



01 April, 2024

ATTY. SUZY CLAIRE R. SELLEZA
Head - Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

Re : Information Statement for Annual Stockholders' Meeting

Relative to the above subject, we are transmitting herewith the following for Bank of Commerce – SEC 20-IS Definitive Information Statement for Annual Stockholders' Meeting on April 30, 2024.

Please acknowledge receipt hereof.

EVP Antonio S. Laquindanum
Chief Financial Officer



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

April 1, 2024

The Annual Meeting of the Stockholders of Bank of Commerce (the Bank) will be held on **April 30, 2024 at 2:00 P.M.** For the health and safety of the stockholders and all persons concerned in light of the risks associated with the COVID-19 pandemic, the Bank will not hold a physical meeting and will instead conduct the meeting via remote communication using Pro Version License Zoom Application and livestreaming as authorized by resolutions of the Board of Directors on 27 February 2024.

The Agenda of the Meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of Annual Stockholders' Meeting held on 25 April 2023
4. Presentation of the Annual Report
5. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
6. Confirmation of Bank's Significant Transactions with its DOSRI and Related Parties
7. Approval of 2023 Performance Bonus for Directors
8. Approval of Amendments to Section 2 of Article II, Article 5 of Section III, Section 2 of Article VIII, Section I of Article VIII and Section 1 of Article XI of the Bank's By-laws
9. Approval to delegate to the Board of Directors the power to amend or repeal the bylaws, or adopt new by-laws
10. Election of the Board of Directors
11. Appointment of External Auditor
12. Adjournment

Stockholders who would like to attend the meeting must advise the Bank on or before **Tuesday, April 23, 2024**, by sending the following information to stockholders@bankcom.com.ph: (1) Name; (2) E-mail address; (3) Contact number; (4) Postal address; and (5) scanned copy of any valid government-issued ID with photo of the stockholder, to obtain the link for the 2024 Annual Stockholders' Meeting.

Stockholders may visit the Bank's website at <https://www.bankcom.com.ph/about-us/disclosures> to download copies of (a) the Minutes of the Annual Stockholders' Meeting on 25 April 2023. And (b) the proxy form/ballot.

Electronic copies of the Information Statement and Management Report shall be available on the Company's website and the PSE Edge.

Ballots and proxies may be submitted via email to stockholders@bankcom.com.ph, which submission shall be duly acknowledged and validated by the Bank's stock transfer agent, SMC Stock Transfer Service Corporation. For an individual, the submission must be accompanied by a copy of a government-issued ID with photo, as proof of identification. For a corporation, the submission must be accompanied by a certification from its Corporate Secretary stating the corporate officer's authority to represent the corporation in the meeting. In the event that the Covid-19 alert level status restricts the movement of persons and makes submission of the originally signed ballots, proxies, and notarized Secretary's Certificate

difficult, these documents shall be submitted to the SMC Stock Transfer Service Corporation within a reasonable time after the Annual Stockholders' Meeting.

During the meeting, the Bank shall entertain questions and comments from the stockholders after the presentation of the Annual Report. Questions and comments must be submitted either in advance by email to stockholders@bankcom.com.ph or during the meeting by posting the questions and comments in the feedback box that will be made available. Priority will be given to questions sent in advance. Questions which are not answered during the meeting shall be forwarded to the Office of the Corporate Secretary for the appropriate response.

The deadline for submission of the proxy and ballot is on **Tuesday, April 23, 2024**. Validation of proxies and ballots will be on **Thursday, April 25, 2024** at 10:00AM at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines. Only stockholders who have notified the Bank of their intention to participate through remote communication as above described and have been validated by the Office of the Corporate Secretary to be stockholders of record of the Bank as of **Monday, April 8, 2024** will be considered in computing stockholder attendance at the meeting together with the stockholders attending through proxies.


EVITA C. CABALLA
Corporate Secretary

BALLOT/PROXY

Please mark as applicable:

- VOTE BY BALLOT** : The undersigned stockholder of Bank of Commerce (the "Bank") casts his/her/its vote on the agenda items for the annual meeting of stockholders of the Bank scheduled on 30 April 2024, Tuesday, at 2:00 pm to be held virtually, expressly indicated with "X" below in this ballot.
- VOTE BY PROXY** : The undersigned stockholder of the Bank appoints: **The Chairman of the Board of Directors of the Bank**, or in his absence, **The Vice Chairperson of the Board of the Directors of the Bank**, or in her absence, **The President of the Bank**, or in his absence, **The Chairman of the April 30, 2024 Annual Meeting of the Stockholders** as his/her/its proxy, to represent and vote all shares registered in the name of the undersigned as fully as he/she/it could do if present and voting in person, ratifying all actions taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below. If the undersigned fails to indicate his/her/its vote in the items specified below, its proxy shall vote in accordance with the recommendation of Management, and Management recommends a "FOR ALL" vote for proposal 1, and a "FOR" vote for proposals 2 through 8.

PROPOSAL	ACTION		
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION
<p>1. Election of Directors</p> <p>The Nominees for Directors are: (1) Francis Chua, (2) Benedicta A. Du-Baladad, (3) Michelangelo R. Aguilar, (4) Roberto C. Benares, (5) Fe B. Barin, (6) Marito L. Platon, (7) Mariano T. Katipunan, Jr., (8) Melinda S. Gonzales-Manto, (9) Alexander R. Magno, and (10) Jose Carmelo C. Nograles</p> <p>The Nominees for Independent Directors are: (1) Rebecca Maria A. Ynares, (2), Ricardo D. Fernandez (3) Daniel Gabriel M. Montecillo (4) Simon R. Paterno and (5) Leonardo J. Matignas, Jr.</p> <p><i>INSTRUCTIONS: To withhold authority to vote for any individual nominee(s) for Management, please mark Exception box and list the name(s) under.</i></p>			
	FOR	AGAINST	ABSTAIN
2. Approval of the Minutes of the Annual Stockholders' Meeting held on 25 April 2023			
3. Approval of the Annual Report of the Bank for year ended December 31, 2023			
4. Ratification of all the Acts and Proceedings of the Board of Directors and Corporate Officers since the 2023 Annual Stockholders' Meeting			
5. Confirmation of Bank's 2023 Significant Transactions with its DOSRI and Related Parties			
6. Approval of 2023 Performance Bonus of Directors			

7. Approval of Amendments to the following provisions of the Bank's By-laws: a. Section 2 of Article II b. Section 5 of Article III c. Section 2 of Article VII d. Section 1 of Article VIII e. Section 1 of Article XI			
8. Approval to delegate to the Board of Directors the power to amend or repeal the bylaws, or adopt new by-laws			
9. Appointment of R.G. Manabat & Company CPAs as external auditors of the Bank			

Signed this, _____.

PRINTED NAME OF SHAREHOLDER

PRINTED NAME OF AUTHORIZED SIGNATORY

This Ballot/Proxy should be received by the Corporate Secretary on or before **Tuesday, April 23, 2024**. A proxy may be revoked by the stockholder either in an instrument in writing duly presented and recorded with the Corporate Secretary, prior to the scheduled meeting, or by the personal presence of the stockholder at the meeting.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive information Statement
2. Name of Registrant as specified in its charter:
BANK OF COMMERCE
3. Province, country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines
4. SEC Identification Number:
24221
5. BIR Tax Identification Code:
000-000-440-440-000
6. Address of principal office:
**San Miguel Properties Centre (SMPC), No. 7 St. Francis Street,
Mandaluyong City, Metro Manila, Philippines**

Postal Code:
1550
7. Registrant's telephone number, including area code:
(02)8982-6000
8. Date, time, and place of the meeting of security holders:
Date : **30 April 2024, Tuesday**
Time : **2:00 PM**
Place : **via remote communication using Pro Version License Zoom Application and
livestreaming**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **5 April 2024**
10. In case of Proxy Solicitations:
Name of Person Filing the Statement/Solicitor: **N/A**
Address and Telephone No.: **N/A**

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Approximate Amount of Debt Outstanding (As of February 29, 2024)
Common	1,403,013,920
<hr/>	
Note: Total Outstanding Shares are:	
Common	1,403,013,920
Preferred ¹	416,666,670
Amount of Debt Outstanding	0

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
PHILIPPINES STOCK EXCHANGE – Common Shares

¹ The Bank's outstanding preferred shares are **not** listed nor registered in the Exchange.

Bank of Commerce
Definitive Information Statement

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Annex A-1	-	Certification of Independent Director (Ynares, RMA)
A-2	-	Certification of Independent Director (Fernandez, RDL)
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A-4	-	Certification of Independent Director (Paterno, SR)
A-5	-	Certification of Independent Director (Maignas, LJ)
B	-	2023 Audited Financial Statements with Statement of Management Responsibility
B-1	-	Supplementary Schedules to 2023 Financial Statements
C	-	Draft Minutes of the Annual Stockholders' Meeting dated April 25, 2023
D	-	Certification of No Government Posts of Directors and Officers

INFORMATION STATEMENT

A. GENERAL INFORMATION

Date, Time, and Place of Annual Stockholders' Meeting

The annual stockholders' meeting of **Bank of Commerce** (the "Bank" or "BankCom") will be held on **April 30, 2024** at **2:00 p.m.** via remote communication or virtually. The complete mailing address of the principal office of the Bank is San Miguel Properties Centre (SMPC), No. 7 St. Francis Street, Mandaluyong City 1550, Metro Manila, Philippines.

The Information Statement and proxy form are first to be sent to the security holders approximately on **April 5, 2024**. The Information Statement together with its attachments shall be available at the Bank's website, and the PSE Edge Portal. The Notice of the Meeting shall be published in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days.

YOU ARE NOT REQUESTED TO SEND US A PROXY.

For the health and safety of the stockholders and all persons concerned in light of the risks associated with the COVID-19 pandemic, the Bank will not hold a physical meeting and will instead conduct the meeting virtually, as authorized by the resolution of the Board of Directors on 27 February 2024.

Ballots and proxies may be submitted via email to stockholders@bankcom.com.ph, which submission shall be duly acknowledged and validated by the SMC Stock Transfer Service Corporation. For an individual, the submission must be accompanied by a copy of a government-issued ID with photo, as proof of identification. For a corporation, the submission must be accompanied by a certification from its Corporate Secretary stating the corporate officer's authority to represent the corporation in the meeting. In the event that the Covid-19 alert level status restricts the movement of persons and makes submission of the originally signed ballots, proxies, and notarized Secretary's Certificate difficult, these documents shall be submitted to the SMC Stock Transfer Service Corporation within a reasonable time after the Annual Stockholders' Meeting.

The deadline for submission of the proxy and ballot is on **Tuesday, April 23, 2024**. Validation of proxies and ballots will be on **Thursday, April 25, 2024** at 10:00AM at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines. Only stockholders who have notified the Bank of their intention to participate through remote communication as above described and have been validated by the Office of the Corporate Secretary to be stockholders of record of the Bank as of **Monday, April 8, 2024** will be considered in computing stockholder attendance at the meeting together with the stockholders attending through proxies.

Revocability of Proxies

A proxy may be revoked by the stockholder either in an instrument in writing duly presented and recorded with the Corporate Secretary, prior to the scheduled meeting, or by the personal presence of the stockholder at the meeting.

Dissenters' Right of Appraisal

Under Title X of the Revised Corporation Code, stockholders dissenting from and voting against the proposed corporate action specified in Section 80 of the Revised Corporation Code, may, within thirty (30) days, from the date on which the vote was taken, exercise the right of appraisal by making a written demand on the Bank for payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action. These specific corporate actions are as follows: (a) amendment to the corporation's Articles of Incorporation and By-laws which has the effect of (i) changing and restricting the rights of any shareholder or class of shares, (ii) authorizing preferences in any respect superior to those of outstanding shares of any class, or (iii) extending or shortening of term of corporate existence; (b) sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; (c) merger or consolidation; and (d) investment of corporate funds in another corporation or business or for any purpose other than its primary purpose. The proposed amendment of the Articles of Incorporation and By-Laws of the Bank are not corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided by Title X of the Revised Corporation Code.

SOLICITATION INFORMATION

The Bank is **not** soliciting proxies. A proxy form is provided to the stockholders of the Bank and included in this Information Statement.

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Bank at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office. None of the incumbent directors has informed the Bank in writing of the intention to oppose any action to be taken by the Bank at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of February 29, 2024, the Bank has the following outstanding shares of stock:

<u>Title of Each Class</u>	<u>Number of Shares of Common and Preferred Stock Outstanding as of February 29, 2024</u>
Common Shares	1,403,013,920
Preferred Shares	416,666,670 ²
TOTAL Outstanding Shares	1,819,680,590

² The Bank's outstanding preferred shares are **not** listed nor registered in the Exchange.

As of February 29, 2024, the following is the foreign ownership of the shares of stock of the Bank:

Share Class	Foreign Shares	% of Foreign Ownership	Local Shares/ Shares held by Filipinos	% of Filipino Ownership	Total Shares Outstanding
Common	155,242,166	11.06%	1,247,771,754	88.94%	1,403,013,920
Preferred	0	0%	416,666,670	100%	416,666,670

Common stockholders have the right to vote on all matters requiring stockholders' approval. The holders of the Preferred Shares shall not be entitled to vote except in matters provided for in the Revised Corporation Code: amendment of Articles of Incorporation; adoption and amendment of By-laws; sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation or other corporations; investment of corporate funds in another corporation or business; and dissolution.

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy. Only stockholders of record at the close of business on April 8, 2024 will be entitled to vote at the meeting. With respect to the election of directors, in accordance with Section 23, Title III of the Revised Corporation Code of the Philippines, a stockholder may vote the number of common shares held in his name in the Bank's stock books as of April 8, 2024, and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected, multiplied by the number of his common shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Bank multiplied by the total number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Bank is computed as follows: number of common shares held on record as of record date multiplied by 15 directors.

The deadline for submission of proxies is on **April 23, 2024**. Validation of proxies will be on **April 25, 2024** at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

Owners of more than 5% of the Bank's voting securities (both common and preferred shares) as of February 29, 2024 are as follows:

Title of Class of Securities	Name and Address of Record Owners and Relationship with the Bank	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares	% of Ownership (TOTAL OUTSTANDING)	% of Ownership (COMMON)
Common	SMC Equiv est Corporation	San Miguel Corporation (SMC) owns 100% of the outstanding common stock of SMC Equiv est and 99.86% of SMPI. Top Frontier Investments Holding owns 42% of SMC. Messrs. Inigo Zobel, Filipino, Director of SMC, and Ramon S. Ang, Filipino, President and CEO of SMC and Chairman and President of SMPI, are beneficial owners of 59.96% and 26.03%, respectively, of the outstanding	Filipino	68,305,560	26.6515%	4.8685%
Preferred				416,666,670		N/A
Common	San Miguel Properties, Inc. (SMPI)		Filipino	447,711,800	24.6039%	31.9107%
Common	San Miguel Corporation Retirement Plan	Various employees of San Miguel Corporation	Filipino	432,626,860	23.7749%	30.8355%
Common	PCD Nominee Corporation	Various Individuals/Entities	Filipino	153,023,854	8.4094%	10.9068%
Common	PCD Nominee Corporation	Various Individuals/Entities	Non-Filipino	140,298,366	7.7101%	9.9998%
Common	Caritas Health Shield, Inc.	Mariano T. Katipunan, Jr., Filipino, President and CEO and Edgar De Asis, Filipino, FVP, Finance, are officers and beneficial owners of Caritas Health Shield, Inc.	Filipino	109,666,640	6.0267%	7.8165%

The following are the number of shares comprising the Bank's capital stock (all of which are voting shares) owned of record by the President, directors, key officers of the Bank, and nominees for election as director as of February 29, 2024:

Directors

Title of Class	Name of Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		% of Total Outstanding Shares
Common	Francis C. Chua	Chairman	Filipino	Direct	10	NIL
Common	Benedicta Du-Baladad	Vice-Chairperson	Filipino	Direct	10	NIL
Common	Michelangelo R. Aguilar	President and CEO / Director	Filipino	Direct	10	NIL
				Indirect	40,100	NIL
Common	Roberto C. Benares	Director	Filipino	Direct	10	NIL
Common	Fe B. Barin	Director	Filipino	Direct	10	NIL
Common	Marito L. Platon	Director	Filipino	Direct	10	NIL
Common	Mariano T. Katipunan, Jr.	Director	Filipino	Direct	10	NIL
Common	Alexander R. Magno	Director	Filipino	Direct	10	NIL
Common	Melinda Gonzales-Manto	Director	Filipino	Direct	10	NIL
				Indirect	83,300	NIL
Common	Jose Carmelo C. Nograles	Independent Director	Filipino	Direct	10	NIL
Common	Rebecca Maria A. Ynares	Independent Director	Filipino	Direct	10	NIL
Common	Ricardo D. Fernandez	Independent Director	Filipino	Direct	10	NIL
Common	Daniel Gabriel M. Montecillo	Independent Director	Filipino	Direct	100	NIL
Common	Simon R. Paterno	Independent Director	Filipino	Direct	100	NIL
Common	Leonardo J. Matignas, Jr.	Independent Director	Filipino	Direct	100	NIL
	TOTAL				123,820	NIL

Key Officers

Title of Class	Name of Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		% of Total Outstanding Shares
Common	Michelangelo R. Aguilar	-same as above-				
Common	Evita C. Caballa	Corporate Secretary	Filipino	Direct	10	NIL
Common	Felipe Martin F. Timbol	Treasurer / Head, Treasury Management Group	Filipino	Indirect	110,500	NIL
Common	Mary Assumpta Gail C. Bautista	Head, Transaction Banking Group	Filipino	Indirect	10,100	NIL
Common	Gamaliel Ariel O. Benavides	Chief Trust Officer	Filipino	Indirect	100	NIL
Common	Manuel A. Castaneda III	Head, Corporate Banking Group	Filipino	Indirect	20,100	NIL
Common	Maria Ana P. dela Paz	Head, Credit Group	Filipino	Indirect	8,100	NIL
Common	Ma. Katrina A. Felix	Head, Credit Card Group	Filipino	Indirect	30,100	NIL
Common	Louella P. Ira	Asst. Corporate Secretary / Head, Legal Services Division	Filipino	Indirect	8,500	NIL
Common	Antonio S. Laquindanum	Chief Financial Officer/Head, Finance and Controllership Group	Filipino	Indirect	60,000	NIL
Common	Marie Kristin G. Mayo	Head, Human Resources Management and Development Division	Filipino	Indirect	5,100	NIL
Common	Reginald C. Nery	Chief Audit Executive	Filipino	Indirect	100,100	NIL
Common	Jeremy H. Reyes	Chief Risk Officer	Filipino	Indirect	5,100	NIL
Common	Jay S. Velasco	Head, Operations Group	Filipino	Indirect	8,100	NIL
Common	Jose Mari M. Zerna	Head, Consumer Group	Filipino	Indirect	8,100	NIL
Common	Marie Suzanne S. Sevilla	Chief Information Officer/Head, Digital Services Group	Filipino	NONE		NIL
Common	Francisco Raymond P. Gonzales	Corporate Communication & Consumer Protection Division Head	Filipino	Indirect	20,100	NIL
Common	Gregorio M. Yaranon	Chief Compliance Officer	Filipino	NONE		NIL
Common	Luis Martin E. Villalon	Head, Investment Banking Group	Filipino	Indirect	15,600	NIL
	TOTAL				409,710	NIL

The aggregate number of shares owned of record by the President, directors, and key officers of the Bank as a group as of the date of this Information Statement is 533,530 shares.

Voting trust holders of 5% or more

The Bank is not aware of shareholders holding any Voting Trust Agreement for shares constituting 5.0% or more of the outstanding capital stock, or any such similar agreement.

Change in control of the registrant since beginning of last fiscal year

There has been no change in the control of the Bank since the beginning of its last fiscal year.

Lock-up Shares

As of February 29, 2024, no shares of Bank of Commerce are under lock-up.

Directors and Executive Officers

The names of the incumbent and nominee directors and board advisors of the Bank, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

Name	Position	Years of Service As of 29 February 2024
Board of Directors		
Francis C. Chua	Chairman, Non-Executive Director	15 yrs. & 9 mos.
Benedicta Du-Baladad	Vice-Chairperson Non-Executive Director	10 yrs. & 1 mo.
Michelangelo R. Aguilar	President and CEO, Executive Director	5 yrs. & 7 mos.
Roberto C. Benares	Former President and CEO, Non-Executive Director	10 yrs. & 10 mos.
Fe B. Barin	Non-Executive Director	9 yrs. & 10 mos.
Marito L. Platon	Non-Executive Director	13 yrs. & 10 mos.
Mariano T. Katipunan, Jr.	Non-Executive Director	5 yrs. & 10 mos. 2 nd appointment as Caritas nominee, previously for 2yrs – 1 st appointment as Caritas nominee
Alexander R. Magno	Non-Executive Director	9 yrs. & 7 mos.
Melinda S. Gonzales-Manto	Non-Executive Director	9 yrs. as Independent Director; 1 yr. and 10 mos. as Non-Executive Director since elected on April 29, 2022
Jose Carmelo C. Nograles	Independent Director	8 yrs. & 10 mos.
Rebecca Maria A. Ynares	Independent Director	7 yrs. & 7 mos.
Ricardo D. Fernandez	Independent Director	3 yrs. & 2 mos.
Daniel Gabriel M. Montecillo	Independent Director	1 yr. and 10 mos. (elected on April 29, 2022)
Simon R. Paterno	Independent Director	1 yr. and 9 mos. (elected on June 1, 2022)

Leonardo J. Matignas, Jr.	Independent Director	8 months (elected on June 27, 2023)
Board Advisors:		
Jose T. Pardo	Chairman of the Board of Advisors	18 yrs. & 4 mos. as Director, 10 yrs. as Chairman of the Board, and 2 years as Chairman of the Board of Advisor since February 16, 2022
Aurora T. Calderon	Board Advisor	12 yrs. & 7mos
Ferdinand K. Constantino	Board Advisor	2 yrs. as Director and 13 yrs. and 9 mos. as Advisor
Cecile L. Ang	Board Advisor	8 yrs. & 4 mos.
Antonio M. Cailao	Board Advisor	5 yrs. & 8 mos.
Evita C. Caballa	Corporate Secretary	2 yrs. as Asst. Corporate Secretary; 13 yrs. & 10 mos. as Corporate Secretary and 3 yrs. & 3 mos. as Director

FRANCIS C. CHUA

Chairman, Non-Executive Director

Filipino, 75 years old

Ambassador Francis C. Chua has been a member of the Board of Directors of the Bank since 20 May 2008, sat as Vice Chairman from 2013 to 2022, and became Chairman effective on 16 February 2022. Mr. Chua used to chair the Executive Committee (ExCom) of the Bank when he was Vice Chairman of the Board. With his constant feedback and insights on best banking practices, he has been instrumental in promoting the Bank in the business community and in marketing its products and services. Amb. Chua continuously serves as Chairman Emeritus in the Philippine Chamber of Commerce and Industry, Inc. (PCCI), President Emeritus of the Federation of Filipino Chinese Chamber of Commerce and Industry, Inc. , Trustee of Universidad De Manila (UDM) and as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since 2006. He was also a Board Adviser of the Office of Alternative Dispute Resolution under the Department of Justice. He was the Special Adviser on Economic Affairs under the Office of the Speaker of the House of Representatives, Congress of the Philippines in 1997. He was Honorary Trade and Investment Representative of the Department of Trade and Industry from 2002-2009, appointed Commissioner in the Constitutional Commission from 2005-2006, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Office of the President from 2007-2010. He was also Governor (2002) and a member of the Board of Directors of the Philippine Stock Exchange from 2010-2020 where he served as the Chairman of the Committee of Demutualization. He demutualized the PSE with the unanimous support of its members.

He currently serves as Chairman of BA Securities Inc., and a member of the Board of Directors of DITO Telecommunity Corporation, National Grid Corporation of the Philippines (NGCP),

Global Ferronickel, Inc., and Platinum Group Metals Corp. He holds the Chairmanship of CLMC Group of Companies and serves as Vice Chairman of Negros Navigation/2Go. He was the Vice Chairman of Basic Energy and Mabuhay Satellite Corp., and President of the Philippine Satellite Corp. He founded Phil China Chamber of Commerce, Philippine Silkroad International Chamber of Commerce and Industry. He currently owns Philippine Union Realty Development Corporation, Philippine Nail and Wire Corp and BA Securities Inc. He obtained his degree in B.S. Industrial Engineering (Cum Laude) from the University of the Philippines and was conferred Doctor in Humanities from Central Luzon State University.

BENEDICTA A. DU-BALADAD

Vice-Chairperson, Non-Executive Director

Filipino, 62 years old

Atty. Benedicta A. Du-Baladad has been a member of the Board of Directors of the Bank since 31 January 2014. She is the Vice Chairperson of the Board of Directors, Chairperson of the Executive Committee and a member of the Trust and Investments Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014-2017, as well as the Audit Committee until April 2022. She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a law firm specializing in taxation and related corporate services. Ms. Du-Baladad has over 30 years of practice in the field of taxation, 17 years of which was spent with the Bureau of Internal Revenue (BIR) working on tax administration policy development and in operations. In 2001, she joined the private sector and is now on her 16th year of private practice. She has authored three (3) books on the taxation of the financial sector.

She was the lead tax and legal consultant of the Philippine Government's Department of Finance (DOF) on its program to reform the taxation of capital income and financial intermediation services. She has been the Co-Chair of the Capital Markets Development Council (CMDC) in the Philippines from 2019 to 2022. Ms. Du-Baladad holds leadership role in major professional and business organizations in the country such as the Management Association of the Philippines (MAP) as 2023 President, the Financial Executives of the Philippines (FINEX) as past President, the Philippine Chamber of Commerce and Industry as Chair of the Tax Committee, the Tax Management Association of the Philippines (TMAP) as past President, and the Women Business Council of the Philippines (Womenbiz) as Vice President. She is currently a Professorial lecturer in taxation at the University of Santo Tomas (UST) and the University of the Philippines (UP). She was also a Partner and Head of Tax Compliance and Advisory of Punongbayan & Araullo from 2001 to 2009. Prior to that, she was an officer of the Bureau of Internal Revenue where she worked from 1984 to 2001. Ms. Du-Baladad is a Certified Public Accountant, graduated Magna Cum Laude with a bachelor's degree in accountancy from Saint Louis University, Baguio, Philippines (1982), and holds a Bachelor of Laws degree from the University of Santo Tomas, Manila, Philippines (1989). Her educational background includes Advanced Management Program at Wharton School of the University of Pennsylvania, Pennsylvania, USA (2007) and Master of Laws and International Tax Program at the Harvard University, Cambridge, MA, USA. She is a fellow at the Institute of Corporate Directors. She is a regular columnist of the Business Mirror's 'Tax Law for Business'.

MICHELANGELO R. AGUILAR

President and CEO, Executive Director

Filipino, 67 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of the Bank on 16 July 2018. He is a member of

the Bank's Executive Committee (ExCom), Trust and Investment Committee (TIC), IT Steering Committee (ITSC) and Underwriting Committee (UWCom). On April 25 2023, he became the Chairman of the UWCom.

Mr. Aguilar is also a member of the Board of Directors and an Officer of the Bankers Association of the Philippines (BAP) for the ensuing term March 2023 to March 2024. He serves in two BAP committees, i.e., BAP Open Market Committee where he sits as Chairman, and the Executive Committee. He is likewise a member of the Board of Directors of BancNet, Inc. for the ensuing term March 2023 to March 2024.

Mr. Aguilar has over 40 years of banking experience in the areas of Corporate and Investment Banking, Global Markets and Treasury. He has 22 years of experience with international banks starting his career as an Executive Trainee at Citibank Philippines and rising through the ranks in the areas of Banking Operations, Treasury and Sovereign Risk as Assistant Manager, Manager, and Assistant Vice President. He held senior positions as Country Treasurer and then as Managing Director and Head of Wholesale Bank at Standard Chartered Philippines. For 13 years prior to joining the Bank, he was Treasurer and Head of Corporate Banking in Solid Bank Corporation and Rizal Commercial Banking Corporation, respectively. He was also a Director of RCBC Rental Corporation and RCBC Leasing and Finance Corporation. He graduated with a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and later acquired a master's degree in business management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).

ROBERTO C. BENARES

Former President and CEO, Non-Executive Director
Filipino, 71 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of the Bank since 30 April 2013. He assumed his position as President and CEO of Bank of Commerce on 1 August 2013 and was succeeded by Mr. Michelangelo R. Aguilar on 16 July 2018. He currently sits as Director and chairs the Information Technology Steering Committee (ITSC). He is also a member of the Executive Committee (ExCom) and the Underwriting Committee (UWCom). Director Benares used to sit as a member of the Board Risk Oversight Committee (BROC) until April 2023. During his tenure as President and CEO, he took the lead in strengthening the Bank by framing its superior service culture to achieve its recent milestones.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife. He holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a master's degree in business management at the Asian Institute of Management.

FE B. BARIN

Non-Executive Director
Filipino, 90 years old

Mrs. Fe B. Barin has been a member of the Board of Directors since April 24, 2014. Mrs. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent a total of fifty-three (53) years of service in the government, forty-four of which in the

then Central Bank of the Philippines and the Bangko Sentral ng Pilipinas where she served as Member of the Monetary Board from 2002 to 2004. She was the first Chairperson of the Energy Regulatory Commission created under the EPIRA in 2001, which position she occupied from August 2001 to September 2002 prior to her appointment as Monetary Board member. In Sept. 2004, she was appointed Chairperson of the Securities and Exchange Commission for a seven-year term ending 2011. As Chairperson of the SEC, she was ex Officio member of the Anti-Money Laundering Council and Chairperson of the Credit Information Corporation. She also served as Assistant Legal Counsel in the Philippine Deposit Insurance Corporation on secondment from the then Central Bank.

Mrs. Barin graduated from the College of Law, University of the Philippines, passed the Bar examinations given the same year and admitted to the Philippine Bar in 1957.

She is a Lifetime Fellow of the Institute of Corporate Directors and one of the Institute's Teaching Fellows, a Fellow of the Institute for Solidarity in Asia, and a founding member of the Judicial Reform Initiative, all non-stock nonprofit associations. She is also a member of the Board of Directors of the General Milling Corporation and Chairman of the Board of Directors of Barbor Equity, Inc., a family-owned corporation engaged in Agri business.

MARITO L. PLATON

Non-Executive Director

Filipino, 71 years old

Mr. Marito L. Platon was elected last 30 April 2010 as member of the Board of Directors of the Bank. He is currently a member of the Executive Committee (ExCom), Information Technology Steering Committee (ITSC), and Underwriting Committee. He was previously a member of the Board Risk Oversight Committee (BROC) (former Chairman), Audit Committee, Corporate Governance Committee (CGCom), and the Related Party Transactions Committee (RPTCom). Mr. Platon has been the driving force behind the consistent growth of the Bank's business in partnership with clients.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of Treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI's real estate companies Marangal Properties, Inc. and Luzviminda Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc. Currently, he serves as Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation. A Fellow at the Institute of Corporate Directors, Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.

MARIANO T. KATIPUNAN, JR.

Non-Executive Director

Filipino, 72 years old

Mr. Mariano T. Katipunan, Jr. was first elected into the Board of Directors of the Bank in May 2015 as nominee of Caritas Health Shield, Inc. He also served as a member of the Bank's Audit and Corporate Governance committees. He was replaced by Mr. Ronnie U. Collado in June 2017. He was elected again as Director in April 2018. He is currently a member of the Bank's IT Steering Committee (ITSC) and Trust and Investment Committee (TIC).

Mr. Katipunan brings with him an extensive experience in finance and controllership having been Treasurer and Chief Finance Officer of Caritas Health Shield since its inception in 1995. He oversaw the company's financial position, including its trust fund/reserves and overseas investments. He was elected President and Chief Executive Officer in April 2018. Mr. Katipunan has likewise been Managing Director of Megacenter Diagnostics Corp. since its establishment in 1994. He was an Investment Account Officer of Equitable Financial Services in Edison, New Jersey from 1984 to 1986. He was Vice President & Division Head for Account Management Group at the International Corporate Bank in Makati from 1977 to 1983. He also previously handled account management at Citytrust Banking Corporation and market research at Far East Bank and Trust Company. Mr. Katipunan was an instructor in Business Management and Finance at the Ateneo de Manila University and in Economics and Mathematics at St. Theresa's College in Quezon City. He holds a degree in Bachelor of Arts in Economics (Honors Course) and graduated with Honors in 1972 from the Ateneo de Manila University. In addition, he has a master's degree in business management from the Asian Institute of Management (1975). He underwent training at the Foreign Exchange/Bullion Trading & Money Market departments of the Swiss Bank Corporation in New York City from 1983 to 1984 and at Citibank, N.A. in Binondo, Manila under its Executive Development Program in 1975.

ALEXANDER R. MAGNO

Non-Executive Director

Filipino, 69 years old

Mr. Alexander R. Magno became a member of the Board of Directors of the Bank on 1 August 2014 and currently sits as a member of the Executive Committee (ExCom) and the Nominations, Compensation, and Remuneration Committee (NCRC). He used to be a member of the Bank's Trust and Investment Committee (TIC) until April 2023.

Mr. Magno is a columnist of the Philippine Star and consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. He was Director of Steel Asia Manufacturing from 1995 to 1999 and a professor at the University of the Philippines from 1976 to 2018. After the EDSA Revolution, he served as interim director of the President's Center for Special Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act, and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of

the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at UP Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

MELINDA S. GONZALES-MANTO

Non-Executive Director

Filipino, 71 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of the Bank since January 2014. She currently serves as member of the Related Party Transactions Committee (RPTCom), Board Risk Oversight Committee (BROC) and the Audit Committee (former Chairperson).

Ms. Manto likewise sits in the board of Eagle Cement Corporation (Eagle Cement), Petrogen Insurance Corporation (Petrogen) and RSA Foundation, Inc. She functions as Chairman of the Audit Committee and member of the Corporate Governance Committee and Related Party Transactions Committee of Eagle Cement. She chairs the Audit and Risk Oversight Committee and sits as member of the Corporate Governance Committee and Related Party Transactions Committee of Petrogen. She has been appointed as the Lead Independent Director of Eagle Cement and Petrogen.

Ms. Manto is presently a stockholder, director and the Vice-President of Linferd & Company, Inc. and ACB Corabern Holdings Corporation. She is also the Resident Agent of some multinational companies in the country and the Treasurer of a foreign company doing business in the Philippines. She was formerly a board member of the GSIS Family Bank.

Ms. Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors, and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients.

Ms. Manto finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management and had computer training at the Institute of Advanced Computer Technology.

JOSE CARMELO C. NOGRALES**Non-Executive Director****Filipino, 74 years old**

Mr. Jose C. Nograles has been an elected member of the Board of Directors of the Bank since 20 April 2015. He chairs the Bank's Board Risk Oversight Committee (BROC) and serves as a member of the following Committees: Corporate Governance Committee (CGCom) and Nomination, Compensation and Remuneration Committee (NCRC). He used to be a member of the Bank's Audit Committee until April 2023.

