 in 2023, (₱329,883) in 2022, and ₱152,596 in 2021 for Parent.

The amounts recognized in the statements of income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2023	2022	2021
Current service cost	₱617,879	₱579,173	₱529,168
Past service cost	-	-	-
Net interest expense (income)	48,371	35,953	40,127
	₱666,250	₱615,126	₱569,295

	Parent Bank		
	2023	2022	2021
Current service cost	₱521,682	₱459,481	₱427,390
Net interest expense (income)	44,923	40,447	41,659
	₱566,605	₱499,928	₱469,049

The amounts recognized in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2023	2022	2021
Actuarial losses (gains) arising from changes in:			
Financial assumption	₱425,647	(₱917,442)	(₱524,992)
Experience adjustments	56,868	27,707	60,611
Demographic assumptions	50	(3,246)	977
Return on plan assets (excluding amounts included in net interest)	46,580	520,217	(39,271)
	₱529,145	(₱372,764)	(₱502,675)



	Parent Bank		
	2023	2022	2021
Actuarial losses (gains) arising from changes in:			
Financial assumption	₱473,555	(₱877,329)	(₱472,541)
Experience adjustments	(27,055)	15,286	80,474
Demographic assumptions	-	-	1,134
Return on plan assets (excluding amounts included in net interest)	174,732	525,321	(36,957)
	₱621,232	(₱336,722)	(₱427,890)

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 gains of ₱65,891, ₱30,406 and ₱38,907 in 2023, 2022, and 2021, respectively (see Note 15).

The Group and the Parent Bank expect to contribute ₱918,375 and ₱745,889, respectively, in 2023.

In determining the retirement benefits, the following actuarial assumptions were used:

	Group		
	2023	2022	2021
Retirement age	60	60	60
Average remaining working life	6-26 years	5-26 years	6-27 years
Discount rate	6.01%-7.31%	4.00%-7.56%	3.88%-5.15%
Expected rate of salary increase	2.00%-7.00%	2.00%-7.00%	2.00%-6.00%
Employee turnover rate	0%-19%	0%-26%	0%-22%

	Parent Bank		
	2023	2022	2021
Retirement age	60	60	60
Average remaining working life	8 to 14 years	8 to 15 years	9 to 10 years
Discount rate	6.01%-6.11%	7.05%-7.25%	4.87%-5.02%
Expected rate of salary increase	6.00%-7.00%	6.00%-7.00%	6.00%
Employee turnover rate	0%-18%	0%-18%	0%-18%



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 results 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
December 31, 2023			
Discount rate	+/-1.0%	(P721,266)	P930,243
Salary growth rate	+/-1.0%	992,066	(798,490)
Turn-over rate	+/-20.0%	(51,105)	(43,777)
December 31, 2022			
Discount rate	+/-1.0%	(P828,743)	P1,028,688
Salary growth rate	+/-1.0%	1,082,018	(913,920)
Turn-over rate	+/-20.0%	218,908	(219,330)

Parent

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2023			
Discount rate	+/-1.0%	(P641,114)	P665,717
Salary growth rate	+/-1.0%	867,439	(544,559)
Turn-over rate	+/-20.0%	(52,624)	39,776
December 31, 2022			
Discount rate	+/-1.0%	(P522,565)	P674,188
Salary growth rate	+/-1.0%	716,235	(569,040)
Turn-over rate	+/-20.0%	(20,189)	20,640

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, 2023 and 2022 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

	2023	2022
Less than one year	₱1,649,751	₱1,048,430
One year to less than five years	2,357,357	1,813,795
Five years to less than ten years	4,584,317	3,162,944
Ten years to less than 15 years	5,503,589	3,496,334
15 years to less than 20 years	6,906,291	4,245,541
20 years and above	15,254,451	9,593,251
	₱36,255,756	₱23,360,295

Parent

	2023	2022
Less than one year	₱1,447,895	₱1,096,908
One year to less than five years	2,131,964	2,090,152
Five years to less than ten years	4,036,406	3,698,105
Ten years to less than 15 years	4,365,293	4,278,180
15 years to less than 20 years	5,146,918	4,953,445
20 years and above	10,351,462	10,517,514
	₱27,479,938	₱26,634,304

The weighted average duration of the defined benefit obligation is 17 years in 2023 and 16 years in 2022.

Other Long-term Employment benefits

Other long term employment benefits include convertible sick leave benefits. Sick leave is computed and credited on a pro-rata basis and accumulated up to a maximum of certain working days. Any excess sick leave beyond the limit shall be convertible to cash on January 31st of the following year. All earned sick leave is convertible to cash and for inclusion to the employee's separation pay upon resignation. Accordingly, this is considered as other long term employee benefits, calculated using an actuarial valuation. As of December 31, 2023, they key actuarial assumptions include expected salary increase rate of 6.00% per annum and discount rate of 6.07%.

As of December 31, 2023, accrued sick leave obligation amounted to ₱621.64 million.