Mr. Nograles continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP's Operations and Corporate Services Sector. Five years earlier, as Senior Vice President and Treasurer, he organized LBP's combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of Land Bank Insurance Brokerage Inc., LBP's subsidiary engaged in insurance brokerage and foreign exchange trading.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager that introduced the Kia brand in the Philippines. He obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his master's degree in business administration from the Asian Institute of Management in 1973. He is a fellow of the Institute of Corporate Directors.

Mr. Nograles is currently an advisor to the Board of Amalgamated Investment Bancorporation, an investment banking firm. He is also an independent director of DragonFi Securities Corporation, a brokerage services company.

REBECCA MARIA A. YNARES**Independent Director****Filipino, 47 years old**

Ms. Rebecca Maria A. Ynares has been a member of the Board of Directors of the Bank since July 2016. She currently serves as Chairperson of the Nominations, Compensation and Remuneration Committee and a member of the Related Party Transactions Committee (RPTCom) and Audit Committee. She was also a member of the Board Risk Oversight Committee (BROC) until April 2023.

Ms. Ynares manages the following family-owned endeavors TJCMB Enterprises, a warehousing and logistics company; Tutoring Club Franchise Philippines; and Octagon Realty

He retired as Executive Vice President and Group Head of the Corporate Client Segment of BPI in 2018, where he was responsible for nationwide banking coverage of the firm's corporate clients and a member of its Management, Credit, Asset & Liability, and Investment Management Committees. Immediately prior to this role, he was President of BPI Capital Corporation and Chairman of BPI Securities Corporation, the bank's investment banking and securities subsidiaries. He served for 4 ½ years.

During his time at BPI, he was responsible for the reorganization of the corporate bank into two significant business initiatives: the Corporate Bank for large multinationals and domestic corporates, and the Business Bank, which services the small and medium-sized corporates in the country.

While at BPI Capital, he recast the investment bank into the leading domestic firm in the industry and competed successfully for business with the country's top corporates against the established international investment banking firms in the country. During his tenure, the firm won several international awards for excellence. During his tenure, among the more notable Philippine corporates that the firm took to the public equity capital markets are Max's Group, Store Specialists, and Metro Retail Stores Group.

Prior to returning to the Philippines, he spent 17 years in Hong Kong where he was CEO and founding equity partner of Diamond Dragon Advisors for three years, Asia's first private equity fundraising firm and before that, CEO of Fidelis Holdings for three years. Fidelis was the international real estate investment company of the Ayala Group of Companies.

He has 21 years of international investment banking experience, having worked in New York and Hong Kong at Bankers Trust, Credit Suisse, and Morgan Stanley. During this time, he was part of and managed business development and transaction teams in corporate, real estate and leveraged finance, derivatives, private equity, mergers & acquisitions, and equity and debt capital markets.

He is an independent director of Ayala Land, Inc. (ALI); RASLAG Corporation (ASLAG), a renewable energy company; Metro Pacific Health (MPH), a holding company with interests in 23 hospitals nationwide; Maybank Investment Banking Group (Philippines), Inc., a subsidiary of Maybank of Malaysia; and Marsh Philippines, a subsidiary of Marsh & McLennan. He is chairman of the audit committees of both Maybank Investment Banking Group (Philippines) and RASLAG; chairman of the corporate governance and ESG committees of MPH; and a member of audit, risk, and corporate governance committees in the various companies as well.

Dennis is a fellow of the Institute of Corporate Directors (Philippines), where he is also chairman of the sustainability committee; a board trustee of the United Nations Global Compact Network (Philippine chapter); a member of the International Coaching Federation (ICF); and an associate member of the Singapore Institute of Directors (SID). He is also a director of the global board of International Care Ministries, an NGO devoted to the rural ultra poor in the Philippines.

He has an MBA and MA from Stanford University in California, USA, and bachelor's degrees in management of financial institutions and Behavioral Sciences (*magna cum laude*) from De La Salle University in the Philippines.

and Development Corporation, where she is also the Corporate Secretary and account management lead. Ms. Ynares spearheads various sustainability and environment restoration initiatives in the Province of Rizal, including the Save Hinulugang Taktak and Ynares Eco System (YES) Programs. With the ongoing YES program, she continues to lead on projects such as installation of wastewater clean-up systems, tree-planting activities, medical missions with the Provincial Health Office, feeding programs with the Department of Social Welfare and Development (DSWD), and Youth Program. She lends support to other projects devoted to finding the right balance between the diligent care of the ecosystem and economic viability of affected businesses in Rizal. On top of her advocacies as a dedicated socio-economic philanthropist, Ms. Ynares is a member of the Philippine Red Cross-Rizal Chapter and is an avid resource speaker in various trainings and seminars in the province.

Previously, she served as a financial analyst for the Bahay Co. Real Estate Agents in Burlingame, California, USA from 2005 until 2007. She started her investment, banking, and finance career at the Asia United Bank (AUB) on the areas of branch operations, marketing and investment portfolio management. Ms. Ynares holds a degree in Bachelor of Science in Business Administration and Computer Applications from De La Salle University (1999) and Associate for Arts for Professional Designation Fashion & Merchandising in San Francisco, California (2002).

RICARDO D. FERNANDEZ

Independent Director

Filipino, 70 years old

Mr. Ricardo D. Fernandez was elected as an Independent Director of the Bank effective 1 January 2021. He is currently the Chairman of the Related Party Transactions Committee (RPTCom), and a member of the Corporate Governance Committee (CGCom) and the Nomination, Compensation and Remuneration Committee (NCRC). He has worked in the investment banking industry for 40 years. Mr. Fernandez was employed at Unicapital Incorporated (UI) from 1995 to 2019, where he was appointed as President from 1997 to March 2019, became a Consultant until December 2019, and Director until March 2020. From 1980 to 1995, he was employed at Multinational Investment Bancorporation (MIB). He graduated from the De La Salle University with degrees in Behavioral Science and Business Management. He also holds a master's degree in business administration from the University of the Philippines.

DANIEL GABRIEL M. MONTECILLO

Independent Director

Filipino, 67 years old

Mr. Montecillo is an independent board director, consultant, leadership speaker and facilitator, executive coach. He currently chairs the Bank's Corporate Governance Committee. He is also a member of the Audit Committee and Board Risk Oversight Committee. Mr. Montecillo was the chairperson of the Bank's Underwriting Committee (UWCom) from its inception in 2022 up to April 2023.

Mr. Montecillo is currently a senior consultant to the International Finance Corporation and a CXO facilitator of Deloitte University Asia Pacific in Singapore. He was a former facilitator in the Leadership Acceleration Program of Ayala University; a guest lecturer at the Asian Institute of Management. He received his certification as an Associate Certified Coach (ACC) from the International Coaching Federation (ICF) and ESG Certification from Competent Boards in Canada.

SIMON R. PATERNO
Independent Director
Filipino, 65 years old

Mr. Simon Paterno is Founder and CEO of ZQR Corporation, a start-up platform that improves the experience of document exchanges between enterprises and their customers.

Mr. Paterno's immediate previous engagement was EVP and Head of Products and Alternative Channels at Bank of the Philippine Islands from 2014-2019. In that position, he managed all of the bank's profit centers outside of Treasury, including the bank's digital channels. This included supervision of insurance (BPI-MS), merchant acquiring (Chairman of BPI Global Payments), leasing, investment banking, and microfinance (Chairman of BPI Banko).

Mr. Paterno represented CIMB in the Philippines in its search for a bank investment and in originating investment banking deals. He joined the group in late 2012 as the CEO-designate of Bank of Commerce, which was targeted for acquisition by CIMB. The deal was canceled in 2013.

Mr. Paterno was Managing Director and Country Manager of Credit Suisse from 2004 to 2012. He also founded and served as Chairman of Credit Suisse Securities Philippines, Inc., the firm's securities broker/dealer subsidiary.

Mr. Paterno served as President/CEO of the Development Bank of the Philippines, the government-owned commercial bank, from 2002 to 2004. At the DBP, he pioneered work on the maritime Ro-Ro network that links the archipelago. He was concurrently Chairman of the LGU Guarantee Corporation and other DBP subsidiaries. In 2003, DBP was named 6th Best Employer by Hewitt Associates and Strongest Bank in the Philippines (Based on financial and operational measures, asset quality, and year-on-year improvements in profits and assets) by Asian Banker.

Mr. Paterno spent 18 years with J.P. Morgan & Co., with stints in New York and Hong Kong. In 1997, he was named a Managing Director, with responsibility for coverage of Asian sovereign clients during the Asian financial crisis. He led the project teams that advised the Indonesian Bank Restructuring Agency (IBRA) and its Malaysian counterpart, Danaharta. In mid-1998, he returned to Manila to head J.P. Morgan's Philippine business, and following the merger with Chase Manhattan Bank, worked as Head of Philippine Investment Banking until 2002.

At J.P. Morgan, he worked on some of the most significant sovereign financing transactions including the country's restructuring of its foreign debt in 1991, the return to capital markets in 1992, the Brady exchanges in 1994, and while at Credit Suisse, the Domestic Bond Exchanges and the Debt Exchange Warrants transactions that won Best Liability Management awards for 2006 and 2008. His M&A transaction experience includes mergers that formed the 3 largest Philippine banks in the Philippines, the largest cement company mergers, and the restructuring of San Miguel Corporation's ownership. Under his leadership, J.P. Morgan was named Best Investment Bank in the Philippines by The Asset in 2001 and Credit Suisse was named Best Investment Bank in the Philippines by FinanceAsia in 2009.

In 1999, he received the TOYM (The Outstanding Young Men) Award for his work in Investment Banking. In 2005, he served as President of the Management Association of the Philippines, an organization of the country's top CEO's. He has served on the Board of Directors of the Bankers Association of the Philippines. He serves as Vice Chairman of the Foundation for Economic Freedom, a reform-oriented advocacy group of the country's top economists, as

Board member of the Ateneo Alumni Association and as Chairman of the Ateneo Scholarship Foundation. He is currently President of the ALFM Family of Mutual Funds. He is also an adviser to Packworks, a start-up enabling sari-sari stores.

Mr. Paterno is a member of Bank's Audit Committee, Related Party Transactions Committee (RPTCom), and Corporate Governance Committee. He used to be a member of the Information Technology Steering Committee (ITSC) until April 2023.

Mr. Paterno received his MBA from Stanford University in 1984 and his AB Honors Program in Economics, cum laude, from the Ateneo de Manila University in 1980.

**Leonardo J. Matignas, Jr., CPA, CFE, CIA, CRMA, MM, FCPA Australia
Independent Director
Filipino, 62 years old**

Mr. Leonardo J. Matignas, Jr. is a former Partner of SGV & Co. (a member practice of Ernst & Young) and its former Chief Risk Officer. He recently retired last June 30, 2022. He was also Ernst & Young's ASEAN Risk Management Leader until his retirement last June. He is a multi-awarded and internationally recognized authority on Enterprise Risk Management (ERM). Aside from being a Philippine CPA, he also holds a Fellow CPA Australia (FCPA) title which is the highest rank in CPA Australia and is recognized globally. He is also a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and has Certification in Risk Management Assurance (CRMA)--all of which are global certifications.

Over the course of his 40-year career, he had started service lines that paved the way for CPAs to venture into other avenues such as forensic accounting, risk-based auditing, and in risk management, either as a risk owner or risk champion. He was also very instrumental in SGV's accreditation by the Securities and Exchange Commission as an institutional training provider for Corporate Governance, for which he was the lead lecturer.

Leo holds a Bachelor of Science degree in Commerce, Magna Cum Laude, from San Sebastian College and completed his master's in management degree- International from the University of Phoenix. He is a Certified Public Accountant and has also completed Management Development Program at the Asian Institute of Management. In 2021, he completed an executive program, "Journey to the Boardroom" conducted by the Harvard Business Publishing Corporate Learning in collaboration with Ernst & Young.

His recognitions and awards include the following:

- One of the Top 100 notable CPAs in the 100 years in the history of the Philippine Accountancy Profession conferred by the Professional Regulation of the Board of Accountancy in celebration of its centennial anniversary. The award was given last March 17, 2023 at the Manila Hotel.
- 2022 Honorary Lifetime Member Award recipient from the Philippine Institute of Certified Public Accountants (PICPA) given during PICPA's Annual Convention in Cebu in November of this year.
- 2019 Winner of the Search for Outstanding Contribution in Internal Audit (SOCIA) in Asia Pacific by the Asian Confederation of Institute of Internal Auditors (ACIIA) which was awarded in Tokyo, Japan. First Filipino recipient of this award.
- First SOCIA PH awardee given by The Institute of Internal Auditors-Philippines (IIA-P) 2018
- Recognized by the Philippines' Professional Regulations Commission for his contributions to the accounting profession in 2015
- 2014 Outstanding CPA in Public Practice by PICPA

- Past President, Asian Confederation of Institute of Internal Auditors. He is the first Filipino elected to this post by internal auditors in Asia Pacific (2009).
- Past President, Institute of Internal Auditors (IIA)-Philippines (2007)
- Past President and Founding Member of the Association of Certified Fraud Examiners (ACFE) – Philippine Chapter (2005)
- 2011 National Awardee for PICPA Professional Development- International
- Instrumental for the SGV's accreditation by the Philippines Securities and Exchange Commission (SEC) as Training provider for Corporate Governance by the SEC, for which is he was the lead facilitator.
- One of the Ten Values Champions in the Far East by Ernst & Young in 2008.
- 2005 – National Awardee for professional Development, PICPA
- The only Filipino speaker in the World Congress of Accountants in Kuala Lumpur, Malaysia
- Featured in the leading business magazine of Malaysia that highlighted his forensic accounting skills and experience.
- Speaker/moderator in the 2011 IIA International Conference held in Kuala Lumpur, Malaysia.
- Received four (4) plaques of recognition from the Philippine SEC for his role in the SEC Roadshow in promoting the first code of corporate governance.
- Part of the SEC task force in drafting the blueprint of the New Code of Corporate Governance for Publicly listed companies where he actively shared his expertise in Enterprise Risk Management. The new code was released in 2016.
- Currently a member of the Quality Assurance Review Council of the Philippine Institute of Certified Public Accountants (PICPA), the accredited integrated professional organization of certified public accountants by the PRC and BOA.

Before he retired in June of this year, Leo released his book, "A Practical Approach to Enterprise Risk Management". This is the first book on ERM written by a Filipino author for the Filipinos.

In November, 2023, Mr. Matignas released his second book, "Piercing the Numbers- Fraud and Forensics".

He currently sits as an independent director in the board of PNB Holdings Corporation (a real estate corporation) and the Chairman of its Audit and Risk Management Committee.

Mr. Matignas is currently the Chairperson of the Bank's Audit Committee. He is also a member of the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC).

Senior Executive Team

The members of senior executive team, subject to the control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's executive officers as of February 29, 2024:

SENIOR EXECUTIVE TEAM	
Mary Assumpta Gail C. Bautista 49, Filipino Senior Vice President	<ul style="list-style-type: none"> • AV Santiago Development Corp – Treasurer • Deutsche Bank - Former Vice President/ Former Corporate Cash Management Head, Senior Relationship Manager • BDO/Equitable PCI Bank - Former Cash Management Sales and Marketing Department Head

<p><i>Transaction Banking Group Head</i></p>	<ul style="list-style-type: none"> • Standard Chartered Bank (Singapore) - <i>Former Regional Product Manager</i> • Standard Chartered Bank (Philippines) – <i>Former Product Manager</i> • Citibank N.A. Philippines – <i>Assistant Product Manager, Former Program Administrator</i>
<p>Gamalielh Ariel O. Benavides 57, Filipino <i>Senior Vice President Chief Trust Officer</i></p>	<ul style="list-style-type: none"> • Bacolod Cupcake Café, Inc. – <i>Director</i> • Sunlife of Canada Philippines, Inc. – <i>Former Licensed Insurance Agent</i> • BDO Private Bank, Inc. - <i>Former Senior Vice President / Business Development & Marketing Strategy Head, Former Trust Officer</i> • Banco Santander Philippines, Inc. – <i>Former Trust & Investment Services Head/ Vice President, Former Product Development, Assistant Vice President</i> • Abacus Securities Corporation – <i>Former Operations Head</i> • Citibank N.A. Philippines Branch – <i>Former Securities Services Unit Head, Former Official Assistant, Treasury, Treasury Operations</i> • Citibank N.A. Singapore Branch – <i>Former Manager</i>
<p>Manuel A. Castañeda III 53, Filipino <i>Executive Vice President Corporate Banking Group Head</i></p>	<ul style="list-style-type: none"> • Bank of Commerce – <i>Former Corporate Banking Group 1 Head</i> • Producers Savings Bank - <i>Former President, CEO and Director</i> • Maybank Philippines - <i>Former Global Banking Head</i> • Unionbank of the Philippines - <i>Former Commercial Banking 1 Head</i> • International Exchange Bank - <i>Former Corporate Banking Team 1 and Project Finance Head and Former Relationship Manager & Head of Project Finance</i> • AsiaTrust Development Bank – <i>Former Unit Head, Investment Banking Group and Former Unit Head Portfolio Management</i> • BPI Express Card Corp. – <i>Former Merchant Assistant</i>
<p>Maria Ana P. dela Paz 49, Filipino <i>First Vice President Credit Group Head</i></p>	<ul style="list-style-type: none"> • Bank of Commerce - <i>Former Credit Evaluation and Review Division Head</i> • Planters Development Bank - <i>Former Department Head, Former Product Officer, Former Account Officer, Former Project Officer</i>
<p>Ma. Katrina A. Felix 55, Filipino <i>Senior Vice President Credit Card Group Head</i></p>	<ul style="list-style-type: none"> • Franzen Foundation Inc – <i>Trustee</i> • AKEAN Landholdings Inc – <i>Director</i> • Prudentiallife Plan Group Inc – <i>Director</i> • Prudentiallife Memorial Park – <i>Director</i> • Prudentiallife Tarlac Memorial Park – <i>Director</i> • Best Inc- <i>Former Director</i> • Finscore Inc (sister company of Cash Credit) - <i>Former President</i> • Cash Credit/ CC Mobile Financial Services Phil. – <i>Former Country Manager</i> • Prudential Financial Services- <i>Former President & Managing Director, Former Chief Operating Officer</i> • Prudential Life Plan, Inc. – <i>Former Vice President Personnel Department</i>

	<ul style="list-style-type: none"> • Bank of America NT & SA Manila – Former Operations Manager, MIS Department
<p>Louella P. Ira 52, Filipino First Vice President Legal Services Division Head</p>	<ul style="list-style-type: none"> • Bank of Commerce - Former Legal Services-Operations Department Head • Metropolitan Bank & Trust Co- Former Legal Officer • Metrobank Card Corporation – Former Assistant Corporate Secretary • Insular Life & Assurance Co. – Former Legal officer • Padilla Jimenez Kintanar & Asuncion – Former Associate
<p>Antonio S. Laquindanum 46, Filipino Executive Vice President Chief Financial Officer</p>	<ul style="list-style-type: none"> • Lake Champlain Holdings - Director • Australia and New Zealand Banking Group - Former CFO Philippines and Acting COO, Former Philippine Head of Finance and Administration • Ernst & Young, LLP (USA) – Former Manager • Accenture – Former Senior Consultant/Senior Team Lead
<p>Marie Kristin G. Mayo 55, Filipino First Vice President Human Resource Mgt. and Dev't. Division Head</p>	<ul style="list-style-type: none"> • Bank of Commerce - Former Recruitment Head • The Royal Bank of Scotland (ABN AMRO Bank, Inc.) - Former HR Head • My Resource Solutions - Former HR and Admin Manager • Photokina Marketing Corporation - Former HR Supervisor • LTS Philippines Corporation – Former Personnel Specialist • Phil. Long Distance Tel. Co. – Former Engineering Assistant
<p>Reginald C. Nery 66, Filipino Senior Vice President Chief Audit Executive</p>	<ul style="list-style-type: none"> • Bank of Commerce – Former Officer-in-Charge, Compliance Division, Former Chief Audit Executive • Project Management Institute Philippine Chapter - Board of Trustee (Treasurer) • Diaz Murillo Dalupan and Company, CPAs - Former Partner and Head (Technology Performance and Governance) • RCNERY and Associates - Former President and Principal Consultant • KPMG ManabatSanAgustin& Company (Formerly LayaMananghaya& Company) - Former Partner and Head (Performance and Technology)
<p>Jeremy H. Reyes 45, Filipino First Vice President Chief Risk Officer</p>	<ul style="list-style-type: none"> • Bank of Commerce - Former Internal Audit Division Quality Assurance Review Dept. Head • HSBC – Former Commercial Banking Business Risk & Control Management Head, Former Assistant Vice President, Management Internal, Former Assistant Manager, Credit Administration • HSBC Savings - Former Deputy Head of Audit
<p>Felipe Martin F. Timbol 54, Filipino Executive Vice President Treasurer/ Treasury Management Group Head</p>	<ul style="list-style-type: none"> • Bank of Commerce –Former Treasury Management Sector Head, and Former Treasury & Fee Based Business Sector Head • Rizal Commercial Banking Corp. – Former Vice President/Fund Management Group Head • Eastwest Banking Corporation - Former Sr. Asst. Vice President/Treasury Department • Bank of Southeast Asia – Former Assistant Manager/Trust Department • United Coconut Planters Bank – Former Senior Trader, Former Senior Analyst, and Former General Teller
<p>Jay S. Velasco</p>	<ul style="list-style-type: none"> • San Miguel Properties Centre Condominium Corp. – Director/President

<p>51, Filipino Senior Vice President Operations Group Head</p>	<ul style="list-style-type: none"> • Bank of Commerce - Former Loans Operations Division Head and Former Head Office Operations Support Division Head • Tiaong Rural Bank - Former Chief Operations Officer • PS Bank - Former Head Office Operations Division Head, Former Centralized Branch Operations & Support Division Head, Former Process Services Division Head • BPI - Former Funds Transfer Dept. Head, Former Central Clearing Unit Head, Former Central Clearing Unit Officer, Former Transit Center Officer, and Former Verification Officer • DBS Bank Philippines – Former Central Clearing Unit Head, Former ATM Center Head, Former Processing Center Head, and Former Centralized Verification Head
<p>Jose Mari M. Zerna 48, Filipino First Vice President Consumer Banking Group Head</p>	<ul style="list-style-type: none"> • Bank of Commerce - Former Chief Risk Officer and Former Credit Risk Management Dept. Head • ANZ Banking Group Limited – Former Account Officer • BPI Capital Corporation – Former Corporate Finance Officer • Bank of the Philippine Islands – Former Account Officer (Institutional Banking Group) • Reuters Limited - Former Treasury Applications Specialist • Misys Banking Systems Inc - Former Senior Functional Consultant • Citytrust Bank and Trust – Former Management Trainee
<p>Francisco Raymund P. Gonzales 52, Filipino Assistant Vice President Corporate Communication & Consumer Protection Division Head</p>	<ul style="list-style-type: none"> • Bank of Commerce – Former Product Development & Customer Protection Department Head • ChinaBank – Former Product Manager • Metrobank – Former Product Manager • AB Capital and Investment Corp. – Former Deal Officer • Citytrust / BPI – Former CorPlan Officer • Punongbayan and Araullo – Former Consulting Staff
<p>Gregorio M. Yaranon Jr. 53, Filipino Senior Vice President Chief Compliance Officer</p>	<ul style="list-style-type: none"> • City Savings Bank – Former Chief Compliance Officer • CIMB Bank Philippines Inc. – Former Chief Compliance & Legal Officer • CIMB Bank Berhad (Malaysia) – Former Consultant for Compliance & Legal • Maybank Philippines Inc – Former Chief Compliance Officer • Unionbank – Former Security Officer, Former Litigation Lawyer, Former HR Legal Officer/Industrial & Labor Relations Manager, and Former Compliance Officer
<p>Luis Martin E. Villalon 51, Filipino First Vice President Investment Banking Group</p>	<ul style="list-style-type: none"> • First Metro – Former Head of Coverage Team 1 and Former Deputy Head of Equity Capital Markets • Ampersand Capital Incorporated – Former Head of Capital Markets • Philippine Commercial Capital Inc – Former Head of Capital Markets • SB Capital Investment Corporation – Former Investment Banking Director • HSBC (New York Office) – Former Vice President of Global Corporate Banking

	<ul style="list-style-type: none"> • Citibank (New York Office) – <i>Former Assistant Vice President of Corporate and Investment Banking</i> • Houlihan Lokey Howard And Zukin – <i>Former Technical Assistant</i>
<p>Marie Suzanne Sison-Sevilla 60, Filipino Chief Information Officer/Digital Services Group Head</p>	<ul style="list-style-type: none"> • IT Managed Services Inc. (ITMSI) – <i>Director</i> • Intelligent E-Processes Technologies Corporation (IETC) – <i>Director</i> • PROSYNC Retirement Fund – <i>Trustee</i> • Fiesta Pacific Asia, Inc. – <i>Director</i> • Process Synergy Inc. (PROSYNC) – <i>Director</i> • SMITS Retirement Fund – <i>Trustee</i> • SMITS Inc. – <i>Director</i> • Bell Telecommunications Philippines Inc. – <i>Former Chief Information Officer and Information Technology Head</i> • Philippine Airlines – <i>Former Head of Information Services Department</i> • Bank of Commerce – <i>Former Information Technology Services Division Head</i> • Personas Creadoras – <i>Former Freelance Independent IT Management Consultant</i> • IBM Philippines – <i>Former Manager</i>

Term of Office

Pursuant to the Bank's By-laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies, or is removed prior to such election.

The nominees for election to the Board of Directors on April 30, 2024 are as follows:

- 1) Francis C. Chua
- 2) Michelangelo R. Aguilar
- 3) Roberto C. Benares
- 4) Marito L. Platon
- 5) Benedicta Du-Baladad
- 6) Melinda S. Gonzales-Manto
- 7) Mariano T. Katipunan, Jr.
- 8) Fe B. Barin
- 9) Alexander R. Magno
- 10) Jose Carmelo C. Nograles
- 11) Rebecca Maria A. Ynares – Independent Director
- 12) Ricardo D. Fernandez – Independent Director
- 13) Daniel Gabriel M. Montecillo – Independent Director
- 14) Simon R. Paterno – Independent Director
- 15) Leonardo J. Matignas, Jr. - Independent Director

The incumbent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certifications of the Independent Directors are attached hereto as **Annexes "A-1", "A-2", "A-3", "A-4", and "A-5"**.

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the

registrant on any matter relating to the registrant's operations, policies, or practices. Further, the registrant has not received any letter from any director regarding any such disagreement.

Board and Committee Meeting Attendance

For the year 2023, the following are the attendance of the members of the Board of Directors in the Board meetings as well as their respective Committee meetings:

Board of Directors

Name	Position	Attendance	Percentage
Francis C. Chua	Chairman, Non-Executive Director	14/14	100%
Benedicta A. Du-Baladad	Vice Chairperson, Non-Executive Director	13/14	92.86%
Michelangelo R. Aguilar	Member, Executive Director	14/14	100%
Roberto C. Benares	Member, Non-Executive Director	13/14	92.86%
Marito L. Platon	Member, Non-Executive Director	14/14	100%
Melinda Gonzales-Manto	Member, Non-Executive Director	14/14	100%
Fe B. Barin	Member, Non-Executive Director	14/14	100%
Alexander R. Magno	Member, Non-Executive Director	14/14	100%
Mariano T. Katipunan, Jr.	Member, Non-Executive Director	13/14	92.86%
Jose Carmelo C. Nograles	Independent Director	14/14	100%
Rebecca Maria A. Ynares	Independent Director	12/14	85.71%
Ricardo DL. Fernandez	Independent Director	14/14	100%
Daniel Gabriel M. Montecillo	Independent Director	14/14	100%
Simon R. Paterno	Independent Director	14/14	100%
Leonardo J. Matignas Jr. ¹	Independent Director	7/7	100%
Winston A. Chan ²	Independent Director	4/5	80%

¹ Independent Director effective June 28, 2023

² Resigned as Independent Director effective May 30, 2023

Executive Committee

Name	Position	Attendance	Percentage
Benedicta Du-Baladad	Chairperson	23/26	88.46%
Michelangelo R. Aguilar	Vice Chairperson	23/26	88.46%
Marito L. Platon	Member	26/26	100.00%
Fe B. Barin ¹	Member	8/8	100.00%
Winston A. Chan ¹	Member	7/8	87.5%
Roberto C. Benares ²	Member	17/18	94.44%
Alexander R. Magno ²	Member	18/18	100.00%

¹ Ceased to be members effective April 25, 2023

² Appointed as members of the Executive Committee on April 25, 2023 (replaced Fe B. Barin and Winston A. Chan)

Audit Committee

Name	Position	Attendance	Percentage
Leonardo J. Matignas Jr. ¹	Chairman	6/6	100%
Simon R. Paterno ²	Chairman/ Member	12/13	92%
Rebecca Maria A. Ynares	Member	12/13	92%
Daniel Gabriel M. Montecillo	Member	12/13	92%
Melinda Gonzales-Manto	Member	13/13	100%
Mariano T. Katipunan Jr. ³	Member	6/7	86%

¹ Appointed as Chairman of the Audit Committee effective June 28, 2023 (replaced Mariano T. Katipunan Jr.)

² From being the Chairman of the Audit Committee, appointed as Member effective June 28, 2023

³ Ceased to be member on June 27, 2023

Board Risk Oversight Committee

Name	Position	Attendance	Percentage
Jose Carmelo C. Nograles	Chairman	12/12	100%
Marito L. Platon ¹	Member	4/4	100%
Roberto C. Benares ¹	Member	4/4	100%
Daniel Gabriel M. Montecillo	Member	11/12	91.67%
Winston A. Chan ²	Member	3/6	60%
Melinda Gonzales-Manto ³	Member	8/8	100%
Fe B. Barin ³	Member	8/8	100%
Leonardo J. Matignas Jr. ⁴	Member	6/6	100%

¹ Ceased to be members effective April 25, 2023

² Resigned as Member of the Board of Directors effective May 30, 2023

³ Appointed as members on April 25, 2023 (replaced Marito L. Platon and Roberto C. Benares)

⁴ Appointed as member effective June 28, 2023 (replaced Winston A. Chan)

Corporate Governance Committee

Name	Position	Attendance	Percentage
Daniel Gabriel M. Montecillo	Chairman	12/12	100%
Fe B. Barin	Member	12/12	100%
Jose Carmelo C. Nograles	Member	12/12	100%
Ricardo D. Fernandez	Member	12/12	100%
Mariano T. Katipunan, Jr. ¹	Member	3/4	75%
Simon R. Paterno ²	Member	8/8	100%

¹ Ceased to be member effective April 25, 2023

² Appointed as member on April 25, 2023 (replaced Mariano T. Katipunan Jr.)

Nominations, Compensation, and Remuneration Committee

Name	Position	Attendance	Percentage
Rebecca Maria A. Ynares	Chairperson	10/11	91%
Francis C. Chua	Member	11/11	100%
Alexander R. Magno	Member	11/11	100%
Ricardo DL. Fernandez	Member	11/11	100%
Winston A. Chan ¹	Member	2/6	33.33%
Jose Carmelo C. Nograles ²	Member	5/5	100%

¹ Resigned as Member of the Board of Directors effective May 30, 2023

² Appointed as member on June 27, 2023 (replaced Winston A. Chan)

Trust and Investments Committee

Name	Position	Attendance	Percentage
Francis C. Chua ¹	Chairman	13/13	100%
Benedicta Du-Baladad	Member	11/13	84.62
Michelangelo R. Aguilar	Member	13/13	100%
Alexander R. Magno ¹	Member	4/4	100%
Gamalielh Ariel O. Benavides	Member/Chief Trust Officer	13/13	100%
Mariano T. Katipunán Jr. ²	Member	9/9	100%

¹ Ceased to be member effective April 25, 2023

² Appointed as member of the Trust and Investments Committee on April 25, 2023 (replaced Alexander Magno)

Related Party Transactions Committee

Name	Position	Attendance	Percentage
Ricardo D. Fernandez	Chairman	12/12	100%
Melinda Gonzales-Manto	Member	12/12	100%
Rebecca Maria A. Ynares	Member	12/12	100%
Jose Carmelo C. Nograles ¹	Member	6/6	100%
Simon R. Paterno	Member	12/12	100%
Leonardo J. Matignas Jr. ²	Member	6/6	100%

¹ Ceased to be member on June 27, 2023

² Appointed as member effective June 28, 2023 (replaced Jose Carmelo C. Nograles)

Information Technology Steering Committee

Name	Position	Attendance	Percentage
Roberto C. Benares	Chairman	13/13	100%
Marito L. Platon	Member	13/13	100%
Antonio S. Laquindanum ¹	Member	1/1	100%
Donald G. Limcaco ²	Member	2/3	66.67%
Simon R. Paterno ³	Member	4/4	100%
Michelangelo R. Aguilar ⁴	Member	11/12	91.67%
Marie Suzanne A. Sison Sevilla ⁶	Member	10/10	100%
Mariano T. Katipunán Jr. ⁵	Member	8/9	88.89%

¹ Ceased to be member effective January 31, 2023

² Ceased to be member effective April 1, 2023

³ Ceased to be member effective April 25, 2023

⁴ Appointed as member on January 31, 2023 (replaced Antonio S. Laquindanum)

⁵ Appointed as member on April 25, 2023 (replaced Simon S. Paterno)

⁶ Appointed as member on April 25, 2023 (replaced Donald G. Limcaco)

Underwriting Committee

Name	Position	Attendance	Percentage
Daniel Gabriel M. Montecillo ¹	Chairman	4/4	100%
Michelangelo R. Aguilar ²	Chairman	12/12	100%
Roberto C. Benares	Member	12/12	100%
Marito L. Platon ³	Member	8/8	100%

¹ Ceased to be Chairman effective April 25, 2023;

² Appointed as Chairman on April 25, 2023

³ Appointed as member on April 25, 2023 (replaced Daniel Gabriel M. Montecillo)

Independent Directors

The incumbent Independent Directors of the Bank are as follows:

- 1) Jose Carmelo C. Nograles
- 2) Rebecca Maria A. Ynares
- 3) Ricardo D. Fernandez
- 4) Daniel Gabriel M. Montecillo
- 5) Simon R. Paterno
- 6) Leonardo J. Matignas, Jr.

The nominees for election as Independent Directors of the Board of Directors on April 30, 2024 are as follows:

Nominee for Independent Director (a)	Person/Group Recommending Nomination (b)	Relation of (a) and (b)
1) Rebecca Maria A. Ynares	NCRC	None
2) Ricardo D. Fernandez	NCRC	None
3) Daniel Gabriel M. Montecillo	NCRC	None
4) Simon R. Paterno	NCRC	None
5) Leonardo J. Matignas, Jr.	NCRC	None

In approving the nominations for Independent Directors, the NCRC took into consideration the guidelines and procedures on the nomination of independent directors prescribed in SRC Rule 38 and the Manual for Corporate Governance of the Bank.

The nominations for the election of all directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary on or before such date that the Board of Directors may fix, provided that such date shall be prior to the stockholders' meeting.

The nominations were forwarded to the NCRC which determined the qualifications of the nominees and prepared a final list of nominees eligible for election. No other nominations are entertained after the final list of candidates is prepared.

Under Section 1, Article III of the Bank's By-laws, (i) the qualification, disqualifications and requirements for a director shall be based on pertinent laws and regulations of the Securities and Exchange Commission, Bangko Sentral ng Pilipinas and other appropriate government regulatory agencies, and (ii) no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Bank as defined in Section 1, Article III of the Bank's By-laws.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 1, Article III of the Bank's By-laws.

Significant Employees

The Bank has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

Mr. Roberto C. Benares, Director and former President of the Bank, is related within the third civil degree of affinity to Mr. Jose T. Pardo, Advisor to the Board of Directors. Mr. Benares is married to Mr. Pardo's niece. Other than this, no other family relationships among the directors or senior executives, either by consanguinity or affinity.

Involvement in Legal Proceedings

To the best of its knowledge, the Bank is not aware of any of the following events having occurred during the past five (5) years up to the date of this Definitive information Statement that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director or Senior Executive of the Bank:

- a. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- b. any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- c. being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
- d. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Certain Relationships and Related Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders, and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks. The Bank is in full compliance with the BSP regulations on DOSRI loans and transactions. As of December 31, 2023 and 2022, DOSRI loans of the Bank amounted to P0.2 million and P0.3 million, respectively. Details on related party transactions are further explained in Note 33 of the Audited Financial Statements. The Bank is not a subsidiary of any corporation.

Parent Companies

As of February 29, 2024, San Miguel Properties, Inc. owns and controls 447,711,800 common shares comprising 31.9107% of the capital stock of the Bank entitled to vote, and San Miguel Corporation Retirement Plan owns and controls 432,626,860 common shares comprising 30.8355% of the capital stock of the Bank entitled to vote.

Compensation of Directors and Executive Officers

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing year to the Chief Executive Officer and top four (4) Senior Executive Officers of the Company, of the Senior Executive Team Members and Directors are as follows:

Name	Year	Salary	Bonus	Other Annual Compensation	Total
Total Compensation of the CEO and Top 4 Executives	2024 (estimated)	78,139,374.00	21,104,899.00	-	99,244,273.00
	2023	73,027,452.00	19,724,205.00	-	92,751,657.00
	2022	68,198,220.00	14,206,139.00	-	82,404,359.00
Compensation of the Senior Executive Team members and directors as a group unnamed	2024 (estimated)	188,421,404.83	29,052,956.00	27,823,767.00	245,298,127.83
	2023	177,265,433.40	27,152,295.00	32,700,274.18	237,118,002.58
	2022	139,743,732.00	25,732,146.00	27,563,774.10	193,039,652.10
TOTAL	2024 (estimated)	266,560,778.83	50,157,855.00	27,823,767.00	344,542,400.83
	2023	250,292,885.40	46,876,500.00	32,700,274.18	329,869,659.58
	2022	207,941,952.00	39,938,285.00	27,563,774.10	275,444,011.10

Senior Executive Officers

The following table sets out the Bank's President and Chief Executive Officer and the four (4) most highly compensated executive officers of the Bank for the years ended 31 December 2021 to 2023:

Name	Position	Applicable Fiscal Year
Michelangelo R. Aguilar	President and CEO	2021 to 2023
Felipe Martin F. Timbol	Executive Vice President	2021 to 2023
Manuel A. Castañeda III	Executive Vice President	2021 to 2023
Anna Marie A. Cruz	Senior Vice President	2021
Donald Benjamin G. Limcaco	Senior Vice President	2021 to 2022
Antonio S. Laquindanum	Executive Vice President	2022 to 2023
Reginald C. Nery	Senior Vice President	2023

The senior executive team officers receive salaries and bonuses that are included in the amounts stated above. The Bank has a salary structure in place that is used in determining the remuneration of all employees. Remuneration of executive officers is determined by their current pay, performance, the Bank's performance, and salary scale. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

Standard Arrangements

Other than payment of a reasonable per diem and bonuses which ranges from P20,000 to P40,000 for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director. In accordance with the By-Laws, the members of the Board of Directors, the Executive Committee, other committees, and the Corporate Secretary shall be entitled to per diem for every attendance in meetings, the amount of which shall be fixed by the stockholders from time to time.

Employment Contract Between the Bank and Key Management Personnel

There are no special employment contracts between the Bank and Senior Management.

Warrants and Options Held by the Key Management Personnel and Directors

There are no outstanding warrants or options held by Key Management Personnel, and all officers and directors as a group.

Compensation Plans

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Authorization or Issuance of Securities Other than for Exchange

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Bank.

Modification or Exchange of Securities

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to the modification of any class of securities of the Bank, or the issuance or authorization of one class of securities of the Bank in exchange for outstanding securities of another class.

MANAGEMENT REPORT

The Business of the Bank

Bank of Commerce (BankCom) is a publicly listed universal bank, licensed by the Bangko Sentral ng Pilipinas (BSP), with an office address at No. 7 San Miguel Properties Centre Building St. Francis St. Mandaluyong City. The Bank has been operating since 1963 and traces its origins to the Overseas Bank of Manila with headquarters in Binondo, Manila. In 2008, BankCom

became an affiliate of San Miguel Corporation (SMC) and introduced its new logo bearing the SMC escudo. In December 2020, the Intellectual Property Office (IPO) granted the trademark license for "BankCom" as the Bank's official short name.

The Bank provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit cards, consumer banking, transaction banking, corporate banking, investment banking, treasury, asset management, trust and investments. In terms of service reach, the Bank has retail and corporate internet banking facilities, 140 branches and 242 automated teller machines ("ATMs") strategically located nationwide as of 31 December 2023.

Consolidated total assets amounted to Php199.71 billion, Php217.52 billion and Php231.67 billion as of 31 December 2021, 2022 and 2023 respectively. Net profit was Php1.21 billion, Php1.80 billion and ₱2.80 billion for the years ended 31 December 2021, 2022 and 2023, respectively.

Bank of Commerce (BankCom), marked its 60th anniversary with a record high net income of ₱2.8 billion for the year ended 31 December 2023, outperforming the full-year 2022 profit of ₱1.8 billion by 56%. This historic high performance translated to an ROE of 9.52%, marking an improvement from the previous year's 7.01% and more than double the Bank's IPO prospectus ROE of 4.22%. The notable increase in profit was driven by the 24.37% higher net interest income of ₱8.31 billion due to higher yields and increased volume in loans and securities. Trading and investment securities gains increased by ₱39.82 million to ₱10.60 million, a turnaround from (₱29.22) million last year. Service charges, fees and commissions and revenues from the sale of foreclosed assets also increased to ₱886.38 million and ₱495.40 million, respectively, from ₱857.63 million and ₱340.45 million.

As of 31 December 2023, the Bank's Tier 1 and total capital adequacy ratio of 19.09% and 19.88%, remained well above the minimum regulatory requirement of 7.5% and 10.0%, respectively. For the year ended 31 December 2023, the Bank's return on average assets and cost-to-income ratios were 1.25% and 61.75%, respectively.

Total assets also grew by 6.51% to ₱231.68 billion at end-2023 due to higher investment securities and loans and receivables.

The Bank's net loans grew by 4.26% or ₱4.47 billion to ₱109.57 billion in 2023, from ₱105.09 billion, on account of higher corporate loans. Net NPL ratio was at 0.44% from 0.60% as of 31 December 2022, reflecting strength in asset quality due to the Bank's focused risk appetite.

Management's Discussion and Analysis or Plan of Operation

Statement of Income for the Year Ended December 31, 2023 vs December 31, 2022

Amounts in 000's	Year to Date		Horizontal analysis		Vertical analysis	
	Dec 31, 2023	Dec 31, 2022	Increase / (Decrease)			
INTEREST INCOME						
Loans and receivables	8,244,673	5,465,229	2,779,444	50.86%	82.65%	67.33%
Investment securities at FVOCI and at amortized cost	2,247,720	1,681,785	565,936	33.65%	22.53%	20.72%
Due from Bangko Sentral ng Pilipinas and other banks	372,910	274,855	98,055	35.67%	3.74%	3.39%
Interbank loans receivable and SPURA	875,706	539,159	336,547	62.42%	8.78%	6.64%
Financial assets at FVPL	21,561	4,603	16,958	368.37%	0.22%	0.06%
	11,762,570	7,965,631	3,796,939	47.67%	117.92%	98.14%
INTEREST EXPENSE						
Deposit liabilities	2,971,181	1,034,350	1,936,831	187.25%	29.79%	12.74%
Lease liabilities	32,817	28,178	4,639	16.46%	0.33%	0.35%
Bonds payable	412,986	173,784	239,203	137.64%		
Bills payable and others	49,098	47,042	2,057	4.37%	0.49%	0.58%
	3,466,083	1,283,353	2,182,730	170.08%	34.75%	15.81%
NET INTEREST INCOME	8,296,487	6,682,278	1,614,209	24.16%	83.17%	82.33%
OTHER INCOME						
Trading and investment securities gains/(losses) - net	10,598	(29,217)	39,815	-136.28%	0.11%	-0.36%
Service charges, fees and commissions	886,379	857,632	28,748	3.35%	8.89%	10.57%
Foreign exchange gains - net	141,121	150,320	(9,198)	-6.12%	1.41%	1.85%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	495,400	340,449	154,951	45.51%	4.97%	4.19%
Miscellaneous	145,276	115,179	30,097	26.13%	1.46%	1.42%
	1,678,776	1,434,364	244,412	17.04%	16.83%	17.67%
GROSS INCOME	9,975,263	8,116,641	1,858,621	22.90%	100.00%	100.00%
OTHER EXPENSES						
Compensation and fringe benefits	2,258,396	1,904,812	353,585	18.56%	22.64%	23.47%
Taxes and licenses	1,063,032	947,182	115,849	12.23%	10.66%	11.67%
Rent and utilities	647,698	631,550	16,148	2.56%	6.49%	7.78%
Depreciation and amortization	489,379	431,663	57,716	13.37%	4.91%	5.32%
Insurance	345,083	348,355	(3,271)	-0.94%	3.46%	4.29%
Service Fees and Commissions	417,924	293,330	124,594	42.48%	4.19%	3.61%
Subscription fees	188,453	122,535	65,918	53.80%	1.89%	1.51%
Entertainment and recreation	12,142	76,227	(64,085)	-84.07%	0.12%	0.94%
Management and professional fees	140,884	108,573	32,311	29.76%	1.41%	1.34%
Amortization of software costs	76,741	73,068	3,673	5.03%	0.77%	0.90%
Provision for credit and impairment losses	78,845	166,210	(87,366)	-52.56%	0.79%	2.05%
Miscellaneous	519,793	546,580	(26,787)	-4.90%	5.21%	6.73%
	6,238,370	5,650,084	588,285	10.41%	62.54%	69.61%
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	3,736,893	2,466,557	1,270,336	51.50%	37.46%	30.39%
SHARE IN NET LOSS OF ASSOCIATE	783	133	649	487.59%	0.01%	0.00%
INCOME BEFORE INCOME TAX	3,736,110	2,466,424	1,269,687	51.48%	37.45%	30.39%
INCOME TAX EXPENSE	933,891	666,355	267,536	40.15%	9.36%	8.21%
NET INCOME	2,802,219	1,800,069	1,002,151	55.67%	28.09%	22.18%

For the year ending December 31, 2023, Bank of Commerce posted a Net Income of Php2.80 billion, 55.67% higher than the Php1.80 billion in the same period in 2022. The growth was backed by growth in core lending business, service charges, fees, and commissions, and gains on foreclosure and sale of property and equipment and foreclosed assets.

Net Interest Income increased by 24.16% to Php8.30 billion, from Php6.68 billion in the previous year. Interest income on loans and receivables amounted to Php8.24 billion, Php2.78 billion higher than the Php5.47 billion the prior year. Interest Income on Loans benefitted from the high interest rate environment and volume growth. Interest income on investment securities and financial assets grew by 34.56% to Php2.27 billion owing increase in securities. Interest income on interbank loans receivable and securities purchased under resale agreements rose to Php875.71 million, almost 2x the Php539.16 million. Interest income on due from BSP and other banks also grew by 35.67% to Php372.91 million from the Php274.86 million.

Interest Expense totaled Php3.47 billion, 2.7x the Php1.28 billion in the same period last year on account of higher cost of funds as interest expense on deposit liabilities increased by Php1.94 billion to Php2.97 billion. Interest on bonds payable increased more than 2x to Php412.99 million due to the maiden issuance of Php7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and lease liabilities also grew by 4.37% and 16.46%, respectively, to Php49.10 million and Php32.82 million from obtaining deposit substitutes.

Net Interest Income rose by 24.16% to Php8.30 billion, up from end-2022's Php6.68 billion as Interest Income outpaced the growth in Interest Expenses. This translated to a net interest margin ratio of 4.28%, higher than the previous year's 3.73%.

Total Other Income rose to Php1.68 billion, 17.04% or Php244.41 million greater than Php1.43 billion last year. Service charges, fees and commissions grew by Php28.75 million to Php886.38 million, owing to the investment banking, credit card and trust. Trading and investment securities gains posted Php10.60 million, recovering Php39.82 million from the loss sustained last year. Foreign exchange gains, slowed down by 6.12% to Php141.12 million, from the prior year's Php150.32 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets increased to Php495.40 million, 45.51% up from Php340.45 million on the back of 4.3x rise in foreclosure related revenues. Miscellaneous income picked up by 26.13% to Php145.28 million due to higher recovery on charged-off assets.

Total Expenses, excluding provision for credit and impairment losses, was up by 12.32% to Php6.16 billion. Compensation and fringe benefits increased to Php2.26 billion, 18.56% higher than Php1.90 billion mainly due to the 111 (from 1,865 in 2022) additional manpower. Taxes and licenses increased by 12.23% to Php1.06 billion mainly due to growth in revenues. Rent and utilities increased by Php16.15 million to Php647.70 million owing to the rise in security, repairs and maintenance, power, light and water expenses. Depreciation and amortization grew by 13.37% to Php489.38 million due to higher depreciation expense on foreclosed assets and computer equipment. Service fees and commissions increased by 42.48% to Php417.92 million due to higher commissions and other transaction fees. Subscriptions also grew 1.5x to Php188.45 million driven by higher IT related subscriptions. Management and professional fees went up by 29.76% to Php140.88, while Amortization of Software costs increased modestly by 5.03% to Php76.74 million.

On the other hand, Insurance registered a 0.94% drop to Php345.08 million on the back of lower PDIC insurance on peso deposits. Entertainment and recreation expenses likewise declined by 84.07% to Php12.14 million as the Bank focused on business related entertainment and recreation expense savings to offset increased spending on ATMs/Computer equipment, IT software, and employee compensation. Miscellaneous expenses declined by 4.90% to Php519.79 million from Php546.58 million on account of lower legal expenses.

Provisions for credit and impairment losses amounted to Php78.85 million, substantially lower than last year's Php166.21 million, reflecting strength in asset quality due to the Bank's focused risk appetite.

The Bank's share in the net loss of associate is at Php0.78 million in 2023, almost 6x the Php0.13 million last year.

Income Tax Expense posted Php933.89 million, 40.15% up from the Php666.36 million in 2022.

Statement of Comprehensive Income for the Year Ended December 31, 2023 vs December 31, 2022

The Bank posted a Total Comprehensive Income of Php2.82 billion, 2x the Php1.41 billion recorded in 2022. The increase resulted from higher profit in 2023 and net change in net unrealized losses of debt securities at FVOCI amounting to Php308.41 million owing to the high interest rate environment.

Statement of Condition as of December 31, 2023 vs December 31, 2022

Amounts in 000's	as of Dec 31, 2023	as of Dec 31, 2022	Horizontal analysis		Vertical analysis	
			Increase / (Decrease)			
Resources						
Cash and Other Cash Items	3,500,645	2,735,171	765,475	27.99%	1.51%	1.26%
Due from Bangko Sentral ng Pilipinas - net	24,271,918	23,675,470	596,449	2.52%	10.48%	10.88%
Due from Other Banks - net	1,055,355	1,044,255	11,099	1.06%	0.46%	0.48%
Interbank Loans Receivables - net	20,111,781	18,378,744	1,733,036	9.43%	8.68%	8.45%
Investment Securities	11,442,597	6,186,052	5,256,545	84.97%	4.94%	2.84%
Financial Assets At Fair Value	11,442,597	6,186,052	5,256,545	84.97%	4.94%	2.84%
At Fair Value through Profit/Loss	398,792	381,001	17,791	4.67%	0.17%	0.18%
At FVOCI	11,043,805	5,805,051	5,238,754	90.24%	4.77%	2.67%
Available for Sale Investments	-	-	-	0.00%	0.00%	0.00%
Investment Securities at Amortized Cost - net	52,471,103	52,208,769	262,334	0.50%	22.65%	24.00%
Loans and Receivables - net	109,566,176	105,091,229	4,474,948	4.28%	47.29%	48.31%
Non-current Assets Held for Sale	-	-	-	0.00%	0.00%	0.00%
Investment in Associate - net	35,534	39,523	(3,989)	-10.09%	0.02%	0.02%
Property and Equipment - net	1,791,196	1,425,419	365,777	25.66%	0.77%	0.66%
Investment Properties - net	3,676,126	3,399,987	276,140	8.12%	1.59%	1.56%
Deferred Tax Assets - net	475,333	612,090	(136,757)	-22.34%	0.21%	0.28%
Other Assets - net	3,270,214	2,721,191	549,023	20.18%	1.41%	1.25%
Total Assets	231,667,979	217,517,899	14,150,080	6.51%	100.00%	100.00%
Liabilities and Capital						
Deposit Liabilities	185,905,369	176,267,240	9,638,129	5.47%	80.25%	81.04%
Demand	54,569,494	51,792,970	2,776,525	5.36%	23.56%	23.81%
Savings	109,667,913	101,651,553	8,016,360	7.89%	47.34%	46.73%
Time	16,638,541	17,793,298	(1,154,756)	-6.49%	7.18%	8.18%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.17%	2.31%
Bills Payable	-	-	-	0.00%	0.00%	0.00%
Bonds Payable	7,478,265	7,442,251	36,014	0.48%	3.23%	3.42%
Financial Liabilities at FVPL	6,202	283	5,918	0.00%	0.00%	0.00%
Manager's Checks	1,846,500	661,454	1,185,046	179.16%	0.80%	0.30%
Accrued Interest, Taxes and Other Expenses	1,387,189	1,165,766	221,424	18.99%	0.60%	0.54%
Other Liabilities	4,193,181	3,950,329	242,852	6.15%	1.81%	1.82%
Total Liabilities	200,816,706	189,487,324	11,329,383	5.98%	86.68%	87.11%
Capital Funds	30,851,273	28,030,575	2,820,698	10.06%	13.32%	12.89%
Total Liabilities & Capital	231,667,979	217,517,899	14,150,080	6.51%	100.00%	100.00%

The Bank's Total Assets at end-2023 grew by 6.51% or Php14.15 billion to Php231.67 billion, primarily driven by the expansion in loans and other receivables, investment securities as well as interbank loans receivables.

Loans and Receivables-net, accounting for almost 50% of total assets, rose by Php4.47 billion to Php109.57 billion mainly driven by the increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 69.67%.

Investment Securities also grew by 9.45% to Php63.91 billion, from Php58.39 billion on the back of growths in financial assets at fair value through other comprehensive income and investment securities at amortized cost.

Interbank Loans Receivable amounted to Php20.11 billion, 9.43% higher than Php18.38 billion at end-2022. Cash and Other Cash Items increased by 27.99% to Php3.50 billion. Due from Bangko Sentral ng Pilipinas (BSP) and Other Banks reached Php25.33 billion, up by 2.46% from last year's Php24.72 billion.

Property and Equipment and Investment Properties grew by Php365.78 million and Php276.14 million, respectively, to Php1.79 billion and Php3.68 billion. The increases were due to new ATMs and additional office equipment, such as, but not limited to, computers. Moreover,

Other Assets posted Php3.27 billion, 20.18% more than the Php2.72 billion last year, on account on higher prepaid tax.

On the other hand, Investment in Associate and Deferred Tax Assets registered 10.09% and 22.34% declines to Php35.53 million and Php475.33 million, respectively.

Deposit Liabilities, comprising 80.25% of the total assets, increased by 5.47% to Php185.91 billion supported by the 7.03%. Expansion in deposits came from demand and savings accounts but was softened by the 6.49% decrease in time deposits. Bonds payable remained at Php7.48 billion. Accrued Interest, Taxes and Other Expenses and Manager's Checks both increased by Php221.42 million and Php1.19 billion, respectively, to Php1.39 billion and Php1.85 billion. Other Liabilities, meanwhile, rose by Php242.85 million to Php4.19 billion at end-2023.

The Bank's capital base was at Php30.85 billion as of December 31, 2023, 10.06% higher than the Php28.03 billion in the previous year, boosted by the better than expected net income as of end-2023.

Key performance indicators of the Bank are as follows:

	2023	2022
Return on Average Assets	1.25%	0.86%
Return on Average Equity	9.52%	7.01%
Cost-to-Income Ratio	61.75%	67.56%
Net Non-Performing Loan Ratio	0.44%	0.60%
Capital Adequacy Ratio	19.98%	17.97%

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

Return on Average Assets: Net income divided by average total resources for the period indicated

Return on Average Equity: Net income divided by average total capital funds for the period indicated

Cost-to-Income Ratio: Total operating expenses divided by the sum of net interest income and other income

Net Non-Performing Loan Ratio: (Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)

Capital Adequacy Ratio: Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market, and operational risk charge)

Statement of Income for the Year Ended December 31, 2022 vs December 31, 2021

Amounts in 000's	Year to Date		Horizontal analysis		Vertical analysis	
	Dec 31, 2022	Dec 31, 2021	Increase / (Decrease)		2022	2021
INTEREST INCOME						
Loans and receivables	5,465,229	4,284,456	1,180,773	27.56%	67.33%	68.83%
Investment securities at FVOCI and at amortized cost	1,681,785	1,251,564	430,221	34.37%	20.72%	20.11%
Due from Bangko Sentral ng Pilipinas and other banks	274,855	228,435	46,421	20.32%	3.39%	3.67%
Interbank loans receivable and SPURA	539,159	316,281	222,878	70.47%	5.64%	5.08%
Financial assets at FVPL	4,603	14,420	(9,817)	-68.08%	0.06%	0.23%
	7,965,631	6,095,156	1,870,475	30.69%	98.14%	97.92%
INTEREST EXPENSE						
Deposit liabilities	1,034,350	645,261	389,090	60.30%	12.74%	10.37%
Lease liabilities	28,178	35,033	(6,855)	-19.57%	0.35%	0.56%
Bonds payable	173,784					
Bills payable and others	47,042	16,691	30,350	181.83%	0.58%	0.27%
	1,283,353	696,985	586,368	84.13%	15.81%	11.20%
NET INTEREST INCOME	6,682,278	5,398,171	1,284,107	23.79%	82.33%	86.72%
OTHER INCOME						
Trading and investment securities gains/(losses) - net	(29,217)	(78,709)	49,493	-62.88%	-0.36%	-1.26%
Service charges, fees and commissions	857,632	531,128	326,504	61.47%	10.57%	8.53%
Foreign exchange gains - net	150,320	48,367	101,953	210.79%	1.85%	0.78%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	340,449	274,986	65,463	23.81%	4.19%	4.42%
Miscellaneous	115,179	50,565	64,614	127.78%	1.42%	0.81%
	1,434,364	826,337	608,027	73.58%	17.67%	13.28%
GROSS INCOME	8,116,641	6,224,508	1,892,134	30.40%	100.00%	100.00%
OTHER EXPENSES						
Compensation and fringe benefits	1,904,812	1,820,969	83,842	4.60%	23.47%	29.25%
Taxes and licenses	947,182	802,193	144,989	18.07%	11.67%	12.89%
Rent and utilities	631,550	532,284	99,266	18.65%	7.78%	8.55%
Depreciation and amortization	431,663	462,533	(30,869)	-6.67%	5.32%	7.43%
Insurance	348,355	334,826	13,529	4.04%	4.29%	5.38%
Service Fees and Commissions	293,330	229,706	63,623	27.70%	3.61%	3.69%
Subscription fees	122,535	107,646	14,889	13.83%	1.51%	1.73%
Entertainment and recreation	76,227	97,394	(21,167)	-21.73%	0.94%	1.56%
Management and professional fees	108,573	85,022	23,550	27.70%	1.34%	1.37%
Amortization of software costs	73,068	53,595	19,473	36.33%	0.90%	0.86%
Provision for credit and impairment losses	166,210	(634,820)	801,030	-126.18%	2.05%	-10.20%
Miscellaneous	546,580	501,812	44,768	8.92%	6.73%	8.06%
	5,650,084	4,393,161	1,256,924	28.61%	69.61%	70.58%
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	2,466,557	1,831,347	635,210	34.69%	30.39%	29.42%
SHARE IN NET LOSS OF ASSOCIATE	133	1,039	(906)	-87.18%	0.00%	0.02%
INCOME BEFORE INCOME TAX	2,466,424	1,830,308	636,116	34.75%	30.39%	29.40%
INCOME TAX EXPENSE	666,355	623,689	42,667	6.84%	8.21%	10.02%
NET INCOME	1,800,069	1,206,619	593,449	49.18%	22.18%	19.38%

For the year ending December 31, 2022, Bank of Commerce posted a Net Income of Php1.80 billion, 49.18% increase from the Php1.21 billion for the same period last year. The growth was primarily driven by higher net interest income, service charges, fees, and commissions, foreign exchange and gains on foreclosure and sale of property and equipment and foreclosed assets.

Total Interest Income amounted to Php7.97 billion, 30.69% up from Php6.10 billion last year. Interest income on loans and receivables increased by 27.56% or Php1.18 billion to Php5.47 billion amid the rising yields and average volume of loans. Interest income on investment securities went up by 33.21% or Php420.4 million to Php1.69 billion resulting from the additional purchase of securities. Interest income on interbank loans receivable and securities purchased under resale agreements increased to Php539.16 million, 70.47% up from the Php316.28 million. Interest income on due from BSP and other banks likewise grew by 20.32% to Php274.86 million from the Php228.43 million.

Total Interest Expense increased to Php1.28 billion, 84.13% up from the Php696.99 million in the same period last year mainly due to higher interest expense on deposit liabilities, up by 60.30%

to Php1.03 billion owing to higher interest rates. Interest on bonds payable amounted to Php173.78 million resulting from the maiden issuance of Php7.5 billion 2-year bonds. Meanwhile interest expense on bills payable and others also rose by 181.83% to Php47.04 million on account of interest expense related to ROPA. On the other hand, interest expense on lease liabilities declined by 19.57% to Php28.18 million.

Net Interest Income for 2022 increased to Php6.68 billion, up 23.79% from last year's Php5.40 billion as the core business performance outpaced the growth in interest expense.

Total Other Income reached Php1.43 billion, 73.58% more than the previous year. The growth is primarily driven by the 61.47% surge in service charges, fees and commissions to Php857.63 million due to higher commission from investment banking fees, income from trade and digital transactions. Foreign exchange gains posted Php150.32 million, 3.11x upgrade from last year's Php48.37 million. This growth was driven primarily by an increased volume of customer foreign exchange transactions as the Bank promoted this service with existing depositors. Gains on foreclosure, and sale of property and equipment and foreclosed assets grew by 23.81% to Php340.45 million arising from higher sales of foreclosed assets. Miscellaneous income increased 2.28x to Php115.18 million on account of higher recovery on charged-off assets. Meanwhile, trading and investment securities registered a loss of Php29.22 million, an improvement from 2021's loss of Php78.71 million.

Total Expenses, excluding provision for credit and impairment losses went up by 9.07% to Php5.48 billion. Compensation and fringe benefits increased 4.6% to Php1.90 billion as the Bank worked to keep its salaries competitive even as the total workforce remained relatively flat at 1,865 (vs 1,873 in 2021). Taxes and licenses went up by 18.07% to Php947.18 million from increased business volume and higher documentary stamp taxes. Rent and utilities increased by 18.65% to Php631.55 million arising from higher security, power, light and water expenses. Meanwhile, depreciation and amortization declined by 6.67% to Php431.66 million due to lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 4.04% to Php348.36 million from higher PDIC insurance on higher deposit volume. Service fees and commissions and subscription fees also increased by 27.7% and 13.83%, respectively, to Php293.33 million and Php122.54 million due to higher IT fees, commissions and subscriptions. Entertainment and recreation expenses declined by 21.73% to Php76.23 million. Management and professional fees and amortization of software costs went up by 27.7% and 36.33%, respectively, to Php108.57 million and Php73.07 million. Miscellaneous expenses amounted to Php546.58 million, 8.92% up from Php501.81 million due to higher forms and supplies, fuel and lubricants, marketing and other expenses.

The Bank booked provision for credit and impairment losses of Php166.21 million for the year 2022 to provide adequate reserves for its significant loan portfolio growth.

The Bank's share in the net loss of associate is at Php0.13 million in 2022, 87.18% lower than the prior year's Php1.04 million.

Income Tax Expense amounted to Php666.36 million, 6.84% more than the Php623.69 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2022 vs December 31, 2021

The Bank posted a total comprehensive income of Php1.41 billion for 2022, 17.85% higher than Php1.2 billion recorded in the same period last year. This was primarily driven by the higher net income in 2022, partly offset by the net change in net unrealized losses of debt securities

at FVOCI at Php578.94 million due to the interest rate environment. Remeasurement losses on defined benefit plan decreased to Php184.82 million based on actuarial adjustments.

Statement of Condition as of December 31, 2022 vs December 31, 2021

Amounts in 000's	as of Dec 31, 2022	as of Dec 31, 2021	Horizontal analysis		Vertical analysis	
			Increase / (Decrease)			
Resources						
Cash and Other Cash Items	2,735,171	2,747,781	(12,610)	-0.46%	1.26%	1.38%
Due from Bangko Sentral ng Pilipinas - net	23,675,470	45,367,143	(21,691,673)	-47.81%	10.88%	22.72%
Due from Other Banks - net	1,044,255	1,039,456	4,799	0.46%	0.48%	0.52%
Interbank Loans Receivables - net	18,378,744	19,133,505	(754,761)	-3.94%	8.45%	9.58%
Investment Securities	6,186,052	6,049,729	136,323	2.25%	2.84%	3.03%
Financial Assets At Fair Value	6,186,052	6,049,729	136,323	2.25%	2.84%	3.03%
At Fair Value through Profit/Loss	381,001	994,613	(613,611)	-61.69%	0.18%	0.50%
At FVOCI	5,805,051	5,055,117	749,934	14.84%	2.67%	2.53%
Available for Sale Investments	0	0	-	0.00%	0.00%	0.00%
Investment Securities at Amortized Cost - net	52,208,769	42,909,057	9,299,712	21.67%	24.00%	21.49%
Loans and Receivables - net	105,091,229	74,374,125	30,717,104	41.30%	48.31%	37.24%
Non-current Assets Held for Sale	0	0	-	0.00%	0.00%	0.00%
Investment in Associate - net	39,523	39,662	(139)	-0.35%	0.02%	0.02%
Property and Equipment - net	1,425,419	1,472,398	(46,980)	-3.19%	0.66%	0.74%
Investment Properties - net	3,399,987	3,448,315	(48,328)	-1.40%	1.56%	1.73%
Deferred Tax Assets - net	612,090	743,505	(131,415)	-17.68%	0.28%	0.37%
Other Assets - net	2,721,191	2,387,937	333,253	13.96%	1.25%	1.20%
Total Assets	217,517,899	199,712,614	17,805,285	8.92%	100.00%	100.00%
Liabilities and Capital						
Deposit Liabilities	176,267,240	171,713,823	4,553,417	2.65%	81.04%	85.98%
Demand	51,792,970	48,702,340	3,090,630	6.35%	23.81%	24.39%
Savings	101,651,553	108,874,920	(7,223,367)	-6.63%	46.73%	54.52%
Time	17,793,298	9,107,144	8,686,154	95.38%	8.18%	4.56%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.31%	2.52%
Bills Payable	-	0	-	0.00%	0.00%	0.00%
Bonds Payable	7,442,251	0	7,442,251	0.00%	3.42%	0.00%
Financial Liabilities at FVPL	-	0	-	0.00%	0.00%	0.00%
Manager's Checks	661,454	951,460	(290,007)	-30.48%	0.30%	0.48%
Accrued Interest, Taxes and Other Expenses	1,165,766	1,021,626	144,140	14.11%	0.54%	0.51%
Other Liabilities	3,950,613	2,662,971	1,287,642	48.35%	1.82%	1.33%
Total Liabilities	189,487,324	176,349,881	13,137,443	7.45%	87.11%	88.30%
Capital Funds	28,030,575	23,362,734	4,667,841	19.98%	12.89%	11.70%
Total Liabilities & Capital	217,517,899	199,712,614	17,805,285	8.92%	100.00%	100.00%

The Bank's Total Assets at end-2022 amounted to Php217.52 billion, 8.92% higher than last year's Php199.71 billion mainly from the increase in loans and other receivables, investment securities and was partially offset by the lower interbank loans receivables.

Loans and Receivables, net of allowance for credit losses and unearned interest income, representing 48.31% of total assets, increased by 41.3% to Php105.09 billion from Php74.37 billion in the same period last year, driven by accelerated growth in corporate loans. The Bank's loan-to-deposit ratio was recorded at 70.3%.

Investment securities at amortized cost, likewise, increased by 21.67% to Php52.21 billion. Financial assets at fair value increased by 2.25% to Php6.19 billion due to higher financial assets at FVOCI which grew by Php749.93 million, tempered by lower financial assets at FVTPL which decreased by Php613.61 million.

Cash and Other Cash Items and Due from BSP accounts both went down by 0.46% and 47.81%, respectively, to Php2.74 billion and Php23.68 billion. Interbank loans receivable dropped by 3.94% to Php18.38 billion in 2022. On the other hand, due from other banks marginally increased by 0.46% to Php1.04 billion.

Investment in Associate amounted to Php39.52 million, P0.14 million down from Php39.66 million in the prior year. Property and Equipment declined by 3.19% to Php1.43 billion from Php1.47 billion in 2021. Investment Properties and deferred tax assets also decreased to

Php3.40 billion and Php612.09 million, respectively, from Php3.45 billion and Php743.51 million. Other Assets, however, went up by 13.96% to Php2.72 billion from Php2.39 billion in 2021.