30. Income Taxes

Current and Deferred Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2023, 2022, and 2021 are as follows:

	Group		
	2023	2022 (As restated)	2021
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax	₱3,165,140	₱2,231,917	₱1,269,860
Regular corporate income tax (RCIT)	886,028	1,333,468	826,288
MCIT	538,492	1,467	74,426
	4,589,660	3,566,852	2,170,574
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(1,945,435)	472,607	236,495
	₱2,644,225	₱4,039,459	₱2,407,069
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	(₱132,286)	₱93,191	₱193,286
	Parent Bank		
	2023	2022 (As restated)	2021
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax	₱2,669,179	₱2,029,648	₱1,158,225
RCIT	26,334	108,513	35,941
MCIT	527,838	-	74,108
	3,223,351	2,138,161	1,268,274
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(1,698,002)	897,850	420,188
	₱1,525,349	₱3,036,011	₱1,688,462
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	(₱155,309)	₱84,180	₱174,589



The reconciliation of the statutory income tax rate and the effective income tax rate follows:

	Group		
	2023	2022 (As restated)	2021
Statutory income tax rate	25.00%	25.00%	25.00%
Adjustment for income subjected to lower income tax rates	(2.02)	(3.20)	(2.11)
CREATE related adjustments	-	-	6.25
Tax effects of:			
FCDU income before tax	(2.02)	(1.73)	(17.72)
Non-taxable income	(8.48)	(0.89)	(0.76)
Non-deductible expenses	10.98	3.20	3.06
Others	(0.98)	1.69	2.34
Effective income tax rate	22.49%	24.07%	16.06%

	Parent Bank		
	2023	2022 (As restated)	2021
Statutory income tax rate	25.00%	25.00%	25.00%
Adjustment for income subjected to lower income tax rates	(5.36)	(3.15)	(1.97)
CREATE related adjustments	-	-	5.68
Tax effects of:			
FCDU income before tax	(2.32)	(1.86)	(18.79)
Non-taxable income	(6.87)	(3.68)	(0.27)
Non-deductible expenses	6.49	3.31	2.07
Others	(2.22)	(0.20)	(0.23)
Effective income tax rate	14.73%	19.42%	11.90%



The components of the net deferred tax assets presented under Other resources (see Note 19) as of December 31, 2023, and 2022 follow:

	Group	
	2023	2022 (As restated)
Deferred tax assets:		
Allowance for impairment	₱5,010,016	₱4,088,549
Accrued other expenses	1,682,104	1,203,425
Net operating loss carry over (NOLCO)	1,069,474	477,682
Deferred service fees	476,785	405,965
Excess MCIT	681,016	368,069
Investment properties	287,322	353,181
Unrealized foreign exchange loss	250,459	169,644
Others	775,071	1,190,370
	10,232,247	8,256,885
Deferred tax liabilities:		
Unrealized foreign exchange gain	60,723	126,653
Capitalized interest	21,965	22,880
Others	469,528	400,149
	552,216	549,682
Net deferred tax assets	₱9,680,031	₱7,707,203
Parent Bank		
	2023	2022 (As restated)
Deferred tax assets:		
Allowance for credit losses	₱3,576,777	₱3,055,124
Accrued other expenses	1,542,120	1,196,466
Net operating loss carry-over (NOLCO)	1,068,153	466,729
Excess MCIT	680,353	366,968
Investment properties	202,220	276,990
Unrealized foreign exchange loss	248,787	169,646
Others	789,288	690,644
	8,107,698	6,222,567
Deferred tax liabilities:		
Unrealized foreign exchange gain	51,875	123,159
Capitalized interest	21,965	22,880
Others	323,671	219,650
	397,511	365,689
Net deferred tax assets	₱7,710,187	₱5,856,878

Other deferred tax asset includes post-retirement obligation and other future deductible items.

The Parent Bank's NOLCO follows:

Year incurred	Amount	Expired	Applied	Balances	Availment period
2020	₱2,211,455	₱-	₱500,000	₱1,711,455	2021-2025*
2021	155,461	-	-	155,461	2022-2026*
2023	2,517,174	-	-	2,517,174	2024-2026
	₱4,884,090	₱-	₱500,000	₱4,384,090	



*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 25-2021), implementing Section 4(bbbb) of Republic Act No. 11494 or the Bayanihan to Recover as One Act.

The Parent Bank's MCIT follows:

Year incurred	Amount	Expired	Applied	Balances	Availment period
2020	₱214,453	₱214,453	₱-	₱-	2021-2023
2021	152,515	-	-	152,515	2022-2024
2023	527,838	-	-	527,838	2024-2026
	₱894,806	₱214,453	₱-	₱680,353	

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 signed into law on March 26, 2021, the regular corporate income tax (RCIT) is reduced from 30% to 25% effective July 1, 2020.

This resulted in a reduction in the current income tax for 2020 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

- MCIT computed at 1% of gross income (net of allowable deductions as defined under tax regulations) from July 1, 2020 to June 30, 2023 and at 2% from July 1, 2023 onwards, or RCIT of 25%, whichever is higher;
- 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;
- Withholding tax of 15% is imposed on interest earned under the expanded foreign currency deposit system; and,
- 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 2023, 2022 and 2021, the Parent Bank opted to claim itemized deductions.