Deposit Liabilities, which accounted for 81.04% of the total liabilities, expanded by 2.65% to Php176.27 billion in 2022 boosted mainly by higher time deposits. Bonds payable amounted to Php7.44 billion as a result of the Bank's bond issuance on July 2022. Accrued Interest, Taxes and Other Expenses and Other Liabilities also rose from Php1.02 billion and Php2.66 billion, respectively, higher by 14.11% and 48.35%. Manager's check, however, dropped by 30.48% to Php661.45 million from Php951.46 million in the prior year.

The Bank's capital base stood at Php28.03 billion as of December 31, 2022, 19.98% higher than the Php23.36 billion last year, spurred by the proceeds from the Initial Public Offering in the first quarter of 2022.

Statement of Income for the Year Ended December 31, 2021 vs December 31, 2020

Amounts in 000's	Year to Date		Horizontal analysis		Vertical analysis	
	Dec 31, 2021	Dec 31, 2020	Increase / (Decrease)			
INTEREST INCOME						
Loans and receivables	4,284,456	4,840,144	(555,688)	-11.48%	68.83%	70.42%
Investment securities at FVOCI and at amortized cost	1,251,564	919,374	332,189	36.13%	20.11%	13.38%
Due from Bangko Sentral ng Pilipinas and other banks	228,435	265,528	(37,093)	-13.97%	3.67%	3.86%
Interbank loans receivable and SPURA	316,281	238,044	78,237	32.87%	5.08%	3.46%
Financial assets at FVPL	14,420	16,991	(2,571)	-15.13%	0.23%	0.25%
	6,095,156	6,280,081	(184,926)	-2.94%	97.92%	91.37%
INTEREST EXPENSE						
Deposit liabilities	645,261	1,127,728	(482,468)	-42.78%	10.37%	16.41%
Lease liabilities	35,033	42,921	(7,888)	-18.38%	0.56%	0.62%
Bills payable and others	16,691	1,106	15,586	1409.58%	0.27%	0.02%
	696,985	1,171,755	(474,770)	-40.52%	11.20%	17.05%
NET INTEREST INCOME	5,398,171	5,108,326	289,845	5.67%	86.72%	74.32%
OTHER INCOME						
Trading and investment securities gains - net	(78,709)	1,147,574	(1,226,283)	-106.86%	-1.26%	16.70%
Service charges, fees and commissions	531,128	444,637	86,491	19.45%	8.53%	6.47%
Foreign exchange gains - net	48,367	48,876	(509)	-1.04%	0.78%	0.71%
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	274,986	58,765	216,221	367.94%	4.42%	0.85%
Miscellaneous	50,565	65,418	(14,852)	-22.70%	0.81%	0.95%
	826,337	1,765,269	(938,933)	-53.19%	13.28%	25.68%
GROSS INCOME	6,224,508	6,873,596	(649,088)	-9.44%	100.00%	100.00%
OTHER EXPENSES						
Compensation and fringe benefits	1,820,969	1,819,392	1,577	0.09%	29.25%	26.47%
Taxes and licenses	802,193	830,158	(27,965)	-3.37%	12.89%	12.08%
Rent and utilities	532,284	476,343	55,940	11.74%	8.55%	6.93%
Depreciation and amortization	462,533	567,851	(105,318)	-18.55%	7.43%	8.26%
Insurance	334,826	280,638	54,188	19.31%	5.38%	4.08%
Service Fees and Commissions	229,706	183,374	46,333	25.27%	3.69%	2.67%
Subscription fees	107,646	96,595	11,051	11.44%	1.73%	1.41%
Entertainment and recreation	97,394	107,305	(9,911)	-9.24%	1.56%	1.56%
Management and professional fees	85,022	79,453	5,569	7.01%	1.37%	1.16%
Amortization of software costs	53,595	45,908	7,687	16.74%	0.86%	0.67%
Provision for credit and impairment losses	(634,820)	962,510	(1,597,330)	-157.46%	-10.20%	14.00%
Miscellaneous	501,812	381,759	120,052	31.45%	8.06%	5.55%
	4,393,161	5,831,286	(1,438,126)	-24.66%	70.58%	84.84%
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX	1,831,347	1,042,309	789,038	75.70%	29.42%	15.16%
SHARE IN NET LOSS OF ASSOCIATE	1,039	753	286	38.01%	0.02%	0.01%
INCOME BEFORE INCOME TAX	1,830,308	1,041,556	788,752	75.73%	29.40%	15.15%
INCOME TAX EXPENSE	623,689	257,122	366,566	142.56%	10.02%	3.74%
NET INCOME	1,206,619	784,434	422,185	53.82%	19.38%	11.41%

For the year ending December 31, 2021, Bank of Commerce earned Php1.21 billion in net income. The increase was mainly due to higher net interest income brought about by lower interest expenses and service charges, fees, and commissions.

Total Interest Income was down by 2.94% at ₱6.10 billion from ₱6.28 billion last year. Interest income on loans and receivables declined by 11.48% to Php4.28 billion mainly due to the lower interest rate environment. On the other hand, interest income on investment securities at fair value through other comprehensive income (FVOCI) and at amortized cost went up by 36.13% to Php1.25 billion primarily from the additional purchases of investment securities at amortized cost. Interest income on interbank loans receivable and securities purchased under resale agreements increased by 32.87% to Php316.28 million, meanwhile interest income on due from BSP and other banks decreased by 13.97% to Php228.43 million. Interest income on financial assets at fair value through profit or loss (FVTPL) declined by 15.13% to Php14.42 million.

Total Interest Expense went down by 40.52% to Php696.99 million from the Php1.17 billion in the same period last year, primarily due to lower interest expense on deposit liabilities which decreased by 42.78% to Php645.26 million. Interest expense on lease liabilities also went down by 18.38% to Php35.03 million. On the other hand, interest expense on bills payable increased to Php16.69 million, mainly due to tax accruals.

Given the more significant decline of Interest Expenses, Net Interest Income for 2021 increased to Php5.40 billion, up 5.67% from the previous year's Php5.11 billion.

Total Other Income was at Php826.34 million, 53.19% lower than the previous year. This is owing to a loss of Php78.71 million in trading and investment securities for 2021, compared to the gain of Php1.15 billion the previous year. Meanwhile, service charges, fees and commissions increased by 19.45% to Php531.13 million. Gains on foreclosure, and sale of property and equipment and foreclosed assets rose by 3.68x to Php274.99 million as a result of higher sale of foreclosed assets. Foreign exchange gains and miscellaneous income fell by 1.04% and 22.7%, respectively, to Php48.37 million and Php50.57 million.

Total Expenses, excluding provision for credit and impairment losses went up by 3.27% to Php5.03 billion. Compensation and fringe benefits slightly went up by 0.09% to Php1.82 billion as a result of the provisions on the collective bargaining agreement (CBA). Taxes and licenses decreased by 3.37% to Php802.19 million from lower documentary stamp taxes. Rent and utilities increased by 11.74% to Php532.28 million. Depreciation and amortization declined by 18.55% to Php462.53 million from lower depreciation expense on foreclosed assets. Insurance, on the other hand, grew by 19.31% to Php334.83 million on account of higher PDIC insurance from higher deposit volume. Service fees and commissions and subscription fees also increased by 25.27% and 11.44%, respectively, to Php229.71 million and Php107.65 million as a result of new subscriptions on systems. Entertainment and recreation expenses declined by 9.24% to Php97.39 million. Management and professional fees and amortization of software costs went up by 7.01% and 16.74%, respectively, to Php85.02 million and Php53.6 million. Miscellaneous expenses also increased by 31.45% to Php501.81 million from Php381.76 million.

As a result of the reversal of provisions, the Bank's provision for credit and impairment losses is at negative Php634.82 million for the year 2021.

The Bank recorded its share in the net loss of associate at Php1.04 million in 2021, 38.01% higher than the previous year of Php0.75 million.

Income Tax Expense amounted to Php623.69 million, 142.56% higher from Php257.12 million the previous year.

Statement of Comprehensive Income for the Year Ended December 31, 2021 vs December 31, 2020

The Bank posted a total comprehensive income of Php1.2 billion for 2021, 78.09% higher than Php671.47 million posted in the same period a year ago. This was primarily driven by the higher net income in 2021 which is partially offset by the net change in net unrealized losses of debt securities at FVOCI at Php320.19 million. Remeasurement losses on defined benefit plan increased to Php186.54 million based on actuarial adjustments.

Statement of Condition as of December 31, 2021 vs December 31, 2020

Amounts in 000's	as of Dec 31, 2021	as of Dec 31, 2020	Horizontal analysis		Vertical analysis	
			Increase / (Decrease)			
Resources						
Cash & Other Cash Items	2,747,781	2,420,505	327,276	13.52%	1.38%	1.42%
Due from the BSP - net	45,367,143	39,547,211	5,819,932	14.72%	22.72%	23.14%
Due from Other Banks - net	1,039,456	1,023,256	16,201	1.58%	0.52%	0.60%
Interbank Loans Receivables - net	19,133,505	22,055,828	(2,922,323)	-13.25%	9.58%	12.90%
Investment Securities	6,049,729	16,689,667	(10,639,938)	-63.75%	3.03%	9.76%
Financial Assets At Fair Value	6,049,729	16,689,667	(10,639,938)	-63.75%	3.03%	9.76%
At Fair Value through Profit/Loss	994,613	1,265,419	(270,807)	-21.40%	0.50%	0.74%
At FVOCI	5,055,117	15,424,248	(10,369,131)	-67.23%	2.53%	9.02%
Available for Sale Investments	0	0	-	0.00%	0.00%	0.00%
Investment Securities at amort cost	42,909,057	9,146,278	33,762,780	369.14%	21.49%	5.35%
Loans and Receivables - net	74,374,125	71,628,349	2,745,776	3.83%	37.24%	41.91%
Non-current Assets Held for Sale	0	0	-	0.00%	0.00%	0.00%
Investment in Associate - net	39,662	40,687	(1,026)	-2.52%	0.02%	0.02%
Property and Equipment - net	1,472,398	1,659,401	(187,003)	-11.27%	0.74%	0.97%
Investment Properties - net	3,448,315	3,624,987	(176,672)	-4.87%	1.73%	2.12%
Deferred Tax Assets - net	743,505	955,380	(211,875)	-22.18%	0.37%	0.56%
Other Assets - net	2,387,937	2,129,133	258,805	12.16%	1.20%	1.25%
Total Assets	199,712,614	170,920,681	28,791,933	16.85%	100.00%	100.00%
Liabilities and Capital						
Deposit Liabilities	171,713,823	149,105,611	22,608,212	15.16%	85.98%	87.24%
Demand	48,702,340	39,659,286	9,043,054	22.80%	24.39%	23.20%
Savings	108,874,920	83,743,821	25,131,099	30.01%	54.52%	49.00%
Time	9,107,144	20,673,084	(11,565,940)	-55.95%	4.56%	12.10%
Long-term Negotiable Certificate	5,029,420	5,029,420	-	0.00%	2.52%	2.94%
Bills Payable	0	19	(19)	-100.00%	0.00%	0.00%
Financial Liabilities at FVPL	0	0	-	0.00%	0.00%	0.00%
Manager's Checks	951,460	870,080	81,381	9.35%	0.48%	0.51%
Accrued Interest, Taxes and Other Expenses	1,021,626	892,463	129,162	14.47%	0.51%	0.52%
Other Liabilities	2,662,971	3,286,046	(623,075)	-18.96%	1.33%	1.92%
Total Liabilities	176,349,881	154,154,219	22,195,662	14.40%	88.30%	90.19%
Capital Funds	23,362,734	16,766,463	6,596,271	39.34%	11.70%	9.81%
Total Liabilities & Capital	199,712,614	170,920,681	28,791,933	16.85%	100.00%	100.00%

The Bank ended 2021 with total assets amounting to Php199.71 billion, 16.85% higher than previous year's Php170.92 billion mainly from the increase in investment securities at amortized cost alongside with the increase in loans and other receivables, and these were partially offset by the decrease in investment securities at fair value and lower interbank loans receivables.

Cash and Other Cash Items and Due from BSP accounts went up by 13.52% and 14.72%, respectively, to Php2.75 billion and Php45.37 billion. Due from other banks also increased by 1.58% to Php1.04 billion. Interbank loans receivable however went down by 13.25% to Php19.13 billion in 2021.

Financial assets at fair value declined by 63.75% to Php6.05 billion driven by the sale of financial assets at FVPL and FVOCI which decreased to Php994.61 million and Php5.06 billion, respectively. Investment securities at amortized cost, on the other hand, increased by 3.69x to Php42.91 billion.

Loans and other receivables amounted to Php74.37 billion, 3.83% higher than the same period last year largely driven by increase in corporate loans. The Bank's loan-to-deposit ratio was recorded at 43.9%.

Investment in Associate continued its downtrend to Php39.66 million from Php40.69 million the previous year. Property and Equipment decreased by 11.27% to Php1.47 billion from Php1.66 billion in 2020. Investment Properties also went down to Php3.45 billion from Php3.62 billion. From Php955.38 million in 2020, deferred tax assets fell by 22.18% to Php743.51 million. Other Assets, on the other hand, increased by 12.16% to Php2.39 billion from Php2.13 billion in 2020.

Total liabilities increased to Php176.35 billion as of December 31, 2021, driven by the 15.16% increase in deposit liabilities. Increase in deposit liabilities to Php171.71 billion in 2021 was driven by higher demand and savings volumes which were up by 22.8% and 30.01%, respectively, to Php48.7 billion and Php108.87 billion, respectively. Manager's Checks and Accrued Interest, Taxes and Other Expenses also went up by 9.35% and 14.47%, respectively, to Php951.46 million and Php1.02 billion. Other liabilities, on the other hand, fell by 18.96% to Php2.66 billion from Php3.29 billion the previous year.

The Bank's total capital funds rose by 39.34% to Php23.36 billion as of December 31, 2021 from Php16.77 billion the previous year, owing to a Php5.5 billion capital infusion in 2021.

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2024

Amid assumptions of continuing elevated interest rates to manage inflation, the Bank remains focused on achieving its goals by sustaining and keeping healthy financial position and results by providing meaningful customer banking experience, operational efficiency, and developing and retaining its employees.

As economic activities rebound, the Bank seeks to continue supporting customers' growing needs. Priority strategies include strengthening core business income, optimizing cross-selling activities, ramping up participation in capital markets, and boosting business units' operational efficiency through digitalization.

Capital Position

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade. Together with the Retained Earnings increase from its 2022 and 2023 profits, these activities continue to keep the Bank's capital levels well above regulatory minimums.

Liquidity

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single

funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high-quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stressful factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk since prior financial year.

Events That Will Trigger Material Direct or Contingent Financial Obligation

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions. The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings have been estimated by management, in consultation with the legal counsels handling the Bank's legal defense in these matters and is based upon an analysis of potential results. Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2023 and 2022:

	2023	2022
Contingent assets:		
Fixed income securities purchased	P6,409,295,659	P5,074,247
Future/spot exchange bought	2,683,155,542	1,146,547,214
Outward bills for collection	5,575,925	255,590
	P9,098,027,126	P1,151,877,051
Commitments and contingent liabilities:		
Trust department accounts	P70,208,670,193	P70,873,001,493
Committed credit line	16,152,161,850	7,470,632,437
Unused commercial letters of credit	8,181,592,869	15,638,084,869
Outstanding guarantees	4,305,962,435	3,438,552,342
Credit card lines	3,600,976,933	3,601,177,914
Future/spot exchange sold	3,181,038,760	1,954,996,944
Late deposits/payments received	67,179,756	137,803,664
Fixed income securities sold	6,450,988	5,074,247
Inward Bills For Collection-Domestic	3,525,034	-
Items held for safekeeping/securities held as collateral	45,347	44,835
	P105,707,604,165	P103,119,368,745

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsel, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2023 and 2022.

Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P70.2 billion (unaudited) and P70.9 billion (audited) as at December 31, 2023 and 2022, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million and P743.0 million as at December 31, 2023 and 2022, respectively, which have been included under "Investment securities at amortized cost" (see Notes to FS No. 11), are deposited with BSP.

Material Commitments for Capital Expenditures

There are no changes from the previous disclosure (ATM replacement and Core Banking system upgrade).

Known Trends, Events or Uncertainties

While the Bank acknowledges the current high interest rate environment, it presently has more than adequate liquid assets to meet known funding requirements, and there are no other known trends, demands, commitments, events, or uncertainties that will have a material impact on the Bank's liquidity.

Significant Elements from Continuing Operations

Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

Seasonal Aspects that have Material Effect on the FS

There were no seasonal aspects that had a material effect on the Bank's financial condition or results of operations.

Independent Public Accountants

The appointment, re-appointment and removal of the external auditor shall be recommended by the Audit Committee, approved by the Board of Directors and the shareholders. The Audit Committee reviews the audit scope and coverage, strategy, and results for the approval of the Board and ensures that non-audit services rendered shall not impair or derogate the independence of the external auditor or violate SEC regulations.

The SEC-accredited accounting firm of R.G. Manabat & Co. ("RGM & Co.") served as the Bank's external auditor for fiscal year 2023. Upon the endorsement of the Audit Committee, the Board of Directors will again nominate RGM & Co. to be the Bank's external auditor for fiscal year 2024, for further approval of the stockholders at the stockholders' meeting. Representatives of RGM & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

Upon approval by the stockholders of the reappointment of RGM & Co. as external auditor of the Bank for fiscal year 2024, RGM & Co. will present its proposed 2024 audit plan, including engagement deliverables, audit timetable, key risk areas and audit considerations to the Audit Committee for approval at the next regular meeting of the Committee. The audit fees will depend on the approved plan. The Bank will make the necessary disclosures on this matter in accordance with applicable requirements.

Changes in and Disagreements with Accountants on Accounting and Financial

There are no disagreements with the Bank's external auditor on accounting and financial disclosure.

External Audit Fees

The aggregate fees billed and paid for each of the last two fiscal years for professional services rendered by the Bank's external auditor, R.G. Manabat & Co. are summarized below (inclusive of out-of-pocket expenses and value-added tax):

Nature of Services Rendered		Aggregate Fees (in millions)	
		2023	2022
Audit and Audit-Related Fees	Annual and interim audit of the Combined and FCDU Financial Statements in connection with statutory and regulatory findings; annual audit of the Combined Financial Statements of the trust and managed funds of the Trust Services Group; limited review of interim Combined Financial Statements	P7.30	P5.80
Tax Fees		-	-
All Other Fees	Agreed-upon procedures relative to the initial public offering (IPO) of shares, issuance of bonds and program report on the use of proceeds from IPO of shares.	-	3.51
Total Fees		P7.30	P9.31

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Bank's common shares were listed on March 31, 2022 and traded at the Philippine Stock Exchange (PSE). The high and low prices for each quarter from date of listing are as follows:

		Q1		Q2		Q3		Q4	
		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date		Last Practicable Trading Date	
2023	High	7.99	3.31.23	6.89	6.30.23	7.50	9.29.23	7.27	12.29.23
	Low	7.80	3.31.23	6.72	6.30.23	7.25	9.29.23	7.00	12.29.23

Source: Philippine Stock Exchange

As of February 29, 2024, the closing price of the Bank's common shares is pegged at Php6.26.

Holder

As of February 29, 2024, there are 155 approximate number of holders of each class of common security. The names of the top twenty (20) shareholders of the of each class, together with the number of shares held and percentage of total shares outstanding held by each, are as follows:

	Title of Class of Securities	Name of Record Owner	Citizenship	Number of Shares Held	% of ownership
1	Common	SMC Equivest Corporation	Filipino	68,305,560	26.6515%
	Preferred			416,666,670	
2	Common	San Miguel Properties, Inc. (SMPI)	Filipino	447,711,800	24.6039%
3	Common	San Miguel Corporation Retirement Plan	Filipino	432,626,860	23.7749%
4	Common	PCD Nominee Corporation	Filipino	153,023,854	8.4094%
5	Common	PCD Nominee Corporation	Non-Filipino	140,298,366	7.7101%
6	Common	Caritas Health Shield, Inc.	Filipino	109,666,640	6.0267%
7	Common	AlexCorp Profits Limited, Inc.	BVI	14,749,100	0.8105%
8	Common	Q-Tech Alliance Holdings, Inc.	Filipino	12,171,660	0.6689%
9	Common	PVB-TMG as Trustee for Comprehensive Annuity Plan Pension Trust Fund	Filipino	4,980,980	0.2737%
10	Common	PVB-TMG as Trustee for College Assurance Plan Phils., Inc. Retirement Fund	Filipino	3,673,860	0.2019%
11	Common	Comprehensive Annuity Plan Pension Trust Fund	Filipino	3,626,870	0.1993%
12	Common	Cabien Corporation	Filipino	3,600,650	0.1979%
13	Common	RDA Holdings	Filipino	2,163,850	0.1189%
14	Common	JGF Holdings, Inc.	Filipino	2,163,850	0.1189%
15	Common	BIC Management and Consultancy, Inc.	Filipino	1,476,350	0.0811%
16	Common	Bank of Commerce - Trust Services Group as Trustee for Bank of Commerce Retirement Plan	Filipino	730,670	0.0402%
17	Common	Ester Reyes Querido	Filipino	674,800	0.0371%
18	Common	Antonio Tan Tan	Filipino	414,900	0.0228%
19	Common	Rockshed Management, Inc.	Filipino	187,600	0.0103%
20	Common	Commerce & Trade Insurance Brokerage Inc.	Filipino	147,190	0.0081%

There are no matters which relate to any acquisition, business combination, or other reorganization that would affect the amount and percentage of present shareholdings of the registrant's common equity owned beneficially by (i) more than five percent (5%) beneficial owner of registrant's common equity; (ii) each director and nominee; and (iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of shares

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

On 29 July 2022, BankCom issued Series A Bonds due in 2024 in the amount of Php7,500,000,000 with an offer price of 100% of the face value. BankCom engaged ING Bank N.V., Manila Branch and Philippine Commercial Capital, Inc. as the lead arrangers and lead bookrunners. The bonds were sold for cash in the total amount of Php7,500,000,000.00 and

the total fee of the arrangers and bookrunners amounted to Php9,195,917.71. The Php7,500,000,000 Series A Bonds are exempt from registration under Section 9.1(e) of the Securities Regulation Code (Republic Act No. 8799) which states that:

"Exempt Securities. – 9.1 The requirement of registration under Subsection 8.1 shall not as a general rule apply to any of the following classes of securities:

xxx xxx xxx xxx

(e) Any security issued by a bank except its own shares of stock."

The bonds issued by BankCom, a universal bank, are securities that fall under the foregoing provision on exempt securities.

Dividends

The Board will periodically review the amount of dividends to be paid and the frequency of dividend payment in light of the Bank's earnings, financial condition, cash flows, capital requirements and other considerations while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Bank can operate on a standalone basis. The Bank will also need to verify that it has all the required approvals from regulatory bodies before issuing dividends.

Dividends shall be declared and paid out of the Bank's unrestricted retained earnings which shall be payable in cash, property, or stock to all shareholders on the basis of the outstanding capital stock held by them. Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- The level of the Bank's earnings, cash flow, return on equity and retained earnings;
- Its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- The projected levels of capital expenditures and other investment programs;
- Restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements;
- The classes of shares held by the shareholders; and/or
- Such other factors as the Board deems appropriate.

The Bank cannot provide any assurance that it will pay any dividends in the future.

Currently, the Bank does not have a formal dividend policy approved by the Board.

The Bank has not had any dividend declarations within the last two years.

Compliance with Corporate Governance Practice

On 27 October 2020, the Board adopted the Manual on Corporate Governance ("**Manual**"), which institutionalizes the principles of good corporate governance in the entire organization. The Bank believes that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization. The Manual is

reviewed and updated annually to capture current and best practices. Proposed amendments thereof are presented to and approved by the Board as reviewed and endorsed by the Corporate Governance Committee.

In adopting the Manual, the Board and its members acknowledge the responsibility in governing the conduct of the business of the Bank, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

Board committees have been established with focused oversight on internal control, risk management, and performance monitoring. As of date, the Bank has nine board-level committees: (1) Executive Committee; (2) Trust and Investment Committee; (3) Audit Committee; (4) Board Risk Oversight Committee; (5) Corporate Governance Committee; (6) Nomination, Compensation and Remuneration Committee; (7) Related Party Transactions Committee; (8) Information Technology Steering Committee; and (9) Underwriting Committee. To ensure independent judgment on significant corporate matters, and that key issues and strategies are objectively reviewed and constructively challenged, five (5) of the nine (9) committees are headed by independent directors, namely, Audit, Board Risk Oversight, Corporate Governance, Nomination, Compensation and Remuneration; and Related Party Transaction. Board-level committee memberships were also evaluated and calibrated to improve on the committees' focused oversight and high-level engagement with management. The respective charters stating the committee purpose, membership, structure, operations, reporting processes and other information, are posted in the company website.

Annual performance reviews are conducted by all members of the Board, as follows:

1. **Self-assessment**
This is a yearly self-assessment undertaken by each member of the Board.
2. **Peer Assessment**
This is a yearly performance evaluation done by each member of the Board on the performance of his peers (BOD members).
3. **Board Committee Assessment**
This is a yearly evaluation done by the Chairman of each Board Committee on the Board Committee he presides. Each member of the Board Committee also assesses the performance of said Committee.
4. **Board Assessment**
This is a yearly evaluation undertaken by each member of the Board on the performance of the Board.

Results of these assessments are reported to Corporate Governance Committee and the Board and shared with Nomination Compensation Remuneration Committee (NCRC) for consideration in the re-election of each member of the Board. It also serves as basis in the training needs of each member of the Board.

With respect to Board Advisors, annual evaluation is also done by the members of the Board on the performance of the Board Advisors. The same is reported to the Corporate Governance Committee and the Board and shared with the NCRC for consideration in the renewal of the Board Advisors.

Moreover, the Bank's Internal Audit Division performs periodic corporate governance audit to review and evaluate the Bank's adherence to the guiding principles of the *Bangko Sentral ng Pilipinas* (BSP), and alignment with international best practices on Corporate Governance Principles for Banks by Basel Committee on Banking Supervision (BCBS) every three (3) years. The last audit of the Corporate Governance was part of the 2022 Audit Plan. It was outsourced to Isla Lipana (PWC), the report of which was released on January 21, 2023. The next audit is scheduled in 2025.

The Bank has fully complied with the requirement on Corporate Governance consistent with the best practices. It has been responsive to newly issued circulars and memos by BSP as well as the comments and suggestions of BSP examiners with respect to governance structures, policies, procedures, and practices.

There are no known deviations or recorded deviations from the Corporate Governance framework of the Bank. The last two internal audit reports on corporate governance undertaken yielded an "Outstanding" audit rating, which means that no significant risks and concerns were noted, and controls were functioning as intended.

Mergers, Consolidations, Acquisitions and Similar Matters

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to any transaction involving mergers, consolidations, acquisitions, and similar matters.

Acquisition or Disposition of Property

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to the acquisition or disposition of any property.

Restatement of Accounts

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to the restatement of any asset, capital, or surplus account of the Bank.

OTHER MATTERS

Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Management Report of the Bank for the year ended December 31, 2023;
2. Minutes of the April 25, 2023 Annual Stockholders' Meeting;
3. Ratification of all the acts of the Board of Directors and Officers since the 2023 Annual Stockholders' Meeting;
4. Confirmation of Bank's Significant Transactions with its DOSRI and Related Parties;
5. Approval of 2023 Performance Bonus for Directors
6. Approval of Amendments to Section 2 of Article II, Article 5 of Section III, Section 2 of Article VIII, Section 1 of Article VIII and Section 1 of Article XI of the Bank's By-laws
7. Approval to delegate to the Board of Directors the power to amend or repeal the bylaws, or adopt new by-laws
8. Appointment of External Auditors; and
9. Election of the Board of Directors

Copy of the draft minutes of the Annual Stockholders' Meetings held on April 25, 2023 is

attached hereto as **Annex "C"** and is also available for viewing and examination in the Bank's website at the following link: <https://www.bankcom.com.ph/about-us/disclosures> .

Matters Not Required to be Submitted

There is no action to be taken at the 2024 Annual Stockholders' Meeting with respect to any matter which is not required to be submitted to a vote of security holders.

Approval of 2023 Directors' Performance Bonus

The Bank's Nomination Compensation and Remuneration Committee endorses to the stockholders for approval the performance bonus of the directors for the year ended 2023, in the total amount of P13,867,500 (tax exclusive).

The bonus is calculated based on the Bank's 2023 profit, the directors' terms in office, and their roles in the Board and the Board Committees.

For 2023, there were a total of fourteen (14) board meetings and one hundred twenty-four (124) board committee meetings attended by the members of the Board. Such attendance and participation in these meetings are recognized to have contributed to the good performance of the Bank resulting in a 35% increase in profit compared to previous year.

Amendment of Charter, By-laws, or Other Documents

In its February 27, 2024 meeting, the Board of Directors approved the following proposed amendments to the Bank's By-laws:

1. Amendment to Section 2 Article II of the Amended By-Laws of the Bank to change the schedule of annual stockholders' meeting from April to May to give the Bank ample time to comply with the requirements prior to holding an annual stockholders' meeting following the completion of its audited financial statements.

From	To
ARTICLE II STOCKHOLDERS	ARTICLE II STOCKHOLDERS
Section 2. Annual Meeting. – The annual meeting of the stockholders shall be held in the month of April on such day and at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.)	*Section 2. Annual Meeting. – The annual meeting of the stockholders shall be held <u>on the last Tuesday of May of each year, if not a legal holiday; otherwise, the next business day following</u> , at such time and place as the Board of Directors may determine. (As amended on 22 September 1988.) <u>(*As amended on 30 April 2024).</u>

2. Amendment of Section 5 Article III of the Amended By-laws of the Bank to rationalize the process of determining the directors' compensation and per diem per Section 29 of the Revised Corporation Code:

From	To
ARTICLE III DIRECTORS	ARTICLE III DIRECTORS
<p>Section 5. Compensation and Per Diems – The members of the Board of Directors, as such directors, shall be entitled to compensation the amount of which shall be fixed by the stockholders from time to time but in no case shall their total yearly compensation, as such directors, exceed ten (10%) percent of the net income before income tax of the Corporation during the preceding year. The members of the Board of Directors, the Executive Committee, other committees, and the Corporate Secretary shall be entitled to per diem for every attendance in meetings the amount of which shall be fixed by the stockholders from time to time (As amended on 22 September 1988)</p>	<p>Section 5. Compensation and Per Diems – The members of the Board of Directors, as such directors, shall be entitled to compensation the amount of which shall be fixed by the stockholders from time to time but in no case shall their total yearly compensation, as such directors, exceed two (2%) percent of the net income before income tax of the Corporation during the preceding year. The members of the Board of Directors, the Executive Committee, the Board Committees, and the Corporate Secretary shall be entitled to per diem for every attendance in meetings the amount of which shall be fixed by the stockholders from time to time. <u>Officers of the Corporation who are members of Board Committees are not entitled to per diem.</u> (As amended on 22 September 1988) <u>(*As amended on 30 April 2024).</u></p>

3. Amendment to Section 2 of Article VII and Section 1 of Article VIII of the Amended By-Laws of the Bank to correct typographical errors

From	To
ARTICLE VII CERTIFICATE OF STOCK	ARTICLE VII CERTIFICATE OF STOCK
<p>Section 2. Form – The Certificate of Stock shall be in such form and design as may be determined by the Board of Directors. Every certificate shall be signed by the President and countersigned by the Corporate Secretary and sealed with the corporate seal and shall state on its surface the number, date of issue, and the name of persons whose favor it was issued; provided that, in case any stock certificate is countersigned by a duly appointed stock transfer agent, transfer clerk, or registrar, the signatures of the President, and Corporate Secretary or Assistant Corporate Secretary, upon such certificate, may be facsimiles, which can</p>	<p>Section 2. Form – The Certificate of Stock shall be in such form and design as may be determined by the Board of Directors. Every certificate shall be signed by the President and countersigned by the Corporate Secretary and sealed with the corporate seal and shall state on its surface the number, date of issue, and the name of persons in whose favor it was issued; provided that, in case any stock certificate is countersigned by a duly appointed stock transfer agent, transfer clerk, or registrar, the signatures of the President, and Corporate Secretary or Assistant Corporate Secretary, upon such certificate, may be facsimiles, which can</p>

<p>be engraved or printed on the same. In connection with the listing of the Corporation's shares on the Philippine Stock Exchange, Inc. ("PSE"), unless subsequently certificated, all the issued and outstanding shares of the Corporation will be in scripless form through the electronic book-entry system of the Corporation's stock transfer agent and lodged with the depository agent as required by the PSE. Legal title to uncertificated shares will be shown in an electronic register of shareholders which shall be maintained by the stock transfer agent of the Corporation. (As amended on 22 September 1988) (As amended on 09 November 2021)</p>	<p>be engraved or printed on the same. In connection with the listing of the Corporation's shares on the Philippine Stock Exchange, Inc. ("PSE"), unless subsequently certificated, all the issued and outstanding shares of the Corporation will be in scripless form through the electronic book-entry system of the Corporation's stock transfer agent and lodged with the depository agent as required by the PSE. Legal title to uncertificated shares will be shown in an electronic register of shareholders which shall be maintained by the stock transfer agent of the Corporation. (As amended on 22 September 1988) (As amended on 09 November 2021) <u>(*As amended on 30 April 2024).</u></p>
<p style="text-align: center;">ARTICLE VIII TRANSFER OF SHARES OF STOCK</p> <p>Section 1. Mode of Transfer – Share of stock shall be transferred by delivery of the Certificate endorsed by the power or his attorney-in-fact or other persons legally authorized to make the transfer or by written instructions to the Corporate Secretary in case of uncertificated shares, but no transfer shall be valid as against the Corporation until the transfer is recorded in the Books of the Corporation (as amended on 09 November 2021.)</p>	<p style="text-align: center;">ARTICLE VIII TRANSFER OF SHARES OF STOCK</p> <p>Section 1. Mode of Transfer – Shares of stock shall be transferred by delivery of the Certificate endorsed by the person or his attorney-in-fact or other persons legally authorized to make the transfer or by written instructions to the Corporate Secretary in case of uncertificated shares, but no transfer shall be valid as against the Corporation until the transfer is recorded in the Books of the Corporation (as amended on 09 November 2021.) <u>(*As amended on 30 April 2024)</u></p>

4. Amendment to Section 1 of Article XI of the Amended By-Laws of the Bank to include the delegation by the stockholders to the board of directors the power to adopt, amend or repeal bylaws pursuant to Section 47 of the Revised Corporation Code.

From	To
<p style="text-align: center;">ARTICLE XI AMENDMENTS</p> <p>Section 1. How Made. – The Stockholders, by the affirmative vote of the majority of the outstanding capital stock and majority vote of directors may amend or repeal these By-laws or adopt New By-Laws at any regular meeting, or any special meeting called for the purpose.</p>	<p style="text-align: center;">ARTICLE XI AMENDMENTS</p> <p>Section 1. How Made. – <u>A majority of the Board of Directors and Stockholders owning at least a majority of the outstanding capital stock of the Corporation, at a regular or special meeting duly called for the purpose may amend or repeal the By-Laws or adopt new By-Laws. Stockholders owning two-thirds (2/3) of the outstanding capital stock of the Corporation may delegate to the Board of Directors the power to amend</u></p>

	<p><u>or repeal the By-Laws or adopt new By-Laws: Provided, That any power delegated to the Board of Directors to amend or repeal the By-Laws or adopt new By-Laws shall be considered as revoked whenever Stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting. (*As amended on 30 April 2024)</u></p>
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Section 47 of the Revised Corporation Code requires that the amendment to the By-laws of the Bank be approved by a majority of the board of directors, and the owners of at least a majority of the outstanding capital stock, at a regular or special meeting duly called for the purpose.

Approval to Delegate to the Board of Directors the Power to Amend, Repeal, or Adopt New By-laws

In accordance with Section 47 of the Revised Corporation Code, the Bank seeks the approval of at least two-thirds (2/3) of the outstanding capital stock to delegate to the Board of Directors the power to amend or repeal the bylaws, or adopt new bylaws; provided, that any such power delegated to the Board of Directors to amend or repeal the bylaws, or adopt new bylaws shall be considered as revoked whenever stockholders owning or representing a majority of the outstanding capital stock or majority of the members shall so vote at a regular or special meeting.

Voting Procedures

The ballots/proxy forms are available for download on the Bank's website at <https://www.bankcom.com.ph/about-us/disclosures>.

The ballots and proxies may be submitted via email to stockholders@bankcom.com.ph, which submission shall be duly acknowledged and validated by the Bank's stock transfer agent, SMC Stock Transfer Service Corporation. For an individual, the submission must be accompanied by a copy of a government-issued ID with photo, as proof of identification. For a corporation, the submission must be accompanied by a certification from its Corporate Secretary stating the corporate officer's authority to represent the corporation in the meeting. In the event that the Covid-19 alert level status restricts the movement of persons and makes submission of the originally signed ballots, proxies, and notarized Secretary's Certificate difficult, these documents shall be submitted to the SMC Stock Transfer Service Corporation within a reasonable time after the Annual Stockholders' Meeting.

The deadline for submission of the proxy and ballot is on **Tuesday, April 23, 2024**. Validation of proxies and ballots will be on **April 25, 2024** at 10:00AM at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines. Only stockholders who have notified the Bank of their intention to participate through remote communication as above described and have been validated by the Office of the Corporate Secretary to be stockholders of record of the Bank as of **April 8, 2024** will be considered in computing stockholder attendance at the meeting together with the stockholders attending through proxies.

For the election of directors, the fifteen (15) nominees with the greatest number of votes will be elected as directors. Shareholders vote by ballot, forms for which are available at the Bank's website, and must be submitted to the Bank on or before Tuesday, April 23, 2024 for validation and counting by the Bank's stock transfer agent on April 25, 2024, as set forth above.

Other matters for approval includes: (1) the amendment of the by-laws, to be approved by a majority of the shareholders present or represented at the meeting; and (2) delegation to the Board of Directors of the power to amend or repeal the bylaws, or adopt new bylaws in accordance with Section 47 of the Revised Corporation Code, to be approved by the affirmative vote of at least two-thirds (2/3) of the outstanding capital stock.

In all proposals or matters for approval except for election of directors, each share of stock entitles its registered owner (who is entitled to vote on such particular matter) to one vote. In case of election of directors, cumulative voting as set out in Item 4 of this Information Statement shall be adopted. Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors and the stock transfer agent of the Bank.

UNDERTAKING

The Bank will post and make available for download the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes, including the 2023 audited financial statements of the Bank on the Bank's website at <https://www.bankcom.com.ph/about-us/disclosures> upon its approval by the Securities and Exchange Commission.

Upon the written request of a stockholder, the Bank undertakes to timely furnish such stockholder with a copy of the full version of this SEC Form 20-IS (Definitive Information Statement), as well as the Bank's Annual Report (SEC Form-17-A) free of charge. Such written request shall be directed to the Office of the Corporate Secretary, 24/F San Miguel Properties Centre, St. Francis Street, Mandaluyong City 1550 Philippines, or sent via email at stockholders@bankcom.com.ph

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Mandaluyong on 1 April 2024.

BANK OF COMMERCE

By:


EVITA C. CABALLA
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **REBECCA MARIA A. YNARES**, Filipino, of legal age and with address at [REDACTED], after having been duly sworn to in accordance with law do hereby declare:

1. I am a nominee for independent director of BANK OF COMMERCE and have been its independent director since July 22, 2016.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE	
		From	To
Octagon Realty and Development Corporation	Stockholder	2008	Present
JCMB Philippines	Chairman and President	2007	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BANK OF COMMERCE as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. Other than as disclosed in item (2) above, I am not in any way related to any director/officer/substantial shareholder of BANK OF COMMERCE and its subsidiaries/affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of BANK OF COMMERCE of any changes in the abovementioned information within five days from its occurrence.

Done this _____ day of March 2024 in Mandaluyong City.


REBECCA MARIA A. YNARES
Affiant

SUBSCRIBED AND SWORN to before me this **MAR 19 2024** day of March 2024 in Mandaluyong City, affiant personally appeared before me and exhibited to me her Passport No. [REDACTED] issued at DFA Manila on December 18, 2021.

Doc. No. 192;
Page No. 40;
Book No. II;
Series of 2024.


ALYSSA MAE G. CAYABA
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0676-23
UNTIL 31 DECEMBER 2024
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425492 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 332593 / 20 DEC 2023
ROLL OF ATTORNEYS NO. 73447

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RICARDO DL. FERNANDEZ**, Filipino, of legal age and with address at [REDACTED] after having been duly sworn to in accordance with law do hereby declare:

1. I am a nominee for independent director of BANK OF COMMERCE and have been its independent director since January 1, 2021.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE	
		From	To
AAM Arden Property Development	Stockholder	2000	present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BANK OF COMMERCE as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. Other than as disclosed in item (2) above, I am not in any way related to any director/officer/substantial shareholder of BANK OF COMMERCE and its subsidiaries/affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of BANK OF COMMERCE of any changes in the abovementioned information within five days from its occurrence.

Done this 07 MAR 2024 day of March 2024 in Mandaluyong City.


RICARDO D.L. FERNANDEZ
Affiant

SUBSCRIBED AND SWORN to before me this 08 MAR 2024 day of March 2024 in Mandaluyong City, affiant personally appeared before me and exhibited to me his Passport No. [REDACTED] issued at DFA NCR South on June 8, 2018.

Doc. No. 94 ;
Page No. 20 ;
Book No. XI ;
Series of 2024.


EVA Z. BANZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0529-23
UNTIL 31 DECEMBER 2024
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425491 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 332607 / 20 DEC 2023
ROLL OF ATTORNEYS NO. 62160

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DANIEL GABRIEL M. MONTECILLO**, Filipino, of legal age and with address at [REDACTED], after having been duly sworn to in accordance with law do hereby declare:

1. I am a nominee for independent director of BANK OF COMMERCE and have been its independent director since April 29, 2022.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE	
		From	To
Metro Pacific Health	Independent Director	December 25, 2019	Present
Maybank Capital	Independent Director	February 15, 2021	Present
Maybank Securities	Independent Director	February 15, 2021	Present
RASLAG Corporation	Independent Director	July 1, 2021	Present
Ayala Land, Inc.	Independent Director	April 26, 2023	Present
International Finance Corporation	Consultant	December 1, 2018	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BANK OF COMMERCE as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. Other than as disclosed in item (2) above, I am not in any way related to any director/officer/substantial shareholder of BANK OF COMMERCE and its subsidiaries/affiliates.

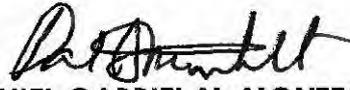
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of BANK OF COMMERCE of any changes in the abovementioned information within five days from its occurrence.

Done this 11 MAR 2024 day of March 2024 in Mandaluyong City.



DANIEL GABRIEL M. MONTECILLO
Affiant

SUBSCRIBED AND SWORN to before me this MAR 11 2024 day of March 2024 in Mandaluyong City, affiant personally appeared before me and exhibited to me his Passport No. [REDACTED] issued at DFA NCR East on March 8, 2019.

Doc. No. 16 ;
Page No. 5 ;
Book No. 1 ;
Series of 2024.



RENIER ARNES A. RAZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0709-24
UNTIL 31 DECEMBER 2025
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425494 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 324802 / 05 DEC 2023
ROLL OF ATTORNEYS NO. 80940

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SIMON R. PATERNO**, Filipino, of legal age and with address at [REDACTED], after having been duly sworn to in accordance with law do hereby declare:

1. I am a nominee for independent director of BANK OF COMMERCE and have been its independent director since June 1, 2022.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE	
		From	To
ZQR Corporation	Founder and CEO	July 2019	Present
ALFM Mutual Funds	President	August 20, 2021	Present
Kasiyahan Homes	President	April 22, 2022	Present
Ateneo Alumni Association	Board Member	March 2022	Present
Ateneo Scholarship Foundation	Chairman	2019	Present
Mamita Realty	Director	1997	Present
Foundation for Economic Freedom	Vice Chairman	2019	Present
Packworks	Adviser	2022	Present
MOBILEMO Inc.	Vice Chairman	January 2024	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BANK OF COMMERCE as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. Other than as disclosed in item (2) above, I am not in any way related to any director/officer/substantial shareholder of BANK OF COMMERCE and its subsidiaries/affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of BANK OF COMMERCE of any changes in the abovementioned information within five days from its occurrence.

08 MAR 2024

Done this ____ day of March 2024 in Mandaluyong City.


SIMON R. PATERNO
Affiant

SUBSCRIBED AND SWORN to before me this 08 MAR 2024 day of March 2024 in Mandaluyong City, affiant personally appeared before me and exhibited to me his Passport No. [REDACTED] issued at DFA NCR South on April 25, 2018.

Doc. No. 95;
Page No. 20;
Book No. XI;
Series of 2024.


EVA Z. BANZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0529-23
UNTIL 31 DECEMBER 2024
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425491 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 392607 / 20 DEC 2023
ROLL OF ATTORNEYS NO. 62160

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LEONARDO J. MATIGNAS, JR.**, Filipino, of legal age and with address at [REDACTED] after having been duly sworn to in accordance with law do hereby declare:

1. I am a nominee for independent director of BANK OF COMMERCE and have been its independent director since June 28, 2023.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE	
		From	To
PNB Holdings Corporation	Independent Director and Chairman of the Audit and Risk Management Committee	August 23, 2022	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BANK OF COMMERCE as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. Other than as disclosed in item (2) above, I am not in any way related to any director/officer/substantial shareholder of BANK OF COMMERCE and its subsidiaries/affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of BANK OF COMMERCE of any changes in the abovementioned information within five days from its occurrence.

Done this MAR 11 2024 day of March 2024 in Mandaluyong City.



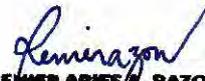
LEONARDO J. MATIGNAS, JR.

Affiant

MAR 11 2024

SUBSCRIBED AND SWORN to before me this _____ day of March 2024 in Mandaluyong City, affiant personally appeared before me and exhibited to me his PRC License No. [REDACTED] valid until August 22, 2025.

Doc. No. 13 ;
Page No. 4 ;
Book No. I ;
Series of 2024.



RENIER ARNES A. RAZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0709-24
UNTIL 31 DECEMBER 2025
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425494 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 324802 / 05 DEC 2023
ROLL OF ATTORNEYS NO. 80940

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

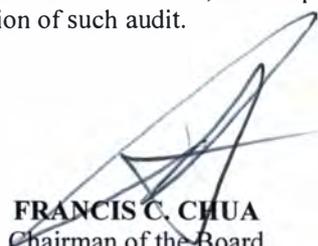
The management of **Bank of Commerce** (the “**Bank**”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, in accordance 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 to do so.

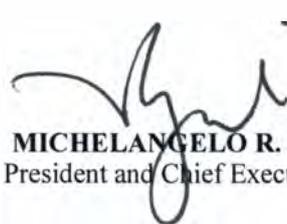
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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

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



FRANCIS C. CHUA
Chairman of the Board



MICHELANGELO R. AGUILAR
President and Chief Executive Officer



ANTONIO S. LAQUINDANUM
Executive Vice President and Chief Financial Officer

Signed this 19th day of March 2024

SUBSCRIBED AND SWORN to before me this MAR 22 2024, affiants exhibiting their Passport ID as follows:

Names	Identification No.	Place of Issue	Valid Until
Francis C. Chua	Senior Citizen ID No. [REDACTED]	San Juan, Metro Manila	N/A
Michelangelo R. Aguilar	Passport No. [REDACTED]	DFA NCR East	September 9, 2028
Antonio S. Laquindanum	Passport No. [REDACTED]	DFA Manila	September 9, 2031

Doc. No. 210
Page No. 43
Book No. III
Series of 2024


ALYSSA MAE G. CAYABA
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0676-23
UNTIL 31 DECEMBER 2024
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425492 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 332593 / 20 DEC 2023
ROLL OF ATTORNEYS NO. 73447

BANK OF COMMERCE

FINANCIAL STATEMENTS

As of December 31, 2023 and 2022 and

For the Years Ended December 31, 2023, 2022 and 2021

With Independent Auditors Report



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the “Bank”), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its 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 *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Allowance for Expected Credit Losses (ECL) for Loans and Receivables

The risk

The Bank's recognition of allowance for ECL for its loans and receivables is significant to our audit as it involves the exercise of significant management judgment. In calculating ECL, key areas of judgment include: determining the method to estimate ECL; defining default; identifying exposures with significant increase in credit risk; determining assumptions to be used in the ECL model such as expected recoveries from defaulted accounts and amount and timing of future cash flows; and incorporating forward-looking information, rising interest rates, and inflation, among others.

Loans and receivables and the corresponding allowance for credit losses as at December 31, 2023 amounted to P112.59 billion and P3.02 billion, respectively. Provision for credit and impairment losses in 2023 amounted to P113.62 million. The disclosures in relation to the allowance for credit losses are included in Notes 12 and 17 of the financial statements.

Our response

We obtained an understanding of the Bank's ECL methodologies and models for loans and receivables, as approved by the Credit Committee and the Board of Directors, and evaluated whether those are (a) established and implemented consistently in accordance with the underlying principles of PFRS 9, *Financial Instruments*; (b) appropriate in the context of the Bank's lending activities and asset portfolio; and (c) supported with processes and controls including documentations that capture in sufficient detail the judgment and estimation applied in the development of the ECL model.

We have performed the following procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables:

- We evaluated the governance over the development, validation and approval of the ECL model including continuous reassessment performed by the Bank;
- We tested the design, implementation and operating effectiveness of key controls in the ECL process. This includes appropriate classification of loan to stages and assignment of loan risk rating, approval of restructured loans, review of underlying collateral valuation, and the calculation and recognition of the ECL allowance;
- We assessed whether the loans are classified to the appropriate stage, and challenged the criteria used to categorize the loan to respective stages;



- On a sample basis, we performed an independent credit review in order to evaluate the appropriateness and adequacy of the risk rating review and credit review processes done by the Bank including its documentation. Accounts selected for review were based on a set of criteria designed to capture the items with high risk of material misstatement in the Bank's loan portfolios;
- We assessed the appropriateness and adequacy of the inputs and assumptions as well as the formulae used in the development of the ECL models, including the determination of the probability of default, loss given default and exposure at default;
- We performed model re-assessment through a series of statistical tests on the time series regression analysis and interpreted the results with the aim to verify, primarily, statistical significance;
- For forward-looking information used, we evaluated whether the historical and projected macro-economic factors (i.e. Remittances, Loan Performances, BVAL Rates, Value of Production Index, Stock Exchange Index, Exports, Consumer Outlook, Foreign exchange rates, and Gross Domestic Product), were appropriate and sufficient. This included assessing the level of significance of the correlation of the forward-looking information to the default rates, as well as the impact of these variables in the ECL. We also reviewed management's use of expert credit judgment on the assessment of other macroeconomic factors as inputs in the ECL models;
- On selected non-performing accounts, we evaluated management's forecast of recoverable cash flows based on agreed restructuring plan, collateral valuation and estimates of recovery from other sources;
- We have tested the completeness and reliability of data used in the ECL calculations through reconciliation of the ECL schedules with source systems and examination of relevant data elements to source documents;
- We have assessed the appropriateness and adequacy of the disclosures made in the financial statements; and
- We involved our Information Technology specialists to assist in testing the relevant automated control environments and application controls and, Financial Risk Management specialists to assess the Bank's ECL models and assumptions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



When we read the other information reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and determine whether the other information needs to be revised.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 38 to the financial statements is presented for purposes of filing with the BSP and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Vanessa P. Macamos.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 920-961-311

BIR Accreditation No. 08-001987-038-2022

Issued June 27, 2022; valid until June 27, 2025

PTR No. MKT 10075185

Issued January 2, 2024 at Makati City

March 19, 2024

Makati City, Metro Manila

BANK OF COMMERCE
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Cash and Other Cash Items		P3,500,645,345	P2,735,170,691
Due from Bangko Sentral ng Pilipinas	18	24,271,918,477	23,675,469,821
Due from Other Banks		1,055,354,600	1,044,255,360
Interbank Loans Receivable and Securities Purchased under Resale Agreements	8	20,111,780,623	18,378,744,387
Financial Assets at Fair Value through Profit or Loss	9	398,792,440	381,001,468
Financial Assets at Fair Value through Other Comprehensive Income	10	11,043,804,828	5,805,050,520
Investment Securities at Amortized Cost	11	52,471,103,294	52,208,769,061
Loans and Receivables	12	109,566,176,319	105,091,228,764
Investment in an Associate	13	35,533,764	39,522,627
Property, Equipment and Right-of-Use Assets	14	1,791,195,950	1,425,418,610
Investment Properties	15	3,676,126,498	3,399,986,749
Deferred Tax Assets	32	475,332,923	612,090,088
Other Assets	16	3,270,214,009	2,721,190,526
		P231,667,979,070	P217,517,898,672
LIABILITIES AND EQUITY			
Deposit Liabilities	18		
Demand		P54,569,494,343	P51,792,969,578
Savings		109,667,913,265	101,651,552,858
Time		16,638,541,473	17,793,297,530
Long-term negotiable certificates		5,029,420,000	5,029,420,000
		185,905,369,081	176,267,239,966
Financial Liabilities at Fair Value through Profit or Loss	9	6,201,649	283,329
Bonds Payable	20	7,478,265,064	7,442,251,269
Manager's Checks		1,846,499,855	661,453,914
Accrued Interest, Taxes and Other Expenses	21	1,387,189,325	1,165,765,820
Other Liabilities	22	4,193,181,203	3,950,329,366
Total Liabilities		200,816,706,177	189,487,323,664
Equity			
Capital stock	24	18,196,805,900	18,196,805,900
Paid-in surplus	24	7,229,275,360	7,229,275,360
Surplus reserves	25	1,095,004,461	983,407,496
Retained earnings	24	5,123,378,774	2,425,229,109
Net unrealized losses on financial assets at fair value through other comprehensive income	10	(421,192,531)	(730,966,925)
Remeasurement losses on retirement liability	29	(365,718,897)	(77,723,200)
Share in other comprehensive loss of an associate	13	(4,537,968)	(1,331,685)
Cumulative translation adjustment		(1,742,206)	5,878,953
Total Equity		30,851,272,893	28,030,575,008
		P231,667,979,070	P217,517,898,672

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF INCOME

		Years Ended December 31		
	<i>Note</i>	2023	2022	2021
INTEREST INCOME				
Interest income calculated using the effective interest method:				
Loans and receivables	12	P8,244,672,503	P5,465,228,886	P4,284,455,772
Investment securities at fair value through other comprehensive income and at amortized cost	26	2,247,720,169	1,681,784,534	1,251,563,739
Interbank loans receivable and securities purchased under resale agreements	8	875,706,076	539,158,895	316,281,375
Due from Bangko Sentral ng Pilipinas and other banks	18	372,909,945	274,855,345	228,434,625
Other interest income:				
Financial assets at fair value through profit or loss	26	21,561,207	4,603,469	14,420,446
		11,762,569,900	7,965,631,129	6,095,155,957
INTEREST EXPENSE				
Deposit liabilities	18	2,971,181,154	1,034,350,259	645,260,590
Bonds payable	20	412,986,306	173,783,546	-
Lease liabilities	30	32,817,258	28,177,821	35,033,242
Bills payable and other borrowings	19	49,098,268	47,041,557	16,691,365
		3,466,082,986	1,283,353,183	696,985,197
NET INTEREST INCOME		8,296,486,914	6,682,277,946	5,398,170,760
Service charges, fees and commissions				
	27	886,379,485	857,631,877	531,127,752
Gains on foreclosure and sale of property and equipment and foreclosed assets - net				
	14, 15, 16	495,400,228	340,449,070	274,985,810
Foreign exchange gains - net				
		141,121,355	150,319,774	48,367,204
Trading and investment securities gains (losses) - net				
	28	10,598,350	(29,216,561)	(78,709,145)
Miscellaneous	31	145,276,382	115,179,381	50,565,323
TOTAL OPERATING INCOME		9,975,262,714	8,116,641,487	6,224,507,704
Compensation and fringe benefits				
	29	2,258,396,096	1,904,811,525	1,820,969,091
Taxes and licenses				
	32	1,063,031,768	947,182,470	802,193,452
Rent and utilities				
	30	647,697,989	631,549,967	532,283,906
Depreciation and amortization				
	14, 15, 16	489,379,046	431,663,464	462,532,885
Service fees and commissions				
	27	417,924,021	293,329,555	229,706,473
Insurance				
	18	345,083,471	348,354,755	334,825,533
Subscription fees				
		188,452,835	122,534,992	107,646,170
Management and professional fees				
		140,883,712	108,572,826	85,022,359
Provision for (reversal of) credit and impairment losses				
	17	78,844,599	166,210,318	(634,819,513)
Amortization of software costs				
	16	76,741,228	73,068,105	53,595,136
Entertainment and recreation				
		12,142,020	76,226,795	97,393,528
Miscellaneous	31	519,792,983	546,579,681	501,811,576
TOTAL OPERATING EXPENSES		P6,238,369,768	P5,650,084,453	P4,393,160,596

Forward

		Years Ended December 31		
	Note	2023	2022	2021
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE		P3,736,892,946	P2,466,557,034	P1,831,347,108
SHARE IN NET LOSS OF AN ASSOCIATE	13	782,580	133,185	1,039,285
INCOME BEFORE INCOME TAX EXPENSE		3,736,110,366	2,466,423,849	1,830,307,823
INCOME TAX EXPENSE	32	933,891,191	666,355,249	623,688,658
NET INCOME		P2,802,219,175	P1,800,068,600	P1,206,619,165
Earnings Per Share Attributable to Equity Holders of the Bank	36			
Basic		P1.86	P1.24	P1.02
Diluted		1.54	1.03	0.93

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2023	2022	2021
NET INCOME		P2,802,219,175	P1,800,068,600	P1,206,619,165
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss				
Net change in remeasurement losses on retirement liability	29	(287,995,697)	184,824,187	186,540,613
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	10	15,857,461	4,413,992	31,555,000
		(272,138,236)	189,238,179	218,095,613
Items that may be reclassified to profit or loss				
Net change in fair value of debt securities at FVOCI	10	308,408,749	(578,936,156)	(320,194,577)
Net movement in cumulative translation adjustment		(7,621,159)	(1,131,861)	22,414,831
Net change in fair value of debt securities at FVOCI taken to profit or loss	10	(6,964,361)	-	68,883,753
Share in other comprehensive income (loss) of an associate	13	(3,206,283)	(5,777)	13,468
		290,616,946	(580,073,794)	(228,882,525)
		18,478,710	(390,835,615)	(10,786,912)
TOTAL COMPREHENSIVE INCOME		P2,820,697,885	P1,409,232,985	P1,195,832,253

See Notes to the Financial Statements.

BANK OF COMMERCE

STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2022	P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P77,723,200)	(P730,966,925)	P5,878,953	(P1,331,685)	P28,030,575,008
Net income for the year	-	-	-	2,802,219,175	-	-	-	-	2,802,219,175
Other comprehensive income (loss) for the year:									
Items that may not be reclassified to profit or loss:									
Net change in remeasurement losses on retirement liability	-	-	-	-	(287,995,697)	-	-	-	(287,995,697)
Net change in fair value of equity securities at FVOCI	-	-	-	-	-	15,857,461	-	-	15,857,461
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	-	308,408,749	-	-	308,408,749
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	-	(6,964,361)	-	-	(6,964,361)
Net movement in cumulative translation adjustment	-	-	-	-	-	-	(7,621,159)	-	(7,621,159)
Share in other comprehensive loss of an associate	-	-	-	-	-	-	-	(3,206,283)	(3,206,283)
Total comprehensive income for the year	-	-	-	2,802,219,175	(287,995,697)	317,301,849	(7,621,159)	(3,206,283)	2,820,697,885
Issuance of common stock	-	-	-	-	-	-	-	-	-
Transactions within equity:									
Transfer to surplus reserves	25	-	111,596,965	(111,596,965)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	7,527,455	-	(7,527,455)	-	-	-
			111,596,965	(104,069,510)	-	(7,527,455)	-	-	-
Balance as at December 31, 2023	P18,196,805,900	P7,229,275,360	P1,095,004,461	P5,123,378,774	(P365,718,897)	(P421,192,531)	(P1,742,206)	(P4,537,968)	P30,851,272,893

Forward

Years Ended December 31

	<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532
Net income for the year		-	-	-	1,800,068,600	-	-	-	-	1,800,068,600
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	184,824,187	-	-	-	184,824,187
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	4,413,992	-	-	4,413,992
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(578,936,156)	-	-	(578,936,156)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	-	-	-	-
Net movement in cumulative translation adjustment		-	-	-	-	-	-	(1,131,861)	-	(1,131,861)
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	(5,777)	(5,777)
Total comprehensive income for the year		-	-	-	1,800,068,600	184,824,187	(574,522,164)	(1,131,861)	(5,777)	1,409,232,985
Issuance of common stock	24	2,806,028,000	452,580,491	-	-	-	-	-	-	3,258,608,491
Transactions within equity:										
Transfer to surplus reserves	25	-	-	227,601,229	(227,601,229)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	290,000	-	(290,000)	-	-	-
		2,806,028,000	452,580,491	227,601,229	(227,311,229)	-	(290,000)	-	-	3,258,608,491
Balance as at December 31, 2022		P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P77,723,200)	(P730,966,925)	P5,878,953	(P1,331,685)	P28,030,575,008

Forward

Years Ended December 31

	<i>Note</i>	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Remeasurement Losses on Retirement Liability (Note 29)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Cumulative Translation Adjustment	Share in Other Comprehensive Loss of an Associate (Note 13)	Total Equity
Balance as at December 31, 2020		P11,224,111,200	P5,594,079,646	P395,602,340	(P51,156,715)	(P449,088,000)	P69,657,563	(P15,404,017)	(P1,339,376)	P16,766,462,641
Net income for the year		-	-	-	1,206,619,165	-	-	-	-	1,206,619,165
Other comprehensive income (loss) for the year:										
Items that may not be reclassified to profit or loss:										
Net change in remeasurement losses on retirement liability		-	-	-	-	186,540,613	-	-	-	186,540,613
Net change in fair value of equity securities at FVOCI		-	-	-	-	-	31,555,000	-	-	31,555,000
Items that may be reclassified to profit or loss:										
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(320,194,577)	-	-	(320,194,577)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	68,883,753	-	-	68,883,753
Net movement in cumulative translation adjustment		-	-	-	-	-	-	22,414,831	-	22,414,831
Share in other comprehensive loss of an associate		-	-	-	-	-	-	-	13,468	13,468
Total comprehensive income for the year		-	-	-	1,206,619,165	186,540,613	(219,755,824)	22,414,831	13,468	1,195,832,253
Issuance of preferred stock	24	4,166,666,700	1,233,771,938	-	-	-	-	-	-	5,400,438,638
Transactions within equity:										
Transfer to surplus reserves	25	-	-	360,203,927	(360,203,927)	-	-	-	-	-
Application of paid-in surplus against deficit	24	-	(51,156,715)	-	51,156,715	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	10	-	-	-	6,056,500	-	(6,056,500)	-	-	-
		4,166,666,700	1,182,615,223	360,203,927	(302,990,712)	-	(6,056,500)	-	-	5,400,438,638
Balance as at December 31, 2021		P15,390,777,900	P6,776,694,869	P755,806,267	P852,471,738	(P262,547,387)	(P156,154,761)	P7,010,814	(P1,325,908)	P23,362,733,532

See Notes to the Financial Statements.

BANK OF COMMERCE
STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax expense		P3,736,110,366	P2,466,423,849	P1,830,307,823
Adjustments for:				
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	14, 15, 16	(495,400,228)	(340,449,070)	(274,985,810)
Depreciation and amortization	14, 15, 16	489,379,046	431,663,464	462,532,885
Interest expense on bonds payable	20	412,986,306	173,783,546	-
Provision for (reversal of) credit and impairment losses	17	78,844,599	166,210,318	(634,819,513)
Amortization of software costs	16	76,741,228	73,068,105	53,595,136
Interest expense on lease liabilities	30	32,817,258	28,177,821	35,033,242
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	28	(22,810,265)	(3,032,696)	4,189,634
Loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI)	28	(6,964,361)	-	68,883,753
Share in net loss of an associate	13	782,580	133,185	1,039,285
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	8	-	-	106,515,133
Financial assets at FVPL		10,937,613	616,927,329	266,617,062
Loans and receivables		(4,762,183,490)	(31,013,170,773)	(2,049,407,264)
Other assets		(478,780,746)	(147,949,840)	(254,234,814)
Increase (decrease) in:				
Deposit liabilities		9,638,129,115	4,553,416,726	22,608,212,154
Manager's checks		1,185,045,941	(290,006,583)	81,380,889
Accrued interest, taxes and other expenses		217,489,398	130,239,910	90,609,895
Other liabilities		(64,244,233)	1,483,681,802	(386,245,709)
Net cash generated from (absorbed by) operations		10,048,880,127	(21,670,882,907)	22,009,223,781
Income taxes paid		(793,239,655)	(573,609,991)	(366,872,337)
Net cash provided by (used in) operating activities		9,255,640,472	(22,244,492,898)	21,642,351,444

Forward

Years Ended December 31

	<i>Note</i>	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		P84,500,327,600	P59,895,050,000	P15,166,197,000
Financial assets at FVOCI		5,963,068,067	578,775,000	17,433,761,770
Investment properties		238,440,930	299,555,213	308,006,196
Property and equipment		49,279,179	52,892,081	45,240,223
Additions to:				
Investment securities at amortized cost		(84,762,807,309)	(69,194,981,330)	(48,933,469,733)
Financial assets at FVOCI		(10,877,648,681)	(1,903,195,601)	(7,358,521,216)
Property and equipment	14	(466,379,345)	(182,356,128)	(156,995,689)
Software costs	16	(149,908,692)	(100,896,635)	(48,972,849)
Investment properties		(21,025,497)	(4,932,730)	(1,098,889)
Net cash used in investing activities		(5,526,653,748)	(10,560,090,130)	(23,545,853,187)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest on bonds	20	(376,972,511)	(106,595,991)	-
Payment of lease liability	35	(238,014,973)	(231,255,989)	(223,485,330)
Issuance of bonds payable	35	-	7,427,633,892	-
Issuance of common stock		-	3,258,608,491	-
Issuance of preferred stock		-	-	5,452,543,902
Settlement of bills payable	35	-	-	(18,675)
Net cash provided by (used in) financing activities		(614,987,484)	10,348,390,403	5,229,039,897
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS				
		(7,624,444)	(1,082,325)	22,456,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		3,106,374,796	(22,457,274,950)	3,347,994,785
CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING OF YEAR				
Cash and other cash items		2,735,170,691	2,747,780,890	2,420,504,742
Due from Bangko Sentral ng Pilipinas		23,678,666,441	45,373,267,996	39,552,550,316
Due from other banks		1,044,396,366	1,039,596,824	1,023,393,720
Interbank loans receivable and securities purchased under resale agreements		18,381,225,853	19,136,088,591	21,952,290,738
		45,839,459,351	68,296,734,301	64,948,739,516
CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR				
Cash and other cash items		3,500,645,345	2,735,170,691	2,747,780,890
Due from Bangko Sentral ng Pilipinas		24,275,195,629	23,678,666,441	45,373,267,996
Due from other banks		1,055,497,093	1,044,396,366	1,039,596,824
Interbank loans receivable and securities purchased under resale agreements		20,114,496,080	18,381,225,853	19,136,088,591
		P48,945,834,147	P45,839,459,351	P68,296,734,301

Forward

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM INTEREST AND DIVIDENDS			
Operating Activities			
Interest received	P9,505,491,715	P6,152,214,757	P5,013,594,767
Interest paid	2,883,397,684	978,496,764	659,753,395
Investing Activities			
Interest received	P2,189,348,496	P1,614,378,153	P988,560,088
Dividends received	5,604,161	1,612,352	5,709,161
Financing Activities			
Interest paid	P409,789,769	P135,099,012	P35,396,571

See Notes to the Financial Statements.

BANK OF COMMERCE
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the Bank) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 16, 1963. The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank's banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide as at December 31, 2023, 2022 and 2021.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at December 31, 2023 and December 31, 2022. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2023 and 2022.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the "FCDU") license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

Under Section 11, Corporate Term of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank's term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

The financial statements of the Bank were endorsed by the Audit Committee to BOD for its approval on March 19, 2024. The financial statements were approved and authorized for issue by the BOD on March 19, 2024.

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

<u>Items</u>	<u>Measurement Bases</u>
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The financial statements include accounts maintained in the Regular Banking Unit (the RBU) and the FCDU. The functional currency of the RBU and the 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 to their equivalents in PHP as discussed in Note 3. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of the following amended standards and framework, which became effective beginning January 1, 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other income in the financial statements.

The Bank reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3, Material Accounting Policies in certain instances in line with the amendments.

Foreign Currency Transactions and Translation

Foreign exchange differences arising from foreign currency transactions and revaluation and translation of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of "Foreign exchange gains - net" account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in "Net change in fair value on equity securities at FVOCI" in other comprehensive income (OCI).

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Banking Association of the Philippines (BAP) closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP weighted average rate (WAR) for the year. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date. The exchange differences arising from translation (i.e., BAP WAR and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to OCI under "Net movement in cumulative translation adjustment" in the statements of comprehensive income. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statements of income.

Financial Instruments - Initial Recognition

- *Date of Recognition*

Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

- *Initial Recognition of Financial Instruments*

All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are for sole payment of principal and interest (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the 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 in which those risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If the cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial asset held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

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

To make the SPPI assessment, the Bank applies judgment 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 FVPL.