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.

	2023	2022
Investments	₱91,212,192	₱88,449,123
Others	2,755,771	3,199,964
	₱93,967,963	₱91,649,087

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 as of December 31, 2023 and 2022, 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, 2023 and 2022, the reserve for trust functions amounted to ₱367,836 and ₱336,655, 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 ₱311,816, ₱316,939, and ₱239,994 in 2023, 2022 and 2021, 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, 2023 and 2022 are as follows:

Related Party Category	2023		2022		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Applicable to the Parent Bank					
Subsidiaries					
Lease of properties:					
Lease income	₱72,056	₱-	₱33,550	₱-	Lease renewed every 5 years with 5% escalation rate
Refundable deposits	6,375	8,334	2,356	2,356	
Management services	88,227	-	161,188	-	Project management fee, management services, commission and service charges paid to/by subsidiaries
Deposit liabilities:					
Outstanding balance	-	1,799,248	-	1,961,153	
Net movements	(161,905)	-	(1,241,048)	-	
Interest expense on deposits	4,631	-	2,356	-	With interest rate based on average daily bank deposit rate.
Receivables purchase agreements:					
Purchase of receivables	-	-	9,979,340	-	Purchase of DepEd receivables from CSB
Sale of receivables	22,027,981	-	6,682,351	-	Sale of qualified Quick Loan Accounts to UnionDigital
Interbank borrowing					
Net movements	10,000,000	-	3,000,521	-	Short-term borrowing with annual fixed rate ranging from 6.34% to 6.41% in 2023 and 2.125% in 2022. No outstanding balances as of 2023 and 2022.
Interest expense	1,771	-	531	-	
Advances:					
Outstanding balance	-	129,438	-	79,573	Various expenses advanced by the Bank
Net movements	49,865	-	8,372	-	
Other liabilities	-	2,653	-	375,978	Various expenses and service fees
Applicable to the Group and the Parent Bank					
Stockholders and related parties under common ownership					
Deposit liabilities:					
Outstanding balance	-	2,474,724	-	6,709,215	With interest rate based on average daily bank deposit rate
Net movements	(4,234,491)	-	(18,750,550)	-	
Interest expense on deposits	24,028	-	37,919	-	
Bills payable:					
Outstanding balance	-	13,957	-	13,936	Long term liability with annual fixed rate of 4%
Net movements	21	-	20	-	
Interest expense	560	-	56,658	-	
Income from bancassurance business:					
Commission income	589,520	-	377,657	-	Income recognized on sale of insurance policies in accordance with the bancassurance agreement
Unearned income	-	590,258	-	715,710	Unearned income from Exclusive Access Fees arising from the bancassurance agreement

(Forward)



Related Party Category	2023		2022		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Sale of Investment properties					
Sales contract receivable	(₱413,987)	₱-	₱591,410	₱413,987	
Gain on disposal	-	-	226,901	-	Sale of foreclosed property
Unearned income	(52,044)	-	52,004	52,004	
Loans receivable	(29,330)	30,239	(8,829)	909	Secured borrowings with annual interest of 8.0% and 12.0% in 2023 and 2022
Key management personnel Directors, officers and other related interests:	4,262,562	-	2,973,832	-	Employee benefits related to key management personnel
Loans	829,899	829,899	639,635	639,635	Employee fringe benefit loans with annual fixed interest rate from 0.00% to 8.0% in 2023 and 2022
Accounts receivable	185,238	185,238	156,659	156,659	Fringe benefits related to employee cars and laptop lease

Lease of Properties

The Parent Bank leases certain properties to UIC, CSB, UBX, UnionDigital and UFSI at fixed monthly rental payments with 5% annual escalation rate.

Management Services

The Parent Bank entered into service agreements with CSB, UIC, FAIR Bank, PETNET, UBX, UnionDigital, and UFSI 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, 2023 and 2022. 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 ₱14.00 million which is payable in five years and bears an annual interest rate of 4.0%. This borrowing had an outstanding balance of ₱13.96 million and ₱13.94 million (net of unamortized debt issue costs) as of December 31, 2023 and 2022, respectively.



In 2022, 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 such availments have been paid in full as of December 31, 2022. No availments were made for the year ended December 31, 2023.

Bancassurance Agreement

On January 27, 2017, the Parent Bank and its subsidiary, CSB, entered into a bancassurance partnership (the Distribution 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. Under the Distribution Agreement, 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.

In 2023, the Parent Bank and Insular Life signed an addendum to the Distribution Agreement to modify certain provisions in the original contract. The Addendum removed the provision on EAF refund. Under the new terms of the agreement, the unearned EAF as of January 1, 2023 will be earned evenly by an amount of ₱143.08 million each year from 2023 to 2027, provided that UBP shall not be a defaulting party in a material breach during the EAF Credit Period.