The Bank's measurement categories for financial assets are described below:

(i) *Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank 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 a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) *Financial Assets at Amortized Cost*

The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" account in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2023 and 2022, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

▪ *Debt Securities*

The Bank measures debt securities at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the "Net unrealized losses on financial assets at FVOCI" account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to "Provision for credit and impairment losses" account if the resulting ECL is impairment losses and to "Reversal of credit and impairment losses" account if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income.

- *Equity Securities*

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

Equity securities designated 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 OCI under “Net unrealized losses on financial assets at FVOCI” account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as “Miscellaneous income” when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to “Retained earnings” account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9, Financial Instruments.

Financial Liabilities

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

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

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

The Bank’s financial liabilities at amortized cost include deposit liabilities, bills payable, bonds payable, manager’s checks, lease liabilities, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off-balance sheet exposures).

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

Reclassification of Financial Assets and Liabilities

The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank’s business model will be effected only at the beginning of the next reporting period following the change in the business model.

Financial liabilities are not reclassified.

Modifications of Financial Assets and Financial Liabilities

Financial Assets

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

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

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

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

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a “substantial modification” has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others, a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

- (a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;
- (b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank's policy, the delineation between substantial and non-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

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

Financial Liabilities

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

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

Derecognition of Financial Assets and Financial Liabilities

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 rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets

The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

Expected Credit Loss Methodology

The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that 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. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment

For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.
- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date and matured accounts with outstanding balances. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Definition of "Default" and "Cure"

The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e., breach of covenant) and quantitative (i.e., overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e., to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of the Manual of Regulations for Banks (MORB), *Past Due Accounts and Non-Performing Loans*.

Credit Risk at Initial Recognition

The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) for corporate loans and credit scorecards for consumer loans to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk. On the other hand, credit scorecard is a tool used to evaluate the credit risk associated to individual customers. Customer-specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

Significant Increase in Credit Risk

The definition of a SICR varies by portfolio where the determination of the change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank's internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

ECL Parameters and Methodologies

ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)

The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full over a given time period, either over the next 12 months (12-month PD) or over the remaining life (Lifetime PD) of the loan obligation. The Bank currently uses its ICRRS, behavioral scorecard and other relevant drivers of default to segment exposures with homogenous risk characteristics.

Point-in-Time (PiT) PD calibration is done to reflect the current trends in business and credit cycle. Macroeconomic forecasts are incorporated to come up with PiT PDs that are unbiased and forward-looking projections of future default risk.

(b) Loss Given Default (LGD)

LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to consider cashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

LGD estimation also considers the present value calculation and cost adjustment in determining the recoveries.

(c) Exposure at Default (EAD)

EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. When estimating EAD, several factors are taken into account, including the length of time for which the estimation is being made, the predicted cash flows until the point of default, total loan tenure, and the remaining duration of the loan. This provides a more robust estimate of the total amount the Bank is exposed to.

Forward-looking Information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The Bank enhanced its ECL methodology by incorporating multiple future macroeconomic expectations in order to estimate credit losses on the basis of probability-weighted outcomes. The Bank has performed statistical analysis of historical data to determine which macroeconomic variables (MEVs) are correlated with the performance of specific loan portfolios. The MEVs considered were obtained using publicly available sources such as BSP and Philippine Statistical Association. A broad range of forward looking information are assessed as economic inputs. Based on historical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs used include Remittances, Loan Performances, BVAL rates, Value of Production Index (VAPI), Stock Exchange Index, Exports, Consumer Outlook, Foreign Exchange rates and Gross Domestic Product (GDP) (Agriculture). The selected MEVs were confirmed using experienced credit judgment.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Restructured Loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs

Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" account in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Offsetting

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

As at December 31, 2023 and 2022, the Bank did not have any financial instrument that qualified for offsetting.

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

Cash and Cash Equivalents

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

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements

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

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

Financial Guarantees and Undrawn Loan Commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" account in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable in bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

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

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as "Gain on foreclosure" under "Gain on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income. Foreclosed properties are classified under "Investment properties" upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (*dacion en pago*).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

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

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Other Properties Acquired

Other properties acquired, included under "Other assets" account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of the other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

Branch Licenses

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Assets, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"

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

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

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

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

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

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

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 Bank.

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 best economic interest.

The fair value measurement of a non-financial asset takes into account a 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.

Fair Value Hierarchy

The majority of valuation models deploy only observable market data as inputs. This has not changed as a result of COVID-19, however the Bank has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

The Bank evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

For certain financial instruments, the Bank may use data that is not readily observable in current markets. If the Bank uses unobservable market data, then the Bank needs to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Bank derives unobservable inputs from other relevant market data and compares them to observed transaction prices where available.

The Bank 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 as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank 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.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In particular, the external appraisers must hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Valuation from external appraisers are subject to quality assurance by the Bank to ensure that the minimum requirements and standards for appraisals are met. The minimum requirements and standards entail consistency and accuracy of the information in the appraisal reports. The appraisal undertaking must comply with the provisions of the Philippine Valuation Standards (PVS). Market value is defined by PVS as the estimated amount for which a property can be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is acting as a Principal or an Agent

The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. Income from fiduciary and custodianship activities are included under "Service charges, fees and commission" account in the statements of income.

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

Revenues Within the Scope of PFRS 15

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Service Charges and Penalties

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown is expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

(ii) Fee Income Earned from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees and brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as the other participants.

Discounts Earned and Awards Revenue on Credit Cards

Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty program is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty program are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty program is included under 'Service charges, fees and commissions' in the statements of income.

Other Income

Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income.

Revenues Outside the Scope of PFRS 15

Interest Income

Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in the statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses

Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends

Dividends are recognized when received or when the Bank's right to receive the dividends is established.

Rental Income

Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets

Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the statement of income in the year of recovery.

Expense Recognition

Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

Interest Expense

Interest expense for all interest-bearing financial liabilities is recognized in "Interest expense" account in the statements of income using the EIR of the financial liabilities to which they relate.

Other Expenses

Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

“Capital Stock” is recorded at par for all shares issued and outstanding.

“Paid-in Surplus” represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to *“Paid-in surplus”*.

“Retained Earnings (Deficit)” represents the accumulated earnings (losses) of the Bank.

“Surplus Reserves” represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank’s profit from trust business, and self-insurance of the Bank.

Leases

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

Bank as Lessee

At the commencement or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

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

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents the right-of-use assets in “Property, Equipment and Right-of-Use Assets” while lease liabilities are included under “Other liabilities” in the statements of financial position.

Short-term Leases and Leases of Low-value Assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as a rent expense on a straight-line basis over the lease term.

Bank as a Lessor

At the inception or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Income Tax Expense

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

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

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

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

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

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Events After the Reporting Date

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Fiduciary Activities

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

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Judgments

In the process of applying the Bank's accounting policies, management has made the following significant judgments, apart from those involving estimations, which may have the most significant effect on amounts recognized in the financial statements:

a) Leases

Bank as Lessee

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

The Bank recognizes right-of-use assets and lease liabilities for most leases - on-balance sheet leases. However, the Bank has elected not to recognize right-of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant judgment is exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is Bloomberg Valuation (BVAL) rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 14 and 22, respectively.

Bank as Lessor

The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

b) Business Model Assessment

The Bank manages its financial assets based on the 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 investing and trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank 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 Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. 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 Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

c) *Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets under PFRS 9, the Bank 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), i.e., cash flows that are non-SPPI, does not meet the amortized cost and FVOCI 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 Bank 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 Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d) *Functional Currency*

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

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) *Provisions and Contingencies*

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 38).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(i) Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

The ECL methodology of the Bank is regularly recalibrated to improve the accuracy of the ECL models using updated data. Significant factors affecting the estimates on the enhanced ECL model include:

- The default and credit impaired financial assets are aligned across all credit portfolios;
- PD segmentation is based on the staging criteria (i.e., delinquency age buckets, internal credit risk ratings and loan status);
- The LGD takes into account post-default relevant information such as cost of recoveries and curing rate. LGD is adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates are pooled by collateral type;
- EAD estimates consider (a) time horizon for which EAD needs to be estimated, (b) projected cash flows until the estimated point of default and (c) remaining loan term;
- The Bank uses three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the 'Baseline' or central scenario) and two less likely scenarios on the either side of the central (that is, the 'Optimistic' and 'Pessimistic', respectively). The scenario weights are developed based on the relative frequency distribution of historical GDP data. Both the 'Optimistic' and 'Pessimistic' scenarios reflect the lower and upper levels whereas the 'Baseline' scenario represents the central distribution; and
- The impact of Covid-19 has been appropriately incorporated in the impairment allowance calculation using more recent data. The Bank has updated the macroeconomic expectations in the model to consider the effects of Covid-19 pandemic situation.

In 2022, the ECL methodology of the Bank was validated by an external validator. Changes brought upon by the model validation are the following:

- The PD calculation template was aligned with the model documentation;
- The migration rates used for the LGD calculation of the Corporate, Auto, Housing, Salary, Personal and Benefit loans were also aligned with the model documentation; and
- Aligned the logical trend of Optimistic, Baseline, and Pessimistic scenarios using historical data.

In 2023, the Bank recalibrated the ECL framework. Updates on the ECL parameters involved the following:

- The most recent data were applied for PD, LGD and EAD.
- The following information were incorporated in LGD:
 - Recovery information for Corporate & Consumer
 - Collection fees for Auto and Housing
- Additional PD and EAD segmentation were considered.
- Account-level discounting factor was applied.
- The Macroeconomic Factors (MEF) were tested and updated based on the recalibration. The updated MEFs include Remittances, Loan Performances, BVAL rates, VAPI, Stock Exchange Index, Exports, Consumer Outlook, FX rates, and GDP (Agriculture).

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 17.

(ii) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(iii) Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Property, Equipment and Right-of-Use Asset, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- a) significant underperformance relative to expected historical or projected future operating results;
- b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets under "Other Assets" are disclosed in Notes 13, 14, 15 and 16, respectively.

(iv) Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs

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

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

(v) Recognition of Deferred Tax Assets

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

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 32.

(vi) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 29.

(vii) Contingencies

The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings has been estimated by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results.

Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 38).

5. Financial Risk Management Objectives and Policies

Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring financial risk.

Board of Directors

The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank's strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Executive Committee (Excom)

The Excom is primarily responsible for the evaluation, approval and/or endorsement to the BOD for approval, credit and real and other properties acquired (ROPA) sales proposals from Management. The Excom also evaluates and recommends for BOD approval new, amended or enhanced Bank policies, products or services. The Excom may also act on such specific matters within the competence of the BOD, as may be delegated by majority vote of the BOD, except on certain matters expressly reserved by law for stockholders' and/or for the BOD' action.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

Related Party Transactions Committee (RPTCom)

The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm's length. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee

The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)

The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)

The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk-taking personnel. The RSK reports to the BROC.

Senior Executive Team (SET)

The SET brings together the Chief Executive Officer, Group Heads and select Division Heads of the Bank to discuss and take up policy and strategic issues vital to the Bank's business, shareholders, employees and long term viability.

Asset Liability Management Committee (ALCO)

The ALCO is responsible for setting, developing and implementing the Bank's Asset Liability Management (ALM) and hedging policy. It also reviews the allocation of resources, pricing of products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)

The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)

The Crecom plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan (whether short or long) within its authority and to endorse those credit proposals which are beyond its authority to the Excom and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existing ones or to offer new loan products or programs, prior to endorsement to the SET and Excom for approval.

Internal Audit Division

Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

Legal Services Division

The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division

The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program .

Risk Measurement and Reporting Systems

The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROCC and Audit Committee, as well as the SET and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROCC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk.

Derivative Financial Instruments

The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as "Financial assets at FVPL" account in the statements of financial position.

Credit-related Commitment Risks

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures

The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	After Financial Effect of Collateral or Credit Enhancement	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	P80,465,866,990	P72,479,226,327	P85,853,607,701	P80,428,467,579
Agri-agra loans	11,478,913,064	11,221,920,766	2,508,188,756	2,422,186,023
Housing loans	8,256,741,837	2,913,703,470	8,050,636,414	2,971,809,373
Auto loans	3,880,015,183	1,352,091,080	3,248,375,385	1,559,773,409
Bills purchased, import bills and trust receipts	959,027,056	959,027,056	1,293,445,667	1,293,445,667
Direct advances	453,960,006	1,644,710	468,677,985	-
Others	2,084,429,902	2,084,264,623	1,874,451,667	1,874,451,667
	107,578,954,038	91,011,878,032	103,297,383,575	90,550,133,718
Sales contract receivables	331,532,289	-	325,652,637	-
	P107,910,486,327	P91,011,878,032	P103,623,036,212	P90,550,133,718

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

As at December 31, 2023 and 2022, fair value of collaterals held for loans and receivables amounted to P105.5 billion and P78.5 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2023 and 2022:

	December 31, 2023			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P443,679,697	P209,080,940	P234,598,757	P407,680,265
Agri-agra loans	185,707,842	6,232,700	179,475,142	185,707,842
Housing loans	543,308,772	477,362,994	65,945,778	172,339,550
Auto loans	350,702,965	341,795,414	8,907,551	232,543,078
Bills purchased, import bills and trust receipts	89,469,843	-	89,469,843	89,469,843
Direct advances	121,241,742	-	121,241,742	121,241,742
Others	253,848,484	183,895	253,664,589	186,626,571
	1,987,959,345	1,034,655,943	953,303,402	1,395,608,891
Sales contract receivables	100,875,387	47,192,830	53,682,557	54,151,486
	P2,088,834,732	P1,081,848,773	P1,006,985,959	P1,449,760,377

	December 31, 2022			
	Maximum Exposure			
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P470,461,970	P128,734,453	P341,727,517	P465,848,155
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
Housing loans	746,112,810	593,276,797	152,836,013	144,275,644
Auto loans	409,506,693	395,813,302	13,693,391	341,667,642
Bills purchased, import bills and trust receipts	88,174,014	7,656,284	80,517,730	88,174,014
Direct advances	133,007,418	-	133,007,418	133,007,418
Others	684,459,703	183,895	684,275,808	612,085,091
	2,549,385,978	1,140,026,791	1,409,359,187	1,802,721,334
Sales contract receivables	115,356,863	61,674,306	53,682,557	54,296,300
	P2,664,742,841	P1,201,701,097	P1,463,041,744	P1,857,017,634

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2023 and 2022.

Collaterals and Other Credit Enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collaterals obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;
- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and
- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for down payment as compared to prevailing market rates, among others.

Credit Quality Per Class of Financial Assets

The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's ICRRS is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

BRR Disclosure

In compliance with BSP, the Bank implemented a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry analysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. Each section is given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	600	100%

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
		Substandard	8
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7-8 are loans still in current status but observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Consumer loans portfolio and credit card receivables undergo credit scoring, which results in applications either being referred for further manual evaluation or declined. Receivables considered outside the main business lines of the Bank are considered unrated accounts, which include benefit loans, accounts receivable, accrued interest receivables, sales contract receivables and returned checks and other cash items (RCOCI).

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

- (a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.
- (b) If the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.
- (c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.
- (d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.
- (e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

FRF:

- (a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

- (b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3 rd party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2023 and 2022 (amounts in thousands).

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P28,024,849	P -	P339	P672,648	P442,426	P -	P -	P29,140,262	P -	P767,219	P29,907,481
Standard grade	52,189,800	-	26,565	288,581	9,996	11,489,607	-	64,004,549	-	413,571	64,418,120
Subject to scoring and unrated	-	7,739,774	3,696,107	-	-	-	1,985,562	13,421,443	282,515	459,924	14,163,882
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Neither past due nor impaired:											
Standard grade	3,370	-	-	-	-	4,731	-	8,101	-	32	8,133
Substandard grade	535,173	-	-	-	1,674	-	-	536,847	-	3,384	540,231
Past due but not impaired	-	171,144	46,914	-	-	-	88,814	306,872	5,171	27,021	339,064
Impaired	-	-	-	-	-	1,500	-	1,500	-	1	1,501
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Impaired	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	827,152	2,915,987
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,498,304	P112,294,399

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOI

December 31, 2022

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P32,370,341	P -	P1,099	P979,105	P466,443	P346,095	P -	P34,163,083	P -	P719,404	P34,882,487
Standard grade	52,782,106	-	24,605	219,323	-	2,032,048	-	55,058,082	-	277,124	55,335,206
Subject to scoring and unrated	-	7,294,257	3,089,406	97,976	-	-	1,808,374	12,290,013	263,227	450,648	13,003,888
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Neither past due nor impaired:											
Standard grade	329,863	-	-	-	-	-	-	329,863	-	4,196	334,059
Substandard grade	81,637	-	-	-	2,641	134,258	-	218,536	-	962	219,498
Past due but not impaired	-	182,084	127,407	-	-	-	65,034	374,525	4,038	27,341	405,904
Impaired	548,625	-	-	-	-	7,818	-	556,443	-	3,464	559,907
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Impaired											
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	854,554	3,519,297
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	854,554	3,519,297
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,337,693	P108,260,246

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2023 and 2022 (amounts in thousands).

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P391,758	P -	P -	P391,758
Standard grade	23,941,997	-	-	23,941,997
Subject to scoring*	3,600,977	-	-	3,600,977
	P27,934,732	P -	P -	P27,934,732

*Comprised of unused credit card lines.

	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P1,586,005	P -	P -	P1,586,005
Standard grade	21,522,712	-	-	21,522,712
Subject to scoring*	3,601,178	-	-	3,601,178
	P26,709,895	P -	P -	P26,709,895

*Comprised of unused credit card lines.

Sensitivity of ECL to Future Economic Conditions

Set out below are the changes to the Bank's ECL in 2023 and 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

	December 31, 2023			
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Lag 3 of the quarterly change of the Overseas Filipino personal remittance*				
Lag 12 of the annual change of the ratio: (Gross NPL/Total Loans)				
Philippine Treasury Reference Rates - PM (PDST-R2) Tenor-6M lagged over 12 months	1%	1%	-0.05%	0.05%
Lag 9 of the annual change of the VaPI of Key Manufacturing Indices by Industry (2018 values of growth rates)*				
Auto MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the month-end Philippine Stock Exchange Index lagged over 3 months*				
Exports of Goods and Services, current prices (in million Philippine Pesos) lagged over 6 months.*	1%	1%	-0.02%	0.02%
Philippine Treasury Reference Rates -PM (PDST-R2) Tenor-1M lagged over 11 Months.				
Housing MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
C Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*				
9-month lag of the annual change of the current prices of the Exports of Goods and Services*	1%	1%	-0.001%	0.001%
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Salary MEF				
6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-pattern variable of the Consumer Expectations Survey next 12 months (rate)*	1%	1%	-0.001%	0.001%
12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

*These variables have a negative relationship with default

December 31, 2022				
	Change in MEF		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEF	Impact of 1% Decrease in MEF
Corporate MEF				
Wholesale Price Index: Year-on-year change, lagged for 6 months				
2Y Interest Rates: Year-on-year (quarterly average) change, lagged for 9 months	1%	1%	5.18%	-3.62%
Stock Index (PSEI)*				
Auto MEF				
Stock Index (PSEI)*				
USD/PHP Exchange Rate: Lagged for 12 months	1%	1%	0.12%	-0.11%
Housing MEF				
USD/PHP Exchange Rate: Lagged for 9 months				
Consumer Price Index: Year-on-year change, lagged for 12 months	1%	1%	0.61%	-0.47%
Stock Index (PSEI)*				
Salary MEF				
Cash Remittances: Quarterly Average Ratio, lagged for 3 months*				
3Y Interest Rates: Lagged for 12 Months	1%	1%	-0.07%	0.07%
Stock Index (PSEI): Lagged for 3 months*				

*These variables have a negative relationship with default

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	2023	2022
Term loans	P796,146,616	P774,912,259
Agri-Agra loans	132,758,283	159,738,819
Housing loans	33,325,362	47,758,907
Auto loans	341,434	617,479
Others	82,594,485	75,456,193
	P1,045,166,180	P1,058,483,657

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2023		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P24,275,195,629	P -	P24,275,195,629
Due from other banks	504,166,331	551,330,762	1,055,497,093
Interbank loans receivable and SPURA	20,114,496,080	-	20,114,496,080
	44,893,858,040	551,330,762	45,445,188,802
Financial assets at FVPL:			
Private debt securities	-	190,504,814	190,504,814
Government securities held-for-trading	96,719,128	83,883,498	180,602,626
Derivative assets*	-	27,685,000	27,685,000
	96,719,128	302,073,312	398,792,440
Financial assets at FVOCI:			
Government securities**	-	10,850,047,722	10,850,047,722
Equity securities	-	193,757,106	193,757,106
	-	11,043,804,828	11,043,804,828
Investment securities at amortized cost:			
Government securities**	-	50,311,649,891	50,311,649,891
Private debt securities**	-	2,165,662,758	2,165,662,758
	-	52,477,312,649	52,477,312,649
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,212	291,578,212
	P44,990,577,168	P64,666,099,763	P109,656,676,931

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2023

***Accounts are impaired and carried at Stage 3 in 2023

	December 31, 2022		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P23,678,666,441	P -	P23,678,666,441
Due from other banks	562,517,326	481,879,040	1,044,396,366
Interbank loans receivable and SPURA	18,381,225,853	-	18,381,225,853
	42,622,409,620	481,879,040	43,104,288,660
Financial assets at FVPL:			
Private debt securities	-	344,809,237	344,809,237
Government securities held-for-trading	-	7,258,797	7,258,797
Derivative assets*	-	28,933,434	28,933,434
	-	381,001,468	381,001,468
Financial assets at FVOCI:			
Government securities**	-	5,619,271,980	5,619,271,980
Equity securities	-	185,778,540	185,778,540
	-	5,805,050,520	5,805,050,520
Investment securities at amortized cost:			
Government securities**	5,573,045,203	43,877,476,613	49,450,521,816
Private debt securities**	1,131,471,358	1,632,844,687	2,764,316,045
	6,704,516,561	45,510,321,300	52,214,837,861
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,213	291,578,213
	P49,326,926,181	P52,469,830,541	P101,796,756,722

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2022

***Accounts are impaired and carried at Stage 3 in 2022

Aging Analysis of Past Due but not Impaired

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2023 and 2022.

	December 31, 2023			Total
	1 - 30 Days	31 - 60 Days	61 - 90 Days	
Receivable from customers (gross):				
Housing loans	P21,420,752	P86,393,824	P63,329,410	P171,143,986
Auto loans	31,415	34,781,613	12,100,719	46,913,747
Others	44,493,128	40,144,605	4,176,718	88,814,451
Sales contract receivables	-	3,491,830	1,679,150	5,170,980
Other receivables*	300,075	20,832,308	5,555,872	26,688,255
	P66,245,370	P185,644,180	P86,841,869	P338,731,419

* Comprised of accrued interest receivables, accounts receivables, and RCOCI

	December 31, 2022			Total
	1 - 30 Days	31 - 60 Days	61 - 90 Days	
Receivable from customers (gross):				
Housing loans	P7,502,766	P117,540,395	P57,041,326	P182,084,487
Auto loans	304,994	82,232,033	44,870,404	127,407,431
Others	27,455,097	30,326,359	7,252,677	65,034,133
Sales contract receivables	-	1,077,598	2,959,821	4,037,419
Other receivables*	111,258	21,429,780	5,800,524	27,341,562
	P35,374,115	P252,606,165	P117,924,752	P405,905,032

* Comprised of accrued interest receivables, accounts receivables, and RCOCI

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2023					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P54,569,494	P -	P -	P -	P -	P54,569,494
Savings	41,230,115	66,890,815	1,734,937	-	-	109,855,867
Time	16,157	14,695,940	1,575,014	446,877	-	16,733,988
Long-term negotiable certificates	-	55,952	170,372	5,190,990	-	5,417,314
Financial liabilities at FVPL	-	6,202	-	-	-	6,202
Bonds payable	-	93,196	7,625,657	-	-	7,718,853
Manager's checks	-	1,846,500	-	-	-	1,846,500
Accrued interest and other expenses*	-	1,047,574	-	-	-	1,047,574
Lease liabilities	-	38,696	172,936	422,940	35,149	669,721
Other liabilities**	-	951,269	2,039,295	-	290,118	3,280,682
Total Undiscounted Financial Liabilities	P95,815,766	P85,626,144	P13,318,211	P6,060,807	P325,267	P201,146,195

*amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures

	December 31, 2022					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P51,792,970	P -	P -	P -	P -	P51,792,970
Savings	44,346,299	55,343,320	2,080,915	-	-	101,770,534
Time	18,985	15,249,042	1,777,238	847,661	-	17,892,926
Long-term negotiable certificates	-	55,952	170,372	5,417,314	-	5,643,638
Financial liabilities at FVPL	-	283	-	-	-	283
Bonds payable	-	93,196	283,777	7,718,853	-	8,095,826
Manager's checks	-	661,454	-	-	-	661,454
Accrued interest and other expenses*	-	791,326	-	-	-	791,326
Lease liabilities	-	37,862	159,856	315,455	25,397	538,570
Other liabilities**	-	1,251,721	1,760,517	-	282,393	3,294,631
Total Undiscounted Financial Liabilities	P96,158,254	P73,484,156	P6,232,675	P14,299,283	P307,790	P190,482,158

*amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

December 31, 2023					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,600,977	P5,204,466	P6,350,066	P12,779,223	P27,934,732
Contingent liabilities	66,885,084	5,371,330	2,192,872	3,323,586	77,772,872
	P70,486,061	P10,575,796	P8,542,938	P16,102,809	P105,707,604

December 31, 2022					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,601,178	P12,598,713	P8,447,129	P2,062,875	P26,709,895
Contingent liabilities	67,818,593	2,192,776	3,343,696	3,054,409	76,409,474
	P71,419,771	P14,791,489	P11,790,825	P 5,117,284	P103,119,369

Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to all parties. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; USD Secured Overnight Financing Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations in interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered “liability sensitive” since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROC on a monthly basis. To ensure that the Bank’s net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank’s risk appetite statements.

Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the non-maturing deposits/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (less).

Earnings at risk is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The table below sets forth the Bank’s interest rate repricing gap as at December 31, 2023 and 2022 (amounts in millions).

	December 31, 2023								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P3,501	P3,501
Due from BSP	8,473	-	-	-	-	-	-	15,799	24,272
Due from other banks	-	-	-	-	-	-	-	3,068	3,068
Interbank loans receivable	17,973	128	-	-	-	-	-	(2)	18,099
Financial assets at FVPL	-	-	-	-	-	-	-	399	399
Financial assets at FVOCI	243	353	1,239	2,598	6,923	-	-	(468)	10,888
Investment securities at AC	12,835	3,728	682	-	14,720	10,705	10,240	(343)	52,567
Loans - net	33,245	26,033	7,569	7,929	12,790	17,675	24	2,314	107,579
Other resources	236	33	-	-	-	-	-	9,632	9,901
	P73,005	P30,275	P9,490	P10,527	P34,433	P28,380	P10,264	P33,900	P230,274
Liabilities and Equity									
Deposit liabilities:	P71,562	P17,602	P16,618	P908	P5,343	P73,872	P -	P -	P185,905
Demand deposits	6,423	-	6,990	-	-	41,157	-	-	54,570
Savings deposits	1,037	-	7,563	-	-	32,619	-	-	41,219
Time deposits	64,102	17,602	2,065	908	314	96	-	-	85,087
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	7,478	-	-	-	-	7,478
Other liabilities	-	-	-	-	-	-	-	7,420	7,420
	71,562	17,602	16,618	8,386	5,343	73,872	-	7,420	200,803
Capital funds	-	-	-	-	-	-	-	29,471	29,471
	P71,562	P17,602	P16,618	P8,386	P5,343	P73,872	P -	P36,891	P230,274
Total periodic gap	P1,443	P12,673	(P7,128)	P2,141	P29,090	(P45,492)	P10,264	(P2,991)	P -

	December 31, 2022								Total
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,735	P2,735
Due from BSP	6,096	-	-	-	-	-	-	17,579	23,675
Due from other banks	-	-	-	-	-	-	-	4,761	4,761
Interbank loans receivable	14,664	-	-	-	-	-	-	(2)	14,662
Financial assets at FVPL	-	-	-	-	-	-	-	381	381
Financial assets at FVOCI	369	430	1,998	2,250	1,355	-	-	(783)	5,619
Investment securities at AC	6,697	2,040	3,051	3,616	9,625	15,299	12,392	(346)	52,374
Loans - net	34,468	15,534	8,479	11,592	13,484	12,281	4,732	2,727	103,297
Other resources	247	5	-	-	-	-	-	8,687	8,939
	P62,541	P18,009	P13,528	P17,458	P24,464	P27,580	P17,124	P35,739	P216,443
Liabilities and Equity									
Deposit liabilities:	P69,553	P14,024	P18,688	P1,289	P5,648	P67,065	P -	P -	P176,267
Demand deposits	7,521	-	7,025	-	-	37,247	-	-	51,793
Savings deposits	5,194	-	9,475	-	-	29,674	-	-	44,343
Time deposits	56,838	14,024	2,188	1,289	619	144	-	-	75,102
Long-term negotiable certificates	-	-	-	-	5,029	-	-	-	5,029
Bonds payable	-	-	-	-	7,442	-	-	-	7,442
Other liabilities	-	-	-	-	-	-	-	5,930	5,930
Capital funds	69,553	14,024	18,688	1,289	13,090	67,065	-	5,930	189,639
	-	-	-	-	-	-	-	26,804	26,804
	P69,553	P14,024	P18,688	P1,289	P13,090	P67,065	P -	P32,734	P216,443
Total periodic gap	(P7,012)	P3,985	(P5,160)	P16,169	P11,374	(P39,485)	P17,124	P3,005	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency, is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

December 31, 2023				
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	+200	P147.58	(P5.67)	(P960.56)
USD	+100	(0.35)	(9.43)	(79.95)
PHP	-200	(147.58)	5.67	960.56
USD	-100	0.35	9.43	79.95

December 31, 2022				
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	+200	P201.26	(P0.25)	(P490.44)
USD	+100	1.76	(3.38)	(73.93)
PHP	-200	(201.26)	0.25	490.44
USD	-100	(1.76)	3.38	73.93

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2023 and 2022.

The sensitivity of “Trading and investment securities gains (losses) - net” and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2023 and 2022. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank’s exposure to market risk or the manner in which it manages and measures the risk.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank’s RSK simulates the trading book’s VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

Value-at-Risk Methodology

VAR serves as the Bank’s key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank’s VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank’s VAR calculations as at December 31, 2023 and 2022.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2023				
As at December 31, 2023	P1,950,756	P1,471,726	P50,010,354	P53,432,836
Average	1,618,958	2,794,146	51,444,695	54,952,559
Highest	7,728,518	9,254,465	67,024,351	69,553,970
Lowest	268,678	78,190	39,722,601	41,246,030
2022				
As at December 31, 2022	944,454	84,887	55,262,009	55,452,704
Average	2,381,036	1,147,342	48,111,020	48,504,463
Highest	12,183,300	2,585,544	73,264,380	72,311,569
Lowest	140,229	83,357	37,230,085	36,648,881

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2023 and 2022. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2023			
	USD	Euro	Others	Total
Assets				
Due from other banks	\$1,065	\$1,188	\$822	\$3,075
Interbank loans	3,550	-	-	3,550
Financial assets at FVPL	-	1,747	-	1,747
Loans and receivables	1,950	20	-	1,970
Total Assets	6,565	2,955	822	10,342
Liabilities				
Deposit liabilities	-	736	2	738
Other liabilities	1,028	73	2	1,103
Total Liabilities	1,028	809	4	1,841
Net Exposure	\$5,537	\$2,146	\$818	\$8,501
Amount in PHP	P306,584	P118,824	P45,293	P470,701

	December 31, 2022			
	USD	Euro	Others	Total
Assets				
Due from other banks	\$614	\$530	\$388	\$1,532
Interbank loans	9,449	-	-	9,449
Loans and receivables	1,764	-	-	1,764
Total Assets	11,827	530	388	12,745
Liabilities				
Deposit liabilities	-	1,260	-	1,260
Other liabilities	1,573	55	9	1,637
Total Liabilities	1,573	1,315	9	2,897
Net Exposure	\$10,254	(\$785)	\$379	\$9,848
Amount in PHP	P571,712	(P43,768)	P21,131	P549,075

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2023 and 2022 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Changes in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2023				
Currency:				
USD	P1.00	(P5.54)	(P1.00)	P5.54
Euro	0.50	(1.07)	(0.50)	1.07
Others	0.40	(0.33)	(0.40)	0.33
<hr/>				
	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2022				
Currency:				
USD	P1.00	(P10.25)	(P1.00)	P10.25
Euro	0.50	0.39	(0.50)	(0.39)
Others	0.40	(0.15)	(0.40)	0.15

Given the nature and amount of the Bank's equity investments portfolio in 2023 and 2022, management believes the Bank's exposure to currency risk is considered minimal.

Equity Price Risk

Given the nature and amount of the Bank's equity investments portfolio in 2023 and 2022, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets and Financial Liabilities at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates (i.e., BVAL and USD Secured Overnight Financing Rates). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rates) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds and Bills Payable - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD Secured Overnight Financing Rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of available supportable data.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2023				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Government securities held for trading	P180,603	P61,208	P119,395	P -	P180,603
Private debt securities	190,505	-	-	190,505	190,505
Derivative assets	27,685	-	27,685	-	27,685
Financial assets at FVOCI:					
Government securities	10,850,048	4,088,139	6,761,909	-	10,850,048
Equity securities	193,757	155,300	-	38,457	193,757
	P11,442,598	P4,304,647	P6,908,989	P228,962	P11,442,598
Liabilities Measured at Fair Value					
<i>Financial Liabilities</i>					
Derivative liabilities	P6,202	P -	P6,202	P -	P6,202
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P50,305,668	P20,087,916	P28,833,159	P -	P48,921,075
Private debt securities	2,165,435	343,612	1,629,236	-	1,972,848
Loans and receivables:					
Receivables from customers	107,624,342	-	-	110,630,437	110,630,437
Less unearned interest	45,388	-	-	45,388	45,388
	107,578,954	-	-	110,585,049	110,585,049
Sales contract receivables	331,532	-	-	345,450	345,450
	160,381,589	20,431,528	30,462,395	110,930,499	161,824,422
<i>Non-financial Assets</i>					
Investment properties	3,676,126	-	-	10,514,333	10,514,333
	P164,057,715	P20,431,528	P30,462,395	P121,444,832	P172,338,755
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Deposit liabilities:					
Time	P16,638,541	P -	P16,609,959	P -	P16,609,959
Long-term negotiable certificates	5,029,420	-	4,909,268	-	4,909,268
Bonds payable	7,478,265	-	7,500,000	-	7,500,000
	P29,146,226	P -	P29,019,227	P -	P29,019,227

	December 31, 2022				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
<i>Financial assets at FVPL:</i>					
Government securities held for trading	P7,259	P3,569	P3,690	P -	P7,259
Private debt securities	344,809	-	-	344,809	344,809
Derivative assets	28,933	-	28,933	-	28,933
<i>Financial assets at FVOCI:</i>					
Government securities	5,619,272	511,282	5,107,990	-	5,619,272
Equity securities	185,779	147,253	-	38,526	185,779
	P6,186,052	P662,104	P5,140,613	P383,335	P6,186,052
Liabilities Measured at Fair Value					
<i>Financial Liabilities</i>					
Derivative liabilities	P283	P -	P283	P -	P283
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
<i>Investment securities at amortized cost:</i>					
Government securities	P49,444,750	P12,626,246	P34,050,746	P -	P46,676,992
Private debt securities	2,764,019	375,615	2,035,004	-	2,410,619
<i>Loans and receivables:</i>					
Receivables from customers	103,340,539	-	-	102,468,646	102,468,646
Less unearned interest	43,155	-	-	43,155	43,155
	103,297,384	-	-	102,425,491	102,425,491
Sales contract receivables	325,653	-	-	380,020	380,020
	155,831,806	13,001,861	36,085,750	102,805,511	151,893,122
<i>Non-financial Assets</i>					
Investment properties	3,399,987	-	-	9,969,666	9,969,666
	P159,231,793	P13,001,861	P36,085,750	P112,775,177	P161,862,788
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
<i>Deposit liabilities:</i>					
Time	P17,793,298	P -	P17,735,829	P -	P17,735,829
Long-term negotiable certificates	5,029,420	-	4,787,902	-	4,787,902
Bonds payable	7,442,251	-	7,386,764	-	7,386,764
	P30,264,969	P -	P29,910,495	P -	P29,910,495

In 2023 and 2022, due to changes in market conditions for certain government securities measured at FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVOCI, with carrying amounts of P327.4 million and P306.1 million in 2023 and 2022, respectively, were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2023, securities at FVOCI, with carrying amount of P394.3 million were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. There have been no transfers from Level 2 to Level 1 of the fair value hierarchy in 2022.

In 2023 and 2022, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2023 and 2022.

7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to SET who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate, and income tax expense. The Bank's business segments follow:

Treasury Management Group - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

Corporate Banking Group - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

Branch Banking Group - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

Consumer Group - principally manages home, automobile, and salary loans for individual customers.

Others - includes but not limited to Credit Cards, Transaction Banking, Investment Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. The Bank has no significant customers which contributes 10.00% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2023, 2022 and 2021 for statements of income items, and as at December 31, 2023 and December 31, 2022 for statements of financial position items follow (amounts in millions):

	December 31, 2023					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Other expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802
Other Segment Information						
Capital expenditures	P6	P8	P156	P3	P226	P399
Depreciation and amortization	P4	P4	P59	P7	P415	P489

	December 31, 2023					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Financial Position						
Total assets	P89,494	P96,924	P23,438	P13,022	P8,790	P231,668
Total liabilities	6,344	48	187,210	134	7,081	200,817

	December 31, 2022					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Income						
Net interest income:						
Third party	P2,171	P4,448	(P880)	P896	P47	P6,682
Intersegment	(1,602)	(3,157)	5,306	(542)	(5)	-
Net interest income	569	1,291	4,426	354	42	6,682
Non-interest income	116	154	89	40	1,035	1,434
Total revenues	685	1,445	4,515	394	1,077	8,116
Other expenses	222	258	2,098	157	2,749	5,484
Income (losses) before provision for credit losses and income tax expense	P463	P1,187	P2,417	P237	(P1,672)	P2,632
Provision for credit and impairment losses						P166
Share in net loss of an associate						-
Income tax expense						666
Net income						P1,800
Other Segment Information						
Capital expenditures	P6	P6	P57	P7	P86	P162
Depreciation and amortization	P4	P3	P53	P7	P365	P432

	December 31, 2022					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Financial Position						
Total assets	P80,035	P93,631	P23,810	P12,063	P7,979	P217,518
Total liabilities	9,995	35	172,912	116	6,429	189,487

	December 31, 2021					
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	Total
Statement of Income						
Net interest income:						
Third party	P1,614	P3,328	(P560)	P896	P120	P5,398
Intersegment	(1,256)	(1,321)	3,879	(629)	(673)	-
Net interest income	358	2,007	3,319	267	(553)	5,398
Non-interest income	(29)	40	83	31	702	827
Total revenues	329	2,047	3,402	298	149	6,225
Other expenses	147	199	2,040	146	2,496	5,028
Income (losses) before provision for credit losses and income tax expense	P182	P1,848	P1,362	P152	(P2,347)	P1,197
Reversal of credit and impairment losses						(P635)
Share in net loss of an associate						1
Income tax expense						624
Net income						P1,207
Other Segment Information						
Capital expenditures	P1	P7	P52	P2	P53	P115
Depreciation and amortization	P4	P3	P63	P7	P386	P463

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs and miscellaneous expense.

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	2023	2022
SPURA		P17,973,348,893	P14,538,857,444
Interbank loans receivable		2,141,147,187	3,842,368,409
		20,114,496,080	18,381,225,853
Less allowance for credit losses	17	2,715,457	2,481,466
		P20,111,780,623	P18,378,744,387

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interbank loans receivable consists of short-term loans granted to other banks.

Interest income on SPURA and interbank loans receivable follows:

	2023	2022	2021
SPURA	P746,318,560	P475,286,408	P316,263,835
Interbank loans receivable	129,387,516	63,872,487	17,540
	P875,706,076	P539,158,895	P316,281,375

SPURA bears interest rates ranging from 5.5% to 6.4% in 2023, from 2.0% to 5.5% in 2022 and interest rate of 2.0% in 2021.

Peso-denominated interbank loans receivable bear interest rates ranging from 5.5% to 6.5% in 2023 and 1.8% to 5.0% in 2022. No short-term peso-denominated loans were granted by the Bank to other banks in 2021. Dollar-denominated interbank loans receivable bear interest rates ranging from 3.0% to 5.6%, from 0.5% to 3.8%, and from 0.1% to 0.5% in 2023, 2022 and 2021, respectively.

9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2023	2022
Private debt securities	P190,504,814	P344,809,237
Government securities held-for-trading	180,602,626	7,258,797
Derivative assets	27,685,000	28,933,434
	P398,792,440	P381,001,468

Private debt securities pertain to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2023, 2022 and 2021, financial assets at FVPL are adjusted for unrealized gain of P22.8 million and P3.0 million and unrealized loss of P4.2 million, respectively (see Note 28).

Derivative Financial Instruments

This includes warrants amounting to \$0.05 million acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2023, these pertain to two contracts with notional amount of \$1.0 million each, two contracts with notional amount of \$5.0 million each and two contracts with notional amount of \$10.0 million each. The Bank has one contract with notional amount of \$1.0 million and three contracts with notional amount of \$0.5 million each as at December 31, 2022.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The leverage exposure indicates the volume of transactions outstanding as at December 31, 2023 and 2022 and is not indicative of either market risk or credit risk.

	December 31, 2023			December 31, 2022		
	Derivative Assets	Notional Amount	Leverage Exposure	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	P27,685,000	\$50,000	\$ -	P27,877,500	\$50,000	\$ -
Forwards	-	-	-	1,055,934	1,000,000	-
	P27,685,000	\$50,000	\$ -	P28,933,434	\$1,050,000	\$ -

	December 31, 2023			December 31, 2022		
	Derivative Liabilities	Notional Amount	Leverage Exposure	Derivative Liabilities	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Forwards	P6,201,649	\$32,000,000	\$ -	P283,329	\$1,500,000	\$ -

10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2023	2022
Government securities	P10,850,047,722	P5,619,271,980
Equity securities	193,757,106	185,778,540
	P11,043,804,828	P5,805,050,520

As at December 31, 2023 and 2022, the ECL allowance on debt securities at FVOCI included under "Net unrealized losses on financial assets at FVOCI" amounted to P1.1 million and P0.6 million, respectively (see Note 17).

Equity Securities

This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities at FVOCI.

Equity securities include the Bank's 3.07% equity interest in Banco Nacional de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. The carrying amount of the equity securities amounted to P19.4 million and P18.8 million, respectively, as at December 31, 2023 and 2022. Dividend income received from BANGE in 2023 amounted to P4.0 million, booked under "Miscellaneous Income" in the statements of income (see Note 31). No dividend was received from BANGE in 2022 and 2021.

In 2023, 2022 and 2021, the Bank disposed club shares with carrying value of P0.9 million, P0.8 million and P10.6 million, respectively, and transferred to "Retained earnings" account the realized gain of P7.5 million, P0.3 million and P6.1 million in 2023, 2022 and 2021, respectively.

Dividend income from equity securities at FVOCI amounted to P5.6 million, P1.6 million, and P5.7 million in 2023, 2022 and 2021, respectively (see Note 31).

Net Unrealized Losses on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	Note	2023	2022	2021
Balance at beginning of year		(P730,966,925)	(P156,154,761)	P69,657,563
Net unrealized gains (losses) recognized as OCI		324,174,117	(574,495,027)	(293,920,562)
ECL on debt securities at FVOCI	17	455,690	(27,137)	(1,108,339)
Realized losses (gains) taken to profit or loss	28	(6,964,361)	-	68,883,753
Effect of tax	32	(363,597)	-	6,389,324
Net change in unrealized gains (losses) recorded in OCI		317,301,849	(574,522,164)	(219,755,824)
Realized gains taken to retained earnings		(7,527,455)	(290,000)	(6,056,500)
Balance at end of year		(P421,192,531)	(P730,966,925)	(P156,154,761)

11. Investment Securities at Amortized Cost

This account consists of:

	Note	2023	2022
Government securities		P50,311,649,891	P49,450,521,816
Private debt securities	33	2,165,662,758	2,764,316,045
		52,477,312,649	52,214,837,861
Less allowance for credit losses	17	6,209,355	6,068,800
		P52,471,103,294	P52,208,769,061

No investment securities at amortized cost were sold in 2023 and 2022.

12. Loans and Receivables

This account consists of:

	<i>Note</i>	2023	2022
Receivables from customers:			
Term loans		P81,196,871,925	P86,583,033,586
Agri-agra loans		11,681,545,957	2,537,887,089
Housing loans		8,454,302,941	8,222,608,912
Auto loans		4,123,415,068	3,652,024,507
Bills purchased, import bills and trust receipts	22	1,050,698,899	1,384,577,563
Direct advances		577,211,848	605,327,618
Others		2,368,875,299	2,597,626,608
		109,452,921,937	105,583,085,883
Less unearned interest income		45,387,843	43,154,930
		109,407,534,094	105,539,930,953
Accrued interest receivable:			
Loans and receivables		946,846,228	848,790,235
Trading and investment securities		483,609,311	422,998,451
Interbank loans receivable and SPURA		8,257,598	5,715,175
Due from BSP and other banks		4,357,778	2,193,333
Accounts receivable		1,055,139,512	1,057,747,032
Sales contract receivables		388,560,627	382,621,585
Unquoted debt securities		291,578,212	291,578,213
RCOCI		93,452	249,146
		112,585,976,812	108,551,824,123
Less allowance for credit losses	17	3,019,800,493	3,460,595,359
		P109,566,176,319	P105,091,228,764

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" amounting to P1.0 billion and P1.3 Billion as at December 31, 2023 and 2022, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under "Investment properties" accounts.

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

Based on the Bank’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of loan modifications amounted to a loss of P29.6 million in 2020. In 2023, 2022 and 2021, accretion of loan modification that were recorded in “Interest income” in the statements of income amounted to P3.4 million, P5.1 million and P7.0 million, respectively.

BSP Regulatory Reporting

As at December 31, 2023 and 2022, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2023		2022	
	Amount	%	Amount	%
Loans secured by:				
Deed of pledge	P7,983,973	7.3	P7,905,090	7.5
Real estate	6,564,727	6.0	5,345,891	5.1
Deposit hold-out	5,194,467	4.8	5,283,140	5.0
Continuing surety agreement	4,306,977	3.9	4,754,637	4.5
Chattel	2,280,780	2.1	2,314,566	2.2
Deed of assignment	1,362,971	1.2	1,136,920	1.1
Corporate guaranty	1,331,763	1.2	1,564,374	1.5
Mortgage trust indenture	-	-	809,900	0.8
Certificate of participation	-	-	800,000	0.7
Others*	31,992,124	29.2	17,756,186	16.8
	61,017,782	55.7	47,670,704	45.2
Unsecured	48,435,140	44.3	57,912,382	54.8
	P109,452,922	100.0	P105,583,086	100.0

*Others include post-dated checks and various collaterals on omnibus loan and security agreement

As at December 31, 2023 and 2022, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2023		2022	
	Amount	%	Amount	%
Electricity, gas, steam, and air-conditioning supply	P39,122,670	35.8	P30,518,493	28.9
Real estate activities	18,848,608	17.2	24,139,201	22.9
Construction	11,705,416	10.7	6,278,239	5.9
Manufacturing	10,917,610	10.0	13,275,801	12.6
Wholesale and retail trade, repair of motor vehicles and motorcycles	5,957,919	5.4	4,889,646	4.6
Information and communication	4,973,415	4.6	9,528,617	9.0
Financial and insurance activities	2,554,721	2.3	1,311,410	1.3
Agriculture, forestry and fishing	1,898,948	1.7	2,394,508	2.3
Mining and quarrying	1,882,580	1.7	1,895,670	1.8
Accommodation and food service activities	1,549,064	1.4	1,285,650	1.2
Water supply, sewerage, waste management and remediation activities	1,380,895	1.3	1,401,877	1.3
Transportation and storage	1,328,555	1.2	1,372,692	1.3
Administrative and support service activities	541,078	0.5	711,460	0.7
Others*	6,791,443	6.2	6,579,822	6.2
	P109,452,922	100.0	P105,583,086	100.0

*Others include Professional Activities, Education, Personal Consumption and other various activities

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

As at December 31, 2023, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2023 for this industry are within the acceptable levels (for renewable energy- 14.9% of the total loan portfolio, non-renewable energy- 20.8%). As at December 31, 2022, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of total loan portfolio.

As at December 31, 2023, 10.0% of the Tier 1 capital amounted to P2.7 billion and the table above includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) exceeding this level as of that date.

The table also includes the six industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Manufacturing, Construction, Wholesale and retail trade, repair of motor vehicles and motorcycles and Information and communications) above the 10.0% of Tier 1 capital (P2.5 billion) as at December 31, 2022.

The BROCOM and CRECOM constantly monitor these credit risk concentrations to ensure these are within the risk appetite of the Bank. Limits are set to allow SET to highlight any possible issues and to actively direct loans to preferred industries when faced with emerging concentration and potential industry decline.

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing 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, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As at December 31, 2023 and 2022, the breakdown of receivables from customers as to status, is as follows (amounts in thousands):

	December 31, 2023		
	Performing	Non-performing	Total
Corporate	P92,720,144	P782,498	P93,502,642
Consumers	12,359,497	911,470	13,270,967
Credit card	1,361,326	217,212	1,578,538
Others	1,004,755	50,632	1,055,387
	P107,445,722	P1,961,812	P109,407,534

	December 31, 2022		
	Performing	Non-performing	Total
Corporate	P89,160,116	P644,853	P89,804,969
Consumers	11,338,496	1,221,937	12,560,433
Credit card	1,216,190	596,107	1,812,297
Others	1,306,849	55,383	1,362,232
	P103,021,651	P2,518,280	P105,539,931

As at December 31, 2023 and 2022, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2023	2022
Gross NPLs	P1,961,812	P2,518,280
Less deductions as required by BSP	1,394,550	1,793,731
Net NPLs	P567,262	P724,549

Gross and net NPL ratios of the Bank are 1.54% and 0.44%, respectively, as at December 31, 2023 and 2.10% and 0.60%, respectively, as at December 31, 2022.

As at December 31, 2023 and 2022, restructured loans amounted to P1.0 billion and P1.1 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2023 and 2022, restructured receivables from customers considered as NPLs amounted P456.9 million and P340.9 million, respectively.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 Regulatory Reliefs for BSP-supervised financial institutions Affected by the COVID-19, as amended by M-2020-0032 dated April 27, 2020 and M-2020-0022 dated April 8, 2020. The said memorandum provides for certain temporary regulatory relief measures for financial institutions supervised by the BSP, as follows:

- Staggered booking of allowance for credit losses over a maximum of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of March 8, 2020, subject to prior approval of the BSP;
- Exclusion from the computation of past due and non-performing classification, the loans by borrowers in affected areas which should have been reclassified as past due as of March 8, 2020, including those loans becoming past due or non-performing six months thereafter, subject to the following: (a) such loans shall be reported to the BSP; (b) the exclusion shall be allowed from March 8, 2020 until December 31, 2021; and (c) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;
- Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports to BSP due to be submitted from March 8, 2020 up to six months thereafter;
- Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following March 8, 2020 up to six months thereafter, subject to prior approval of the BSP;
- Increase in the Single Borrower's Limit from 25.0% to 30.0% until March 31, 2021;
- Allowance of (a) loans to Micro, Small and Medium Enterprises and (b) loans to critically-impacted large enterprises as alternative mode of compliance with reserve requirements until December 31, 2021; and
- Provision of financial assistance to officers affected by the present health emergency, for the grant of loans, advances or any other forms of credit accommodations, subject to the submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the BOD.

As of December 31, 2023 and 2022, there has been no availment of the reliefs provided by BSP.

Interest Income on Loans and Receivables

This account consists of:

	2023	2022	2021
Receivables from customers:			
Term loans	P6,145,776,140	P4,258,299,628	P3,135,826,861
Agri-agra loans	817,533,328	117,546,235	38,283,650
Housing loans	566,980,066	533,304,245	551,299,617
Auto loans	297,279,192	247,631,545	264,452,515
Direct advances	18,960,417	15,944,868	18,021,144
Bills purchased, import bills and trust receipts	1,704,583	5,908,431	1,008,184
Others	371,451,465	264,901,980	250,289,916
	8,219,685,191	5,443,536,932	4,259,181,887
Sales contract receivable	24,987,312	21,691,954	25,273,885
	P8,244,672,503	P5,465,228,886	P4,284,455,772

**Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.*

As at December 31, 2023, 2022 and 2021, 60.3%, 55.7% and 48.0%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 2.5% to 28.8% in 2023, from 1.6% to 54% in 2022, and from 1.0% to 54.0% in 2021. Dollar-denominated loans earn annual fixed interest rates ranging from 3.5% to 9.8% in 2023, 3.3% to 8.7% in 2022, and from 1.2% to 8.0% in 2021.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2023, 2022, and 2021.

13. Investment in an Associate

The movements in Bank's equity investment in BIC follow:

	Note	2023	2022	2021
Acquisition cost (24.26%-owned)		P75,395,200	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		(29,946,787)	(29,807,825)	(28,782,008)
Share in net loss		(782,580)	(133,185)	(1,039,285)
Share in other comprehensive income (loss)		(3,206,283)	(5,777)	13,468
Balance at end of year		(33,935,650)	(29,946,787)	(29,807,825)
Allowance for impairment loss	17	(5,925,786)	(5,925,786)	(5,925,786)
	33	P35,533,764	P39,522,627	P39,661,589

The following table shows the summarized financial information of BIC:

	2023**	2022*	2021*
Assets	P159,026,783	P162,417,769	P175,203,784
Liabilities	(12,556,199)	(12,566,028)	(12,041,307)
Net assets	146,470,584	149,851,741	163,162,477
Revenues	1,128,538	4,110,788	1,740,041
Net loss for the year	(3,334,297)	(117,445)	(2,791,998)
Other comprehensive loss	(46,858)	(13,193,291)	57,793
Total comprehensive loss	(3,381,155)	(13,310,736)	(2,734,205)

* Based on 2021 and 2022 audited financial statements

** Based on 2023 unaudited financial information

As at December 31, 2023 and 2022, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property, Equipment and Right-of-Use Assets

The movements in property and equipment and right-of-use assets follow:

December 31, 2023						
Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost						
Balance at January 1	P41,569,630	P875,749,388	P1,628,976,165	P869,866,640	P1,035,535,118	P4,451,696,941
Additions	-	26,016,819	398,797,324	41,565,202	313,175,775	779,555,120
Disposals	-	-	(109,168,787)	-	(211,938,770)	(321,107,557)
Balance at December 31	41,569,630	901,766,207	1,918,604,702	911,431,842	1,136,772,123	4,910,144,504
Less Accumulated Depreciation and Amortization						
Balance at January 1	-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Depreciation and amortization	-	23,170,050	120,668,429	21,850,272	200,613,240	366,301,991
Disposals	-	-	(60,799,574)	-	(211,938,770)	(272,738,344)
Balance at December 31	-	311,880,204	1,367,954,198	843,074,600	590,777,074	3,113,686,076
Allowance for impairment losses	17	5,022,885	239,593	-	-	5,262,478
Net Book Value at December 31	P36,546,745	P589,646,410	P550,650,504	P68,357,242	P545,995,049	P1,791,195,950
December 31, 2022						
Note	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	Total
Cost						
Balance at January 1	P41,569,630	P872,187,818	P1,570,377,529	P853,087,118	P972,959,420	P4,310,181,515
Additions	-	3,561,570	162,015,036	16,779,522	159,277,079	341,633,207
Disposals	-	-	(103,416,400)	-	(96,701,381)	(200,117,781)
Balance at December 31	41,569,630	875,749,388	1,628,976,165	869,866,640	1,035,535,118	4,451,696,941
Less Accumulated Depreciation and Amortization						
Balance at January 1	-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Depreciation and amortization	-	23,171,377	96,886,118	21,719,160	194,086,444	335,863,099
Disposals	-	-	(50,666,535)	-	(96,701,381)	(147,367,916)
Balance at December 31	-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Allowance for impairment losses	17	5,022,885	1,133,017	-	-	6,155,902
Net Book Value at December 31	P36,546,745	P585,906,217	P320,890,822	P48,642,312	P433,432,514	P1,425,418,610

	Note	December 31, 2021				Right-of-Use Assets (Note 30)	Total
		Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements		
Cost							
Balance at January 1		P41,569,630	P854,170,133	P1,540,355,955	P829,058,742	P940,405,219	P4,205,559,679
Additions		-	18,017,685	114,949,628	24,028,376	45,242,843	202,238,532
Disposals		-	-	(85,117,636)	-	(12,688,642)	(97,806,278)
Reclassification	16	-	-	189,582	-	-	189,582
Balance at December 31		41,569,630	872,187,818	1,570,377,529	853,087,118	972,959,420	4,310,181,515
Less Accumulated Depreciation and Amortization							
Balance at January 1		-	242,821,509	1,197,935,505	775,846,438	323,398,988	2,540,002,440
Depreciation and amortization		-	22,717,268	104,128,463	23,658,730	194,007,195	344,509,656
Disposals		-	-	(40,196,208)	-	(12,688,642)	(52,884,850)
Balance at December 31		-	265,538,777	1,261,865,760	799,505,168	504,717,541	2,831,627,246
Allowance for impairment losses	17	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31		P36,546,745	P605,516,024	P308,511,769	P53,581,950	P468,241,879	P1,472,398,367

In 2023, 2022 and 2021, the net gains on sale of property and equipment included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.9 million, P0.1 million, and P0.3 million, respectively.

As at December 31, 2023 and 2022, the cost of fully depreciated property and equipment still in use amounted to P1.8 billion.

15. Investment Properties

The movements in investment properties follow:

	Note	December 31, 2023		
		Land	Buildings	Total
Balance at January 1		P3,194,101,578	P1,232,705,893	P4,426,807,471
Additions		358,235,659	230,367,748	588,603,407
Disposals		(137,068,053)	(63,508,658)	(200,576,711)
Write-off		(10,535,811)	(1,697,532)	(12,233,343)
Balance at December 31		3,404,733,373	1,397,867,451	4,802,600,824
Less Accumulated Depreciation				
Balance at January 1		-	824,917,030	824,917,030
Depreciation		-	103,128,616	103,128,616
Disposal		-	(49,972,740)	(49,972,740)
Write-off		-	(1,556,456)	(1,556,456)
Balance at December 31		-	876,516,450	876,516,450
Less Allowance for Impairment Losses	17	245,057,307	4,900,569	249,957,876
		P3,159,676,066	P516,450,432	P3,676,126,498

	Note	December 31, 2022		
		Land	Buildings	Total
Balance at January 1		P3,223,880,496	P1,194,131,603	P4,418,012,099
Additions		84,976,590	84,393,604	169,370,194
Disposals		(114,755,508)	(45,819,314)	(160,574,822)
Balance at December 31		3,194,101,578	1,232,705,893	4,426,807,471
Less Accumulated Depreciation				
Balance at January 1		-	778,421,466	778,421,466
Depreciation		-	81,156,976	81,156,976
Disposal		-	(34,661,412)	(34,661,412)
Balance at December 31		-	824,917,030	824,917,030
Less Allowance for Impairment Losses	17	198,932,553	2,971,139	201,903,692
		P2,995,169,025	P404,817,724	P3,399,986,749

	Note	December 31, 2021		
		Land	Buildings	Total
Balance at January 1		P3,354,902,161	P1,177,252,394	P4,532,154,555
Additions		6,038,866	58,065,161	64,104,027
Disposals		(137,060,531)	(41,185,952)	(178,246,483)
Balance at December 31		3,223,880,496	1,194,131,603	4,418,012,099
Less Accumulated Depreciation				
Balance at January 1		-	727,351,651	727,351,651
Depreciation		-	75,962,263	75,962,263
Disposal		-	(24,892,448)	(24,892,448)
Balance at December 31		-	778,421,466	778,421,466
Less Allowance for Impairment Losses	17	185,103,589	6,172,509	191,276,098
		P3,038,776,907	P409,537,628	P3,448,314,535

As at December 31, 2023 and 2022, the aggregate market value of investment properties amounted to P10.5 billion and P10.0 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties included under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” consists of the following:

	2023	2022	2021
Gain on foreclosure	P284,652,924	P63,491,307	P3,877,212
Gain on assets sold	196,428,853	262,092,188	258,763,846
	P481,081,777	P325,583,495	P262,641,058

In 2022 and 2021, rental income on investment properties (included in “Miscellaneous income” account in the statements of income) amounted P0.6 million, and P0.1 million, respectively (see Note 31). No rental income on investment properties was received in 2023.

Direct operating expenses on investment properties that generated rental income (included under “Rent and utilities” account, “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) amounted to P0.01 million and P0.02 million in 2022 and 2021, respectively. No direct operating expenses on investment properties that generated rental income were incurred in 2023. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2023, 2022, and 2021 amounted to P83.7 million, P91.6 million, and P74.0 million, respectively (see Note 31).

16. Other Assets

This account consists of:

	<i>Note</i>	2023	2022
Miscellaneous assets - TRB	34	P4,348,092,231	P4,431,521,641
Creditable withholding tax		2,099,842,660	1,773,453,565
Intangible assets*		369,413,076	386,524,308
Sinking fund	24	290,118,112	282,393,274
Documentary stamps		135,513,421	99,711,061
Prepaid expenses		89,947,796	48,103,886
Other properties acquired*		73,493,952	43,126,160
Retirement assets	29	-	73,147,902
Others		301,848,371	195,037,847
		7,708,269,619	7,333,019,644
Less allowance for impairment losses	17	4,438,055,610	4,611,829,118
		P3,270,214,009	P2,721,190,526

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.3 billion and P4.4 billion, respectively, as at December 31, 2023 and 2022 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion and P4.4 billion, respectively, as at December 31, 2023 and 2022, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2022, the Bank recognized P1.3 billion provisions for prudential reporting to BSP to fully recognize the impairment losses on the NPAs. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 34).

Intangible Assets

Intangible assets consist of:

	<i>Note</i>	2023	2022
Software costs*		P309,413,076	P326,524,308
Branch licenses		60,000,000	60,000,000
		369,413,076	386,524,308
Less allowance for impairment losses	17	-	90,278,696
		P369,413,076	P296,245,612

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2023	2022	2021
Cost			
Balance at January 1	P1,027,748,294	P926,851,659	P877,878,810
Additions	149,908,692	100,896,635	48,972,849
Write-off	(102,752,784)	-	-
Balance at end of year	1,074,904,202	1,027,748,294	926,851,659
Less Accumulated Amortization			
Balance at January 1	701,223,986	628,155,881	574,560,745
Amortization for the year	76,741,228	73,068,105	53,595,136
Write-off	(12,474,088)	-	-
Balance at end of year	765,491,126	701,223,986	628,155,881
Less Allowance for Impairment Losses	-	90,278,696	90,278,696
Net Book Value	P309,413,076	P236,245,612	P208,417,082

Other Properties Acquired

Movements in the other properties acquired follow:

	Note	2023	2022	2021
Cost				
Balance at January 1		P245,108,000	P220,284,000	P225,430,172
Additions		86,927,784	87,394,500	41,210,000
Disposals		(48,626,500)	(62,570,500)	(44,651,000)
Reclassification	14	-	-	(1,705,172)
Balance at end of year		283,409,284	245,108,000	220,284,000
Less Accumulated Depreciation				
Balance at January 1		201,981,840	199,868,958	174,388,936
Depreciation for the year		19,948,439	14,643,389	42,060,966
Disposals		(12,014,947)	(12,530,507)	(15,065,354)
Reclassification	14	-	-	(1,515,590)
Balance at end of year		209,915,332	201,981,840	199,868,958
Less Allowance for Impairment Losses		-	96,485	-
Net Book Value		P73,493,952	P43,029,675	P20,415,042

In 2023, 2022 and 2021, gain on foreclosure amounted to P4.7 million, P3.5 million and P1.2 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P8.7 million, P11.2 million, and P10.3 million in 2023, 2022 and 2021, respectively.

Others include security deposit, unused supplies and forms and petty cash fund.

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2023, 2022 and 2021 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2023					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2023	P3,197	P141	P2,481	P634	P6,069	P12,522
Provision for credit and impairment losses for the year	80	2	238	456	145	921
Foreign exchange differences	-	(1)	(4)	-	(5)	(10)
ECL allowance, December 31, 2023	P3,277	P142	P2,715	P1,090	P6,209	P13,433

	December 31, 2022					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2022	P6,125	P141	P2,583	P662	P5,761	P15,272
Provision for (reversal of) credit and impairment losses for the year	(2,928)	(7)	(144)	(37)	220	(2,896)
Foreign exchange differences	-	7	42	9	88	146
ECL allowance, December 31, 2022	P3,197	P141	P2,481	P634	P6,069	P12,522

	December 31, 2021					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2021	P5,340	P138	P2,978	P1,770	P1,231	P11,457
Provision for (reversal of) credit and impairment losses for the year	785	(3)	(431)	(1,138)	4,493	3,706
Foreign exchange differences	-	6	36	30	37	109
ECL allowance, December 31, 2021	P6,125	P141	P2,583	P662	P5,761	P15,272

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2023, 2022 and 2021.

The ECL allowance on financial assets at FVOCI is included in the "Net unrealized losses on financial assets at FVOCI" account in the statements of financial position (see Note 10).

As at December 31, 2023 and 2022, ECL on off-balance sheet exposures amounted to P23.7 million and P33.8 million, respectively, (see Note 22). In 2023, 2022 and 2021, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to (P10.0 million), (P36.9 million), and P38.5 million, respectively.

In 2023 and 2022, the Bank recognized a provision (reversal) of allowance for credit losses on loans and receivables amounting to (P238.9 million) and P74.6 million, which is included under “Provision for (reversal of) credit and impairment losses” account in the statements of income, as a result of the recalibration of its existing ECL framework to incorporate the most recent data and developments in the macroeconomic environment of the Bank (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The table below summarizes the movements in ECL allowances on loans and receivables in 2023, 2022 and 2021 (amounts in thousands).