EAF recognized for 2023 and 2022 is included in 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 2023 and 2022 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 2023 and 2022 amounted to ₱22.03 billion and ₱6.68 billion, respectively. The Parent Bank and UnionDigital mutually agreed to terminate the Agreement in August 2023.

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. In November 2023, the parties mutually agreed to modify the terms of the contract and fully settle the outstanding obligation in relation to such sale. As of December 31, 2023 and 2022, the outstanding balance of the loan is nil and ₱413.98 million, respectively.

Key Management Personnel Compensation

The compensation of key management personnel for the Group and Parent Bank follows:

	Group		
	2023	2022	2021
Short-term benefits	₱3,948,441	₱2,565,550	₱2,298,705
Post-employment benefits	178,917	197,044	91,915
Other long-term benefits	135,204	211,238	69,681
	₱4,262,562	₱2,973,832	₱2,460,301
	Parent Bank		
	2023	2022	2021
Short-term benefits	₱3,074,645	₱2,126,299	₱1,885,566
Post-employment benefits	161,847	182,200	74,477
Other long-term benefits	128,555	205,565	63,703
	₱3,365,047	₱2,514,064	₱2,023,746

The Group incurred directors’ fees amounting to ₱159,594, ₱130,788, and ₱141,415 in 2023, 2022 and 2021, respectively. The Parent Bank incurred fees amounting to ₱105,409, ₱100,687, and ₱118,039 in 2023, 2022 and 2021, respectively.

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	
	2023	2022	2023	2022
Total DOSRI loans	₱830,157	₱640,544	₱690,843	₱616,127
Unsecured DOSRI loans	418,582	272,992	292,880	263,012
% of DOSRI loans to total loan portfolio	0.16%	0.13%	0.17%	0.16%
% of unsecured DOSRI loans to total DOSRI loans	0.05%	—%	0.06%	—%
% of unsecured DOSRI loans inclusive of fringe benefits to total DOSRI loans	50.42%	42.62%	42.39%	42.69%
% of past due DOSRI loans to total DOSRI loans	0.05%	—%	0.06%	—%
% 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.

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, 2023 and 2022 are disclosed in Note 29. As of December 31, 2023 and 2022, total assets of the retirement plan managed by the TISG of the Parent Bank as contained in the actuarial valuation reports amounted to ₱6.31 billion and ₱4.03 billion, respectively.

As of December 31, 2023 and 2022, 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, 2023 and 2022 as follows:

	Group			
	2023		2022	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	₱126,190	₱478,398	₱75,094	₱352,208
Investments in Parent Bank notes payable:				
Outstanding balance	-	311,861	-	354,516
Net movements	(42,655)	-	(125,375)	-
Interest income	17,255	-	17,093	-
Accrued interest income	-	4,562	-	6,486
Deposit liabilities:				
Outstanding balance	-	241,771	-	348,462
Net movements	(106,691)	-	(45,819)	-
Interest income on deposits	1,692	-	11,397	-
Dividend income	9,307	-	9,064	-

	Parent Bank			
	2023		2022	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	₱126,136	₱461,852	₱71,028	₱332,716
Investments in Parent Bank notes payable:				
Outstanding balance	-	271,083	-	310,972
Net movements	(39,889)	-	(117,515)	-
Interest income	15,067	-	14,906	-
Accrued interest income	-	3,185	-	5,958
Deposit liabilities:				
Outstanding balance	-	235,176	-	329,851
Net movements	(94,675)	-	(42,555)	-
Interest income on deposits	1,684	-	11,397	-
Dividend income	8,751	-	8,560	-

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 ₱188,896 and ₱166,093, covering October 2022 to September 2023 and October 2021 to September 2022, 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, 2023 and 2022, the receivable of UIC from Kingswood Project amounted to ₱32.0 million and ₱33.2 million, respectively.



33. Earnings Per Share

In 2023, 2022 and 2021, 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 April 28, 2023 to stockholders of record as of December 22, 2023 and issued on January 4, 2024 (see Notes 25 and 36), the weighted average number of outstanding common shares have been adjusted retrospectively for the effect of the stock dividends as required under PFRS.

The basic and diluted earnings per share were computed as follows:

	Group		
	2023	2022 (As restated)	2021
Net profit attributable to Parent Bank's stockholders	₱9,072,217	₱12,600,745	₱12,525,376
Divided by:			
Weighted average number of outstanding common shares	2,332,962	1,911,431	1,219,289
Adjustment related to stock dividends	635,519	635,519	940,358
Weighted average number of outstanding common shares, after adjustment for stock dividends	2,968,481	2,546,950	2,159,647
Basic and diluted earnings per share	₱3.06	₱4.95	₱5.80
	Parent Bank		
	2023	2022 (As restated)	2021
Net profit	₱8,828,457	₱12,600,745	₱12,525,376
Divided by:			
Weighted average number of outstanding common shares	2,332,962	1,911,431	1,219,289
Adjustment related to stock dividend	635,519	635,519	940,358
Weighted average number of outstanding common shares, after adjustment for stock dividends	2,968,481	2,546,950	2,159,647
Basic and diluted earnings per share	₱2.97	₱4.95	₱5.80



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 ranging from 5% to 10%. 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, 2023 and 2022, 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, 2023 and 2022:

	Group		Parent Bank	
	2023	2022	2023	2022
1 year or less	₱597,214	₱532,912	₱453,932	₱419,854
more than 1 years to 2 years	450,676	391,940	352,348	307,215
more than 2 years to 3 years	303,813	237,140	235,500	199,287
more than 3 years to 4 years	217,275	89,969	157,865	78,118
more than 5 years	64,374	22,077	35,301	16,331

The following are the amounts recognized in profit or loss for the years ended December 31, 2023 and 2022:

	Group		Parent Bank	
	2023	2022	2023	2022
Amortization expense of ROU assets (Note 16)	₱611,475	₱620,499	₱468,679	₱464,534
Interest expense on lease liabilities (Note 24)	75,007	67,851	59,580	56,240
Expenses relating to short term – leases	268,345	171,523	214,309	132,394
Total amount recognized in profit or loss	₱954,827	₱859,873	₱742,568	₱653,168

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, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
Group	₱127,739	₱218,019	₱116,450
Parent Bank	180,273	154,907	132,734



The estimated minimum future annual rentals receivable under non-cancellable operating leases follows:

	Group	
	2023	2022
Within one year	₱119,487	₱142,891
Beyond one year but within five years	123,370	257,160
	₱242,469	₱400,051

	Parent Bank	
	2023	2022
Within one year	₱102,643	₱133,423
Beyond one year but within five years	110,043	246,878
	₱212,686	₱380,301

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, 2023, 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:

	Group				Total
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	
Balances at January 1, 2023	₱3,000,000	₱132,846,789	₱51,644,325	₱1,424,530	₱188,915,644
Cash flows from financing activities:					
Additions	-	1,313,421,732	20,500,543	-	1,333,922,275
Repayment of borrowings	(3,000,000)	(1,291,332,050)	(21,616,552)	(633,871)	(1,316,582,473)
Non-cash financing activities:					
Effects of foreign exchange rate changes	-	350,441	(65,136)	-	285,305
New lease arrangements	-	-	-	685,477	685,477
Amortization of debt issue costs and accretion of interest	-	1,017	30,447	75,007	106,471
Balances as of December 31, 2023	₱-	₱155,287,929	₱50,493,627	₱1,551,143	₱207,332,699

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities



	Group				Total
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	
Balances at January 1, 2022	₱3,000,000	₱51,168,138	₱69,853,986	₱1,382,880	₱125,405,004
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
Amortization of debt issue costs and accretion of interest	–	–	–	65,440	65,440
Balances as of December 31, 2022	–	–	86,077	67,851	153,928
	₱3,000,000	₱132,846,789	₱51,644,325	₱1,424,530	₱188,915,644

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

	Parent Bank				Total
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	
Balances at January 1, 2023	₱3,000,000	₱99,309,124	₱51,644,325	₱1,177,555	₱155,131,004
Cash flows from financing activities:					
Additions	–	1,289,600,128	18,005,196	–	1,307,605,324
Repayment of borrowings	(3,000,000)	(1,268,901,574)	(19,115,000)	(524,291)	(1,291,540,865)
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	350,441	(71,341)	–	279,100
New lease arrangements	–	–	–	468,129	468,129
Amortization of debt issue costs and accretion of interest	–	1,017	30,447	59,580	91,044
Balances as of December 31, 2023	₱–	₱120,359,136	₱50,493,627	₱1,180,973	₱172,033,736

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

	Parent Bank				Total
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	
Balances at January 1, 2022	₱3,000,000	₱28,577,774	₱69,789,836	₱1,043,850	₱102,411,460
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
Amortization of debt issue costs and accretion of interest	–	–	–	59,777	59,777
Balances as of December 31, 2022	–	–	86,077	56,240	142,317
	₱3,000,000	₱99,309,124	₱51,644,325	₱1,177,555	₱155,131,004

*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, 2023 and 2022 include (1) additions to investment properties in settlement of loans and receivables amounting to ₱984.12 million and ₱376.49 million, respectively, (2) disposals of properties with carrying values of ₱638.52 million and ₱1,482.10 million, respectively, through sales contract receivables, and (3) addition to right of use assets amounting to ₱675.99 million and ₱523.81 million, respectively, for the Group and amounting to ₱468.13 million and ₱514.00 million, respectively for the Parent Bank.



36. Events After the End of the Reporting PeriodStock Dividend Distribution

On January 4, 2024, the Bank issued 635.5 million common shares at par value of ₱10 for whole shares and paid ₱0.22 million for 2,550.79 fractional shares in relation to the 27% stock dividends approved by the Bank's BOD and stockholders on February 24, 2023 and April 28, 2023, respectively.

Dividend Declaration

On January 26, 2024, the Parent Bank's BOD approved the declaration of cash dividends at ₱0.80 per share for a total of ₱2,391,408 in favor of all stockholders of the Bank, payable from the unrestricted retained earnings of the Bank as of December 31, 2023. Record date for stockholders entitled to the cash dividend was set on February 13, 2024 and payment was made on February 20, 2024.

Stock Rights Offering

On January 26, 2024, the Parent Bank's BOD approved the capital raising of up to ₱10.0 billion via stock rights offering to all stockholders, subject to regulatory approvals. Net proceeds will be used to fund capital infusion to UnionDigital, projected retail loan availments and for general corporate purposes.

Capital Infusion in Union Digital

On November 24, 2023, the BOD of the Parent Bank approved the infusion of additional capital of up to ₱1.8 billion to UnionDigital to support business growth. Subsequently on January 30, 2024, the Parent Bank infused ₱600.00 million out of the approved amount to UnionDigital to support its business growth.



37. 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

Group	2023	2022 (As restated)	2021
Return on average capital funds:			
Net profit	5.6%	9.7%	11.5%
Average total capital funds*			
Return on average resources:			
Net profit	0.8%	1.3%	1.6%
Average total resources*			
Net interest margin:			
Net interest income	5.5%	4.8%	4.6%
Average interest-earning resources*			
Liquidity ratio:			
Current Assets	43.5%	49.6%	53.9%
Current Liabilities			
Debt-to-equity ratio:			
Liabilities	5.5:1	6.4:1	6.4:1
Equity			
Asset-to-equity ratio:			
Asset	6.5:1	7.4:1	7.4:1
Equity			
Interest rate coverage ratio:			
Earnings before interests and taxes	1.4:1	2.4:1	3.3:1
Interest expense			

*Average amount is calculated based on current year-end and previous year-end balances



Parent Bank	2023	2022 (As restated)	2021
Return on average capital funds:			
<u>Net profit</u>	5.5%	9.7%	11.6%
Average total capital funds*			
Return on average resources:			
<u>Net profit</u>	0.9%	1.5%	1.6%
Average total resources*			
Net interest margin:			
<u>Net interest income</u>	4.8%	4.1%	3.9%
Average interest-earning resources*			
Liquidity ratio:			
<u>Current Assets</u>	40.0%	48.5%	50.6%
Current Liabilities			
Debt-to-equity ratio:			
<u>Liabilities</u>	4.7:1	5.6:1	5.5:1
Equity			
Asset-to-equity ratio:			
<u>Asset</u>	5.7:1	6.6:1	6.5:1
Equity			
Interest rate coverage ratio:			
<u>Earnings before interests and taxes</u>	1.6:1	2.9:1	4.3:1
Interest expense			

*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, 2023 and 2022, the Parent Bank has outstanding capital stock shown below (peso amounts in thousands):

	Shares		Amount	
	2023	2022	2023	2022
Common – ₱10 par value				
Authorized	5,030,785,238	2,530,785,238	₱50,307,852	₱25,307,852
Issued	2,353,774,567	2,142,106,764	23,537,466	21,421,068
Treasury stock	(27,977)	–	(2,097)	–
Issued and outstanding	2,353,746,590	2,142,106,764	23,535,369	21,421,068
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱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.

Stock Dividend Distributable

On January 4, 2024, the Bank issued 635.5 million common shares at par value of ₱10 in relation to the 27% stock dividends declaration approved by the Bank's BOD and stockholders on February 24, 2023 and April 28, 2023, respectively.



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, 2023 and 2022 is shown below (amounts in thousands):

	Group			
	2023			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱51,103,435	9.38	₱446,923,047	₱498,026,482
Other consumption	112,628,257	20.68	-	112,628,257
Real estate activities	95,950,982	17.61	6,772,418	102,723,400
Electricity, gas steam and air conditioning supply	12,777,457	2.35	25,922,919	38,700,376
Wholesale and retail trade, repair of motor vehicles	30,793,295	5.65	-	30,793,295
Information and communication	30,272,891	5.56	-	30,272,891
Transportation and storage	22,391,674	4.11	2,381,427	24,773,101
Manufacturing	18,042,908	3.31	2,772,368	20,815,276
Arts, entertainment and recreation	13,396,218	2.46	-	13,396,218
Other service activities	7,613,267	1.40	-	7,613,267
Construction	5,558,126	1.02	-	5,558,126
Activities of households as employers and undifferentiated goods and services	2,522,318	0.46	-	2,522,318
Agriculture, forestry and fishing	2,913,770	0.53	-	2,913,770
Accommodation and food service activities	1,280,636	0.24	-	1,280,636
Professional, scientific and technical activities	522,663	0.10	-	522,663
Others	136,948,323	25.14	6,335,850	143,284,173
	₱544,716,220	100.00	₱491,108,029	₱1,035,824,249
<i>Concentration by location</i>				
Philippines	₱544,716,220	100.00	₱436,081,182	₱980,797,402
Others - Asia	-	-	26,951,292	26,951,292
South America	-	-	13,095,789	13,095,789
United States	-	-	14,979,766	14,979,766
	₱544,716,220	100.00	₱491,108,029	₱1,035,824,249



	Group			
	2022			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	P34,819,473	7.07	P451,417,807	P486,237,280
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
	P492,195,520	100.00	P492,852,118	P985,047,638
<i>Concentration by location</i>				
Philippines	P492,195,520	100.00	P398,026,315	P890,221,835
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
	P492,195,520	100.00	P492,852,118	P985,047,638

	Parent Bank			
	2023			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	P64,419,599	15.27	P392,513,892	P456,933,491
Other consumption	112,628,257	26.70	–	112,628,257
Real estate activities	95,284,452	22.58	6,772,418	102,056,870
Electricity, gas steam and air conditioning supply	12,777,243	3.03	25,922,919	38,700,162
Information and communication	30,270,057	7.17	–	30,270,057
Wholesale and retail trade, repair of motor vehicles	29,870,815	7.08	–	29,870,815
Transportation and storage	22,049,095	5.23	2,381,427	24,430,522
Manufacturing	17,837,246	4.23	2,772,368	20,609,614
Arts, entertainment and recreation	13,395,446	3.17	–	13,395,446
Other service activities	7,402,806	1.75	–	7,402,806
Construction	5,443,813	1.29	–	5,443,813
Activities of households as employers and undifferentiated goods and services	2,433,674	0.58	–	2,433,674
Accommodation and food service activities	1,279,303	0.30	–	1,279,303
Agriculture, forestry and fishing	1,993,504	0.47	–	1,993,504
Professional, scientific and technical activities	521,783	0.12	–	521,783
Others	4,299,613	1.02	6,335,850	10,635,463
	P421,906,706	100.00	P436,698,874	P858,605,580
<i>Concentration by location</i>				
Philippines	P421,906,706	100.00	P381,672,027	P803,578,733
Others - Asia	–	–	26,951,292	26,951,292
South America	–	–	13,095,789	13,095,789
United States	–	–	14,979,766	14,979,766
	P421,906,706	100.00	P436,698,874	P858,605,580



	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
Real estate activities	97,115,155	24.30	–	97,115,155
Information and communication	89,587,397	22.42	7,150,000	96,737,397
Wholesale and retail trade, repair of motor vehicles	35,091,072	8.78	–	35,091,072
Manufacturing	31,351,303	7.85	–	31,351,303
Transportation and storage	28,359,410	7.10	2,665,228	31,024,638
Arts, entertainment and recreation	21,735,910	5.44	1,884,539	23,620,449
Electricity, gas steam and air conditioning supply	15,761,449	3.94	2,845,681	18,607,130
Other service activities	13,090,425	3.28	24,106,204	37,196,629
Construction	12,626,780	3.16	–	12,626,780
Activities of households as employers and undifferentiated goods and services	5,993,159	1.50	–	5,993,159
Accommodation and food service activities	4,317,198	1.08	–	4,317,198
Professional, scientific and technical activities	1,347,158	0.34	–	1,347,158
Agriculture, forestry and fishing	1,193,414	0.30	–	1,193,414
Other consumption	465,180	0.11	–	465,180
Others	1,542,640	0.39	2,782,659	4,325,299
	₱399,592,951	100.00	₱442,454,859	₱842,047,810
<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
	₱399,592,951	100.00	₱442,454,859	₱842,047,810

The BSP considers significant credit exposures when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio or 10.00% of Tier 1 capital.

Breakdown of total loans as to security and status

As to security

The breakdown of total loans and other receivables (gross of allowance for credit losses, net of unearned discounts) as to secured, with corresponding collateral types, and unsecured loans follows (amounts in thousands):

	Group		Parent Bank	
	2023	2022	2023	2022
Secured:				
Real estate	₱9,123,863	₱12,265,747	₱7,061,241	₱10,408,920
Deposit hold-out	388,958	374,133	314,379	331,529
Chattel mortgage	37,008	84,735	–	–
Others	70,712,231	66,576,638	70,593,577	65,419,101
	80,262,060	79,301,253	77,969,197	76,159,550
Unsecured	465,894,577	414,840,945	347,870,341	327,199,747
	₱546,156,637	₱494,142,198	₱425,839,538	₱403,359,297

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	
	2023	2022	2023	2022
Secured	₱5,436,524	₱6,590,346	₱5,374,227	₱6,426,779
Unsecured	28,799,717	15,289,340	15,479,796	7,293,894
	₱34,236,241	₱21,879,686	₱20,854,023	₱13,720,673



As to status

Non-performing loans (NPLs) of the Group and the Parent Bank as of December 31, 2023 and 2022 are presented below, net of the related allowance for credit losses in compliance with BSP Circular 855, respectively (amounts in thousands).

	Group		Parent Bank	
	2023	2022	2023	2022
Gross NPLs	₱34,236,241	₱21,879,686	₱20,854,023	₱13,720,673
Specific allowance for credit losses on NPLs	(13,942,408)	(10,791,956)	(8,975,937)	(6,951,092)
	₱20,293,833	₱11,087,730	₱11,878,086	₱6,769,581

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					
	2023			2022		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Corporate loans	₱132,566,330	₱110,495	₱132,676,825	₱130,325,055	₱174,917	₱130,499,972
Consumer products*	116,136,252	3,993,996	120,130,248	95,958,602	3,243,884	99,202,486
Commercial loans	65,656,618	9,389,312	75,045,930	71,273,065	3,959,433	75,232,498
Home loans	63,664,670	6,883,125	70,547,795	59,923,287	5,736,182	65,659,469
CSB salary loans	77,205,187	7,251,003	84,456,190	58,843,468	5,185,814	64,029,282
Other receivables from customers**	39,810,434	6,608,310	46,418,744	42,292,399	3,579,456	45,871,855
Total receivables from customers	₱495,039,491	₱34,236,241	₱529,275,732	₱458,615,876	₱21,879,686	₱480,495,562

*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

**Comprised of HR loans, quick loans and Home Credit receivables



	Parent Bank					
	2023			2022		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Corporate loans	₱132,566,330	₱110,495	₱132,676,825	₱130,325,055	₱174,917	₱130,499,972
Consumer products*	116,136,252	3,993,996	120,130,248	95,958,602	3,243,884	99,202,486
Commercial loans	65,656,618	9,389,312	75,045,930	71,273,065	3,959,433	75,232,498
Home loans	63,664,670	6,883,125	70,547,795	59,923,287	5,736,182	65,659,469
Other receivables from customers**	11,383,805	477,094	11,860,899	19,395,834	606,257	20,002,091
Total receivables from customers	₱389,407,674	₱20,854,023	₱410,261,697	₱376,875,843	₱13,720,673	₱390,596,516

*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, 2023 and 2022, 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	
	2023	2022	2023	2022
Total DOSRI loans	₱830,157	₱640,544	₱690,843	₱616,127
Unsecured DOSRI loans	418,582	272,992	292,880	263,012
Total related party loans (including DOSRI loans)	830,157	640,544	690,843	616,127
Unsecured related party loans (including DOSRI loans)	418,582	272,992	292,880	263,012
% of DOSRI/related party loans to total loan portfolio	0.16%	0.13%	0.17%	0.16%
% of unsecured DOSRI/related party loans to total DOSRI loans	0.05%	—%	0.06%	—%
% of unsecured DOSRI loans inclusive of fringe benefit loans to total DOSRI loans	50.42%	42.62%	42.39%	42.69%
% of past due DOSRI/related party loans to total DOSRI loans	0.05%	—%	0.06%	—%
% 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.

Secured liability and assets pledged as security

The Group's and the Parent Bank's bills payable under repurchase agreements amounted to ₱98.17 billion and ₱78.23 billion as of December 31, 2023 and 2022, respectively.

Investment securities of both the Group and the Parent Bank with carrying values of ₱123.27 billion and ₱106.71 billion as of December 31, 2023 and 2022, 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):

	Group		Parent Bank	
	2023	2022	2023	2022
Commitments	₱345,361,959	₱50,820,675	₱345,294,119	₱50,773,475
Trust department accounts	93,967,963	91,649,087	93,967,963	91,649,087
Forward exchange bought	67,830,319	74,853,141	67,830,319	74,853,141
Forward exchange sold	15,469,007	25,708,489	15,469,007	25,708,489
Other derivatives	24,458,518	13,801,894	24,458,518	13,801,894
Inward bills for collections	24,452,478	17,307,197	24,452,478	17,307,197
Unused standby letters of credit	7,226,237	8,986,154	7,226,237	8,986,154
Spot exchange sold	2,544,518	3,530,275	2,544,518	3,530,275
Spot exchange bought	2,215,761	3,378,510	2,215,761	3,378,510
Outstanding guarantees issued	1,100,445	1,426,923	1,100,445	1,426,685
Other commitment and contingent accounts	27,567	111,295	27,552	48,960

38. 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 ₱2.79 billion in 2023 as shown under Taxes and Licenses account. Total GRT payable as of December 31, 2023 amounted to ₱0.71 billion and is included as part of Accrued taxes and other expenses under Other liabilities account in the 2023 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, 2023, DST affixed amounted to ₱2.63 billion.

Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2023 are shown below (amounts in thousands):

Final	₱2,558,593
Expanded	376,500
Compensation and benefits	1,451,187
	₱4,386,280



Taxes and Licenses

The details of taxes and licenses in 2023 of the Parent Bank are as follows (amounts in thousands):

GRT	₱2,792,497
DST	1,143,080
Real property tax	43,915
Fringe benefit tax (FBT)	65,929
Local and business permits	44,866
Miscellaneous	21,058
Less:	
FBT charged to employee benefits	(65,929)
	<u>₱4,045,416</u>

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, 2023.

The Parent Bank has no pending tax assessment and case in courts or other regulatory bodies outside of the BIR as at December 31, 2023.