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2023	P180,639	P18,421	P35,735	P2,958	P120	P5,126	P57,970	P300,969	P2,632	P6,360	P309,961
Provision for credit and impairment losses	41,589	11,126	(25,378)	4,267	16	66,261	(15,519)	82,362	266	777	83,405
Transfer from Stage 1	(31,876)	(22,190)	(6,572)	(5,023)	(29)	(54,499)	(2,743)	(122,932)	(108)	(2,040)	(125,080)
Transfer from Stage 2	214	306	161	-	-	-	15	696	9	12	717
Transfer from Stage 3	-	200	2	-	-	-	3	205	26	3	234
Foreign exchange differences	(95)	-	-	-	-	(39)	(19)	(153)	-	(1)	(154)
	190,471	7,863	3,948	2,202	107	16,849	39,707	261,147	2,825	5,111	269,083
Stage 2											
ECL Loans, January 1, 2023	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Provision for credit and impairment losses	50,129	(658)	(20,901)	-	(286)	124,381	3,572	156,237	(26)	6,945	163,156
Transfer from Stage 1	-	11,620	3,158	-	29	49	968	15,824	49	527	16,400
Transfer from Stage 2	(214)	(4,525)	(4,489)	-	-	(131,258)	(461)	(140,947)	(12)	(4,610)	(145,569)
Transfer from Stage 3	-	1,724	108	-	-	-	24	1,856	2	44	1,902
Foreign exchange differences	-	-	-	-	-	-	(3)	(3)	-	(2)	(5)
	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Stage 3											
ECL Loans, January 1, 2023	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Provision for credit and impairment losses	(36,546)	20,645	(107,031)	-	-	(17,663)	38,990	(101,605)	(181)	(31,153)	(132,939)
Transfer from Stage 1	31,876	10,570	3,414	5,023	-	54,450	1,775	107,108	59	1,513	108,680
Transfer from Stage 2	-	4,219	4,328	-	-	131,258	446	140,251	3	4,598	144,852
Transfer from Stage 3	-	(1,924)	(110)	-	-	-	(27)	(2,061)	(28)	(47)	(2,136)
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(491)	(24)	-	(351)	-	-	(166)	(1,032)	-	(713)	(1,745)
	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Total											
ECL Loans, January 1, 2023	729,426	171,818	403,649	91,132	133,413	29,693	683,416	2,242,547	56,969	1,161,079	3,460,595
Provision for credit and impairment losses	55,172	31,113	(153,310)	4,267	(270)	172,979	27,043	136,994	59	(23,431)	113,622
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(586)	(24)	-	(351)	-	(39)	(188)	(1,188)	-	(716)	(1,904)
	P731,005	P197,485	P240,613	P91,672	P121,378	P202,633	P243,794	P1,828,580	P57,028	P1,134,192	P3,019,800

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2022

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2022	P99,790	P16,284	P33,420	P288	P3,416	P1,789	P11,915	P166,902	P2,623	P2,601	P172,126
Provision for credit and impairment losses	129,550	19,453	25,643	10,326	(3,024)	9,156	50,053	241,157	(5)	7,680	248,832
Transfer from Stage 1	(51,207)	(19,948)	(26,590)	(7,656)	(286)	(5,967)	(4,064)	(115,718)	(147)	(4,107)	(119,972)
Transfer from Stage 2	1,775	2,100	2,685	-	-	-	20	6,580	71	153	6,804
Transfer from Stage 3	-	530	577	-	-	-	2	1,109	90	28	1,227
Foreign exchange differences	731	2	-	-	14	148	44	939	-	5	944
	180,639	18,421	35,735	2,958	120	5,126	57,970	300,969	2,632	6,360	309,961
Stage 2											
ECL Loans, January 1, 2022	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Provision for credit and impairment losses	61,651	(1,163)	(23,883)	-	-	(3,734)	9,063	41,934	(35)	(2,516)	39,383
Transfer from Stage 1	51,207	5,830	16,608	-	286	5,967	764	80,662	31	1,456	82,149
Transfer from Stage 2	(69,829)	(18,530)	(17,918)	-	-	-	(473)	(106,750)	(125)	(5,936)	(112,811)
Transfer from Stage 3	-	430	2,619	-	-	-	64	3,113	8	165	3,286
Foreign exchange differences	986	-	-	-	-	-	15	1,001	-	42	1,043
	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Stage 3											
ECL Loans, January 1, 2022	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Provision for credit and impairment losses	10,624	(19,544)	(100,930)	(249)	(30,181)	-	22,215	(118,065)	(493)	29,822	(88,736)
Transfer from Stage 1	-	14,118	9,982	7,656	-	-	3,300	35,056	116	2,651	37,823
Transfer from Stage 2	68,054	16,430	15,233	-	-	-	453	100,170	54	5,783	106,007
Transfer from Stage 3	-	(960)	(3,196)	-	-	-	(66)	(4,222)	(98)	(193)	(4,513)
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	3,751	80	-	4,341	-	-	1,969	10,141	-	8,728	18,869
	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Total											
ECL Loans, January 1, 2022	762,014	175,426	529,142	76,714	166,604	24,123	617,413	2,351,436	57,502	1,134,261	3,543,199
Provision for credit and impairment losses	201,825	(1,254)	(99,170)	10,077	(33,205)	5,422	81,331	165,026	(533)	34,986	199,479
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(2,436)	(26,323)	-	-	-	-	(28,759)	-	(1,649)	(30,408)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Foreign exchange differences	5,468	82	-	4,341	14	148	2,028	12,081	-	8,775	20,856
	P729,426	P171,818	P403,649	P91,132	P133,413	P29,693	P683,416	P2,242,547	P56,969	P1,161,079	P3,460,595

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2021

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
ECL Loans, January 1, 2021	P629,890	P199,431	P79,230	P7,401	P380	P1,642	P19,744	P937,718	P2,872	P16,292	P956,882
Provision for credit and impairment losses	(457,085)	(151,063)	35,763	(7,113)	3,029	4,311	17,659	(554,499)	(120)	(8,078)	(562,697)
Transfer from Stage 1	(76,052)	(35,299)	(87,484)	-	-	(4,190)	(25,575)	(228,600)	(253)	(5,856)	(234,709)
Transfer from Stage 2	1,217	2,472	5,437	-	-	-	64	9,190	4	206	9,400
Transfer from Stage 3	-	736	474	-	-	-	2	1,212	120	27	1,359
Foreign exchange differences	1,820	7	-	-	7	26	21	1,881	-	10	1,891
	99,790	16,284	33,420	288	3,416	1,789	11,915	166,902	2,623	2,601	172,126
Stage 2											
ECL Loans, January 1, 2021	49,354	88,482	28,776	-	7,059	1,207	5,714	180,592	153	31,627	212,372
Provision for credit and impairment losses	(47,694)	(58,919)	72,494	-	(7,244)	(726)	(2,641)	(44,730)	(52)	3,309	(41,473)
Transfer from Stage 1	37,999	12,455	28,461	-	-	4,190	1,480	84,585	110	2,048	86,743
Transfer from Stage 2	(1,217)	(22,255)	(82,928)	-	-	-	(676)	(107,076)	(101)	(9,727)	(116,904)
Transfer from Stage 3	-	2,791	2,017	-	-	-	44	4,852	50	176	5,078
Foreign exchange differences	482	-	-	-	185	-	7	674	-	58	732
	38,924	22,554	48,820	-	-	4,671	3,928	118,897	160	27,491	146,548
Stage 3											
ECL Loans, January 1, 2021	593,711	305,220	252,160	73,710	163,188	17,663	559,082	1,964,734	54,709	1,043,361	3,062,804
Provision for credit and impairment losses	(10,209)	(207,100)	73,070	-	-	-	16,410	(127,829)	(60)	43,377	(84,512)
Transfer from Stage 1	38,053	22,844	59,023	-	-	-	24,095	144,015	143	3,808	147,966
Transfer from Stage 2	-	19,783	77,491	-	-	-	612	97,886	97	9,521	107,504
Transfer from Stage 3	-	(3,527)	(2,491)	-	-	-	(46)	(6,064)	(170)	(203)	(6,437)
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	1,745	-	-	2,716	-	-	1,417	5,878	-	5,385	11,263
	623,300	136,588	446,902	76,426	163,188	17,663	601,570	2,065,637	54,719	1,104,169	3,224,525
Total											
ECL Loans, January 1, 2021	1,272,955	593,133	360,166	81,111	170,627	20,512	584,540	3,083,044	57,734	1,091,280	4,232,058
Provision for credit and impairment losses	(514,988)	(417,082)	181,327	(7,113)	(4,215)	3,585	31,428	(727,058)	(232)	38,608	(688,682)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(632)	(12,351)	-	-	-	-	(12,983)	-	(1,080)	(14,063)
Write-off	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences	4,047	7	-	2,716	192	26	1,445	8,433	-	5,453	13,886
	P762,014	P175,426	P529,142	P76,714	P166,604	P24,123	P617,413	P2,351,436	P57,502	P1,134,261	P3,543,199

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

The table below summarizes the movements in the gross carrying amounts of financial assets, other than loans and receivables, in 2023 and 2022 (amounts in thousands).

	December 31, 2023				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2023	P23,678,666	P1,044,396	P18,381,226	P5,805,051	P52,214,838
New assets purchased or originated	857,132,081	1,060	3,147,361,092	10,911,008	84,806,044
Assets derecognized or repaid	(854,932,081)	(36,818)	(3,143,921,917)	(5,963,068)	(84,500,328)
Other movements*	(1,603,470)	46,859	(1,705,905)	290,814	(43,241)
Gross carrying amount, December 31, 2023	P24,275,196	P1,055,497	P20,114,496	P11,043,805	P52,477,313

*Includes movements in outstanding balances and foreign exchange differences

	December 31, 2022				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2022	P45,373,268	P1,039,597	P19,136,089	P5,055,117	P42,914,819
New assets purchased or originated	2,091,303,161	9,000	3,857,811,621	1,851,124	68,974,516
Assets derecognized or repaid	(2,113,643,161)	(17,460)	(3,859,072,152)	(578,775)	(59,895,050)
Other movements*	645,398	13,259	505,668	(522,415)	220,553
Gross carrying amount, December 31, 2022	P23,678,666	P1,044,396	P18,381,226	P5,805,051	P52,214,838

*Includes movements in outstanding balances and foreign exchange differences

The table below summarizes the movements in the gross carrying amounts on loans and receivables in 2023 and 2022 (amounts in thousands).

	December 31, 2023										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2023	P85,152,447	P7,294,257	P3,115,110	P1,296,404	P466,443	P2,378,143	P1,808,374	P101,511,178	P263,227	P1,447,176	P103,221,581
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,249,631)	(207,780)	(294,754)	(89,151)	(368,013)	(703,054)	(202,065)	(40,114,448)	(21,574)	(528,704)	(40,664,726)
Transfer from Stage 1	(61,876)	(180,668)	(48,317)	(5,023)	(1,674)	(59,181)	(13,235)	(369,974)	(10,881)	(87,181)	(468,036)
Transfer from Stage 2	142,500	88,312	35,256	-	-	-	1,862	267,930	953	3,985	272,868
Transfer from Stage 3	-	55,462	1,399	-	-	-	561	57,422	2,588	821	60,831
Other movements***	(6,732,361)	(678,921)	(999,409)	(255,984)	(26,446)	(201,994)	(141,209)	(9,036,324)	(106,068)	62,492	(9,079,900)
	80,214,649	7,739,774	3,723,011	961,229	452,422	11,489,607	1,985,562	106,566,254	282,515	1,640,714	108,489,483
Stage 2											
Gross carrying amount, January 1, 2023	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(257,858)	(13,444)	(24,725)	-	(2,641)	(2,865)	(4,586)	(306,119)	(1,971)	(20,706)	(328,796)
Transfer from Stage 1	-	116,055	35,704	-	1,674	4,731	8,807	166,971	4,884	25,258	197,113
Transfer from Stage 2	(142,500)	(114,102)	(45,545)	-	-	(131,258)	(2,727)	(436,132)	(1,228)	(9,353)	(446,713)
Transfer from Stage 3	-	16,910	1,164	-	-	-	160	18,234	165	437	18,836
Other movements***	(21,224)	(16,359)	(47,091)	-	-	(6,453)	22,126	(69,001)	(717)	(1,161)	(70,879)
	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
Stage 3											
Gross carrying amount, January 1, 2023	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(41,455)	(202,381)	(65,757)	-	-	(17,663)	(4,724)	(331,980)	(13,939)	(91,894)	(437,813)
Transfer from Stage 1	61,876	64,613	12,613	5,023	-	54,450	4,428	203,003	5,997	61,923	270,923
Transfer from Stage 2	-	25,790	10,289	-	-	131,258	865	168,202	275	5,368	173,845
Transfer from Stage 3	-	(72,372)	(2,563)	-	-	-	(721)	(75,656)	(2,753)	(1,258)	(79,667)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(3,776)	(18,454)	(13,386)	(351)	-	-	36,017	50	(4,062)	(141)	(4,153)
	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
Total											
Gross carrying amount, January 1, 2023	86,583,034	8,222,454	3,652,024	1,384,578	602,091	2,537,882	2,557,868	105,539,931	382,622	2,629,271	108,551,824
New assets purchased or originated	39,963,570	1,369,112	1,913,726	14,983	382,112	10,075,693	531,274	54,250,470	154,270	742,125	55,146,865
Assets derecognized or repaid	(38,548,944)	(423,605)	(385,236)	(89,151)	(370,654)	(723,582)	(211,375)	(40,752,547)	(37,484)	(641,304)	(41,431,335)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Other movements***	(6,757,361)	(713,734)	(1,059,886)	(256,335)	(26,446)	(208,447)	(83,066)	(9,105,275)	(110,847)	61,190	(9,154,932)
	P81,196,872	P8,454,227	P4,120,628	P1,050,699	P575,338	P11,681,546	P2,328,224	P109,407,534	P388,561	P2,789,882	P112,585,977

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

***Includes movements in outstanding balances and foreign exchange differences

December 31, 2022

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Gross carrying amount, January 1, 2022	P57,073,351	P6,984,226	P2,715,136	P386,926	P372,833	P1,060,369	P1,617,776	P70,210,617	P262,286	P881,155	P71,354,058
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,147,125)	(334,957)	(302,838)	(23,532)	(317,000)	(960,369)	(200,211)	(31,286,032)	(37,124)	(233,131)	(31,556,287)
Transfer from Stage 1	(709,377)	(218,605)	(95,866)	(7,656)	(2,641)	(128,187)	(15,008)	(1,177,340)	(14,709)	(116,537)	(1,308,586)
Transfer from Stage 2	800,000	348,743	83,342	-	-	-	1,893	1,233,978	7,053	12,578	1,253,609
Transfer from Stage 3	-	83,204	16,981	-	-	-	412	100,597	9,047	1,603	111,247
Other movements***	(2,429,840)	(623,608)	(863,585)	884,784	(27,176)	(105,349)	(92,457)	(3,257,231)	(74,443)	42,928	(3,288,746)
	85,152,447	7,294,257	3,115,110	1,296,404	466,443	2,378,143	1,808,374	101,511,178	263,227	1,447,176	103,221,581
Stage 2											
Gross carrying amount, January 1, 2022	1,333,746	576,085	245,887	-	-	162,944	47,968	2,366,630	16,048	55,843	2,438,521
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(14,805)	(23,119)	(29,703)	-	-	(142,679)	(8,050)	(218,356)	(1,664)	(23,316)	(243,336)
Transfer from Stage 1	709,377	117,357	81,360	-	2,641	128,187	8,870	1,047,792	3,051	30,459	1,081,302
Transfer from Stage 2	(868,053)	(451,978)	(104,322)	-	-	-	(2,638)	(1,426,991)	(12,421)	(19,678)	(1,459,090)
Transfer from Stage 3	-	8,865	12,573	-	-	-	639	22,077	798	911	23,786
Other movements***	(200,140)	(45,126)	(78,388)	-	-	(6,376)	18,245	(311,785)	(1,774)	(8,256)	(321,815)
	960,125	182,084	127,407	-	2,641	142,076	65,034	1,479,367	4,038	35,963	1,519,368
Stage 3											
Gross carrying amount, January 1, 2022	643,154	768,754	582,133	76,426	163,188	17,663	618,220	2,869,538	130,631	1,124,576	4,124,745
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(26,831)	(112,509)	(133,647)	-	-	-	(8,818)	(281,805)	(15,430)	(61,187)	(358,422)
Transfer from Stage 1	-	101,248	14,506	7,656	-	-	6,138	129,548	11,658	86,078	227,284
Transfer from Stage 2	68,053	103,235	20,980	-	-	-	745	193,013	5,368	7,100	205,481
Transfer from Stage 3	-	(92,069)	(29,554)	-	-	-	(1,051)	(122,674)	(9,845)	(2,514)	(135,033)
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	25,967	(22,546)	(44,911)	4,092	(30,181)	-	86,582	19,003	(7,025)	7,373	19,351
	470,462	746,113	409,507	88,174	133,007	17,663	684,460	2,549,386	115,357	1,146,132	3,810,875
Total											
Gross carrying amount, January 1, 2022	59,050,251	8,329,065	3,543,156	463,352	536,021	1,240,976	2,283,964	75,446,785	408,965	2,061,574	77,917,324
New assets purchased or originated	59,565,438	1,055,254	1,561,940	55,882	440,427	2,511,679	495,969	65,686,589	111,117	858,580	66,656,286
Assets derecognized or repaid	(29,188,761)	(470,585)	(466,188)	(23,532)	(317,000)	(1,103,048)	(217,079)	(31,786,193)	(54,218)	(317,634)	(32,158,045)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(239,881)	-	-	-	-	-	(17,356)	(257,237)	-	(15,294)	(272,531)
Other movements***	(2,604,013)	(691,280)	(986,884)	888,876	(57,357)	(111,725)	12,370	(3,550,013)	(83,242)	42,045	(3,591,210)
	P86,583,034	P8,222,454	P3,652,024	P1,384,578	P602,091	P2,537,882	P2,557,868	P105,539,931	P382,622	P2,629,271	P108,551,824

*Comprised of benefit loans, salary loans and credit cards.

**Comprised of accrued interest receivables, accounts receivables and RCOCI

***Includes movements in outstanding balances and foreign exchange differences

Movements in allowance for impairment losses as at December 31, 2023, 2022 and 2021 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

December 31, 2023					
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815
Provision for impairment losses for the year	-	(894)	58,731	(83,494)	(25,657)
Write-off	-	-	(10,677)	(90,279)	(100,956)
Balance at end of year	P5,926	P5,262	P249,958	P4,438,056	P4,699,202

December 31, 2022					
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263
Provision for impairment losses for the year	-	-	10,628	(4,076)	6,552
Balance at end of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815

December 31, 2021					
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P179,816	P4,615,724	P4,807,622
Provision for impairment losses for the year	-	-	11,460	181	11,641
Balance at end of year	P5,926	P6,156	P191,276	P4,615,905	P4,819,263

18. Deposit Liabilities

Long-term Negotiable Certificates of Time Deposit (LTNCTD)

On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion and maturing on September 17, 2025. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation.

Reserve Requirement

On March 31, 2020, the BSP issued Circular No. 1082 reducing the reserve requirement to 12.0% effective on the reserve week starting on April 3, 2020. On June 23, 2023, the BSP reduced the reserve requirement to 9.5% effective on the reserve week starting on June 30, 2023, through the issuance of BSP Circular No. 1175.

As at December 31, 2023 and 2022, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P17.1 billion and P18.7 billion as at December 31, 2023 and 2022, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 5.0% to 6.0% in 2023, from 1.5% to 5.0% in 2022 and interest rate of 1.5% in 2021. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 6.4% to 6.8%, from 1.7% to 6.4%, and from 1.7% to 2.0% in 2023, 2022, and 2021, respectively. Interest income on Due from BSP amounted to P364.2 million, P264.7 million, and P226.4 million in 2023, 2022, and 2021, respectively.

Interest expense on deposit liabilities follows:

	2023	2022	2021
Demand	P67,813,429	P58,010,393	P53,357,209
Savings	2,174,301,309	631,899,858	276,548,245
Time	502,742,516	118,116,108	89,031,236
LTNCTD	226,323,900	226,323,900	226,323,900
	P2,971,181,154	P1,034,350,259	P645,260,590

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 6.5% in 2023, from 0.1% to 5.5% in 2022, and from 0.1% to 5.3% in 2021. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2023, from 0.1% to 4.5% in 2022 and from 0.1% to 1.3% in 2021.

Insurance Expense

This account pertains to the PDIC insurance on deposits amounting to P345.1 million, P348.4 million, and P334.8 million in 2023, 2022, and 2021, respectively.

19. Bills Payable

This account consists of SSURA and short-term borrowings from local and foreign banks. As at December 31, 2023 and 2022, there were no short-term borrowings from local and foreign banks and no financial assets pledged and transferred under SSURA transactions.

Interest expense consists of:

	2023	2022	2021
SSURA	P24,610,494	P -	P -
Foreign banks	128,142	-	-
Local banks	104,836	325,200	223,871
Other borrowings	24,254,796	46,716,357	16,467,494
	P49,098,268	P47,041,557	P16,691,365

SSURA were subject to annual interest rates ranging from 5.3% to 5.7% in 2023.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 1.9% to 2.5% and from 1.7% to 2.5% in 2022 and 2021, respectively. There were no peso-denominated short-term borrowings from local banks in 2023. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rates ranging from 4.6% to 4.9% and from 0.2% to 0.5% in 2023 and 2022, respectively. There were no foreign currency denominated short-term borrowings from local banks in 2021.

Foreign currency denominated short-term borrowings from foreign banks are subject to annual interest rates ranging from 4.8% to 5.1% in 2023. There were no foreign currency denominated short-term borrowings from foreign banks in 2022 and 2021.

In 2023, 2022 and 2021, interest expense on other borrowings includes interest expense on tax settlement amounting to P24.2 million, P46.7 million and P16.3 million, respectively.

20. Bonds Payable

On July 29, 2022, the Bank issued P7.5 billion fixed rate bonds due on July 29, 2024. The bonds were priced at par with a coupon rate of 5.0263% payable on a quarterly basis commencing on October 29, 2022. The bonds were listed in Philippine Dealing and Exchange Corporation. Transaction costs on the issuance of bonds amounted to P72.4 million.

Interest expense on bonds payable amounted to P413.0 million and P173.8 million in 2023 and 2022, respectively. As at December 31, 2023 and 2022, unamortized bond transaction costs amounted to P21.7 million and P57.7 million, respectively.

21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	<i>Note</i>	2023	2022
Interest payable:			
Deposit liabilities	18	P292,928,209	P156,046,469
Bonds payable	20	52,570,178	52,570,178
		345,498,387	208,616,647
Employee and other benefits		222,122,042	262,586,345
Insurance		183,357,397	172,000,614
Penalties		171,456,762	171,456,762
Taxes payable		112,892,733	107,084,855
Fees and commissions		101,114,869	60,261,523
Utilities expenses		53,734,548	32,496,501
Management and professional fees		46,980,799	25,378,186
Equipment-related expenses		38,508,624	22,162,515
Security		23,599,389	11,425,088
Building repairs and maintenance		20,033,164	20,775,993
Rent		4,600,248	4,768,149
Others		63,290,363	66,752,642
		P1,387,189,325	P1,165,765,820

Other accrued expenses include accruals for marketing and advertising, janitorial, messengerial, and various expenses attributable to the Bank's operations.

22. Other Liabilities

This account consists of:

	<i>Note</i>	2023	2022
Accounts payable		P1,431,420,389	P1,195,861,619
Bills purchased - contra	12, 33	951,269,458	1,251,721,161
Lease liability	30	593,364,435	490,913,094
Due to preferred shareholders	24	290,118,112	282,393,274
Other credits-dormant		233,264,121	221,250,979
Due to Treasurer of the Philippines		213,714,158	141,524,444
Withholding tax payable		169,251,673	130,999,174
Retirement liability	29	126,139,504	-
Unclaimed balances		35,780,120	77,021,937
ECL on off-balance sheet exposures	17	23,743,549	33,785,184
Miscellaneous		125,115,684	124,858,500
		P4,193,181,203	P3,950,329,366

Accounts payable mainly pertains to advance loan payments from borrowers, inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one (1) year from the dates of checks.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 38).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable, other provisions and unclaimed salaries of resigned employees.

23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

Note	2023			2022		
	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross						
COCI	P3,500,645	P -	P3,500,645	P2,735,171	P -	P2,735,171
Due from BSP	24,275,196	-	24,275,196	23,678,666	-	23,678,666
Due from other banks	1,055,497	-	1,055,497	1,044,396	-	1,044,396
Interbank loans receivable and SPURA	20,114,496	-	20,114,496	18,381,226	-	18,381,226
Financial assets at FVPL:						
Private debt securities	-	190,505	190,505	-	344,809	344,809
Government securities held-for-trading	180,603	-	180,603	7,259	-	7,259
Derivative assets	-	27,685	27,685	1,056	27,877	28,933
Financial assets at FVOCI:						
Government securities	-	10,850,048	10,850,048	-	5,619,272	5,619,272
Equity securities	-	193,757	193,757	-	185,779	185,779
Investment securities at amortized cost - gross:						
Government securities	16,903,505	33,408,145	50,311,650	14,565,715	34,884,807	49,450,522
Private debt securities	78,770	2,086,893	2,165,663	569,353	2,194,963	2,764,316
Loans and receivables - gross:						
Receivable from customers:						
Term loans	30,997,471	50,199,401	81,196,872	35,186,203	51,396,830	86,583,033
Agri-agra loans	4,207,708	7,473,838	11,681,546	622,163	1,915,724	2,537,887
Housing loans	741,214	7,713,089	8,454,303	947,248	7,275,361	8,222,607
Auto loans	641,992	3,481,423	4,123,415	705,361	2,946,664	3,652,025
Bills purchased, import bills and trust receipts	1,050,699	-	1,050,699	1,384,578	-	1,384,578
Direct advances	477,724	99,488	577,212	506,857	98,471	605,328
Others	1,721,579	647,296	2,368,875	1,998,214	599,413	2,597,626
Accrued interest receivable	1,443,071	-	1,443,071	1,279,697	-	1,279,697
Accounts receivable	1,055,139	-	1,055,139	1,057,747	-	1,057,747
Sales contract receivables	123,040	265,521	388,561	121,467	261,155	382,622
Unquoted debt securities	291,578	-	291,578	291,578	-	291,578
RCOCI	93	-	93	249	-	249
Investment in associate	-	75,395	75,395	-	75,395	75,395
	108,860,020	116,712,484	225,572,504	105,084,204	107,826,520	212,910,724
Non-financial Assets - gross						
Property and equipment	-	4,910,145	4,910,145	-	4,451,697	4,451,697
Investment properties	-	4,802,601	4,802,601	-	4,426,807	4,426,807
Deferred tax assets	-	475,333	475,333	-	612,090	612,090
Other assets	2,351,268	6,332,408	8,683,676	1,943,017	6,293,209	8,236,226
	2,351,268	16,520,487	18,871,755	1,943,017	15,783,803	17,726,820
	P111,211,288	P133,232,971	P244,444,259	P107,027,221	P123,610,323	P230,637,544
Less:						
Allowance for credit and impairment losses	17	-	P7,731,347	-	-	P8,298,298
Accumulated depreciation and amortization	14, 15, 16	-	4,965,609	-	-	4,748,245
Unearned interest	12	-	45,388	-	-	43,155
Accumulated equity in net loss	13	-	33,936	-	-	29,947
Total			P231,667,979			P217,517,899
Financial Liabilities						
Deposit liabilities:						
Demand	18	P54,569,494	P -	P54,569,494	P51,792,970	P -
Savings		109,667,913	-	109,667,913	101,651,553	-
Time		16,207,259	431,283	16,638,542	16,973,625	819,672
LTNCTD		-	5,029,420	5,029,420	-	5,029,420
Financial liabilities at FVPL	9	6,202	-	6,202	283	-
Bonds payable	20	7,478,265	-	7,478,265	-	7,442,251
Manager's checks		1,846,500	-	1,846,500	661,454	-
Accrued interest and other expenses*	21	1,047,574	-	1,047,574	791,326	-
Other liabilities**	22	3,174,414	699,632	3,874,046	3,189,842	595,704
		193,997,621	6,160,335	200,157,956	175,061,053	13,887,047
Non-financial Liabilities						
Accrued taxes and other expense payable	21	339,615	-	339,615	374,440	-
Other liabilities	22	192,995	126,140	319,135	164,784	-
		532,610	126,140	658,750	539,224	-
		P194,530,231	P6,286,475	P200,816,706	P175,600,277	P13,887,047
						P189,487,324

*amounts exclude accruals of employee and other benefits, taxes payable and rent

**amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

24. Capital

The Bank's capital stock consists of the following as at December 31:

	Shares			Amount		
	2023	2022	2021	2023	2022	2021
Authorized Capital Stock						
Common stock, P10 par value	1,702,511,470	1,702,511,470	1,702,511,470	P17,025,114,700	P17,025,114,700	P17,025,114,700
Preferred stock, P10 par value	455,000,000	455,000,000	455,000,000	4,550,000,000	4,550,000,000	4,550,000,000
	2,157,511,470	2,157,511,470	2,157,511,470	P21,575,114,700	P21,575,114,700	P21,575,114,700
Issued and Outstanding						
Common stock	1,403,013,920	1,403,013,920	1,122,411,120	P14,030,139,200	P14,030,139,200	P11,224,111,200
Preferred stock	416,666,670	416,666,670	416,666,670	4,166,666,700	4,166,666,700	4,166,666,700
	1,819,680,590	1,819,680,590	1,539,077,790	P18,196,805,900	P18,196,805,900	P15,390,777,900
Paid-in Surplus						
Common stock				P5,995,503,421	P5,995,503,421	P5,542,922,930
Preferred stock				1,233,771,939	1,233,771,939	1,233,771,939
				P7,229,275,360	P7,229,275,360	P6,776,694,869

The reconciliation of the number of shares outstanding at the beginning and at the end of the years follow:

	Common Shares			Preferred Shares		
	2023	2022	2021	2023	2022	2021
Balance as at January 1	1,403,013,920	1,122,411,120	112,241,112	416,666,670	416,666,670	-
Issuance during the year	-	280,602,800	-	-	-	41,666,667
Adjustment for 10-to-1 stock split	-	-	1,010,170,008	-	-	375,000,003
Balance as at December 31	1,403,013,920	1,403,013,920	1,122,411,120	416,666,670	416,666,670	416,666,670

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P290.1 million and P282.4 million as at December 31, 2023 and 2022, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2023 and 2022, the related sinking fund which is recorded under "Other assets" account amounting to P290.1 million and P282.4 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and
- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In connection to this, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall continuously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor for preferred shares from San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. On February 15 and February 16, 2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares with the PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.6 million were charged against "Paid-in surplus".

On October 28, 2021 and November 9, 2021, the BOD and the Stockholders also approved the amendment to the Articles of Incorporate to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock and the transfer of shares of stock. On December 31, 2021, the BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares).

On February 28, 2023, the BOD approved the amendment to the By-laws to (a) change the schedule of the annual stockholders' meeting from April to May, and (b) comply with Section 132 of the MORB, Section 29 and 34 of the Revised Corporation Code and Section 3 of the SEC Memorandum Circular No. 20 series of 2020. Subsequently, the Stockholders of the Bank approved the same on April 25, 2023.

Equity Restructuring

On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus.

On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156,715 against the Paid-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade.

Under Section 121 of the MORB, *Minimum Required Capital*, the minimum capitalization requirement applicable for the Bank (universal banks with more than 100 branches) amounted to P20.0 billion. The Bank achieved this level with the August 2021 infusion of additional capital mentioned above. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. As at December 31, 2023 and 2022, the reported unimpaired capital of the Bank amounted to P29.7 billion and P26.9 billion, respectively.

The guidelines on Bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks*, which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-‘going concern’ [CET1 plus Additional Tier 1] and Tier 2 - ‘gone concern.’ A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;
- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and
- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2023 and 2022, based on the CAR reports submitted to BSP, the Bank’s CAR of 19.88% and 17.97%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision (“BIS rules/ratios”), based on the Basel III framework. The increase in the CAR ratio was primarily due to the increase in undivided profits and decrease in the credit risk weighted amount of contingent account (domestic standby letters of credit).

The breakdown of the Bank's risk-weighted assets as at December 31, 2023 and 2022 as reported to BSP follows (amounts in thousands):

	2023	2022
Credit risk-weighted assets	P131,091,150	P132,556,255
Operational risk-weighted assets	12,140,350	10,450,670
Market-risk weighted assets	313,854	120,664
	P143,545,354	P143,127,589

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2023 and 2022 (in millions) as reported to BSP which was compiled as per below:

	2023	2022
Tier 1 capital	P27,396	P24,646
Tier 2 capital	1,139	1,076
Total qualifying capital	P28,535	P25,722
CET1 capital	P21,996	P19,245
Risk-weighted assets	P143,545	P143,128
CET1 ratio	15.32%	13.45%
Tier 1 capital ratio	19.09%	17.22%
Total capital ratio	19.88%	17.97%

Certain adjustments are made to PFRSs results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

- a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;
- b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2023 and 2022 which was complied as per below breakdown (amounts in thousands):

	2023	2022
Capital measure	P27,396,326	P24,645,529
Exposure measure	246,764,987	235,849,588
Leverage ratio	11.10%	10.45%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2023 and 2022, the Bank's LCR were 213.9% and 182.7%, respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSFR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2023 and 2022, the reported NSFR of 164% and 154%, respectively, exceeded the required minimum of 100%.

This applies to UB/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

25. Surplus Reserve

	2023	2022	2021
Reserve for general provision - special reserve	P877,491,849	P775,206,634	P556,655,007
Reserve for trust business	157,512,612	148,200,862	139,151,260
Reserve for self-insurance	60,000,000	60,000,000	60,000,000
	P1,095,004,461	P983,407,496	P755,806,267

Reserve for General Provision - Special Reserve

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P102.3 million, P218.6 million, and P347.8 million in 2023, 2022 and 2021, respectively.

Reserve for Trust Business

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock. Additional appropriation for reserve for trust business amounted to P9.3 million, P9.0 million, and P12.4 million in 2023, 2022 and 2021, respectively.

Reserve for Self-insurance

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties. No additional appropriation for Reserve for self-insurance was made in 2023, 2022, and 2021.

26. Interest Income on Debt Securities

This account consists of:

	Note	2023	2022	2021
Investment securities at amortized cost:				
Government securities	11	P1,716,340,695	P1,370,841,465	P908,591,924
Private debt securities		85,656,947	100,869,054	154,337,125
Financial assets at FVOCI:				
Government securities	10	445,722,527	204,988,977	168,875,905
Private debt securities		-	5,085,038	19,758,785
		2,247,720,169	1,681,784,534	1,251,563,739
Financial assets at FVPL:				
Government securities held for trading	9	21,561,207	4,603,469	14,420,446
		P2,269,281,376	P1,686,388,003	P1,265,984,185

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 5.3% in 2023, from 0.8% to 3.7% in 2022 and from 0.8% to 3.4% in 2021. Peso-denominated investment securities at amortized cost bear EIRs ranging from 2.3% to 8.1% in 2023 and from 1.4% to 8.1% in 2022 and 2021.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.6% to 4.5%, from 0.9% to 2.8%, and from 0.02% to 2.9%, respectively, in 2023, 2022, and 2021. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.6% to 6.9% in 2023, from 3.6% to 6.7% in 2022, and from 2.1% to 6.6% in 2021.

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 1.6% to 8.6% in 2023, from 0.2% to 8.6% in 2022, and from 0.9% to 8.6% in 2021. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 2.6% to 9.3%, from 0.6% to 8.1%, and from 0.7% to 8.1% in 2023, 2022, and 2021, respectively.

27. Service Charges, Fees and Commissions

Service Charges, Fees and Commissions - Income

This account consists of:

	2023	2022	2021
Credit card fees	P179,629,720	P147,516,114	P115,655,338
Trust income	174,904,628	152,971,718	139,219,456
Service charges	157,871,633	148,551,460	131,070,951
Underwriter and arranger's fees	148,709,683	95,900,297	-
Letters of credit fees	77,530,188	122,780,721	36,248,747
Fees and commissions	55,744,047	48,792,533	26,587,398
Remittance fees	37,065,138	41,087,314	52,169,552
Penalty charges	34,546,673	31,346,781	8,098,809
Commitment fees	10,144,513	55,783,132	11,511,432
Telegraphic transfer fees	3,375,067	2,715,963	2,480,761
Others	6,858,195	10,185,844	8,085,308
	P886,379,485	P857,631,877	P531,127,752

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Underwriter and arranger's fees are earned by the Bank as compensation for underwriting a public offering, placing an issue in the market or arranging a private placement of debt.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

Service Fees and Commissions - Expenses

This account consists of:

	2023	2022	2021
Transaction and service fees	P273,919,598	P187,294,357	P141,375,266
Mastercard fees	77,654,916	59,034,910	48,134,742
Fees and commissions	58,759,010	43,533,852	36,997,921
Others	7,590,497	3,466,436	3,198,544
	P417,924,021	P293,329,555	P229,706,473

Others include processing fees, handling fees and various other charges.

28. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	2023	2022	2021
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	9	P22,810,265	P3,032,696	(P4,189,634)
Realized		(19,188,811)	(32,249,257)	(5,635,758)
Equity securities:				
Realized		12,535	-	-
Financial assets at FVOCI	10	6,964,361	-	(68,883,753)
		P10,598,350	(P29,216,561)	(P78,709,145)

29. Employee Benefits

Compensation and Fringe Benefits

The details of the following accounts in 2023, 2022 and 2021 follow:

	2023	2022	2021
Salaries and allowances	P1,326,204,346	P1,097,273,510	P988,536,430
Bonuses	460,950,000	349,320,000	375,320,000
Employee benefits	337,516,981	293,658,369	285,629,019
Retirement benefits	91,753,151	123,585,814	144,948,491
Overtime	41,971,618	40,973,832	26,535,151
	P2,258,396,096	P1,904,811,525	P1,820,969,091

Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2023. Valuations are performed on an annual basis.

As at December 31, 2023, 2022 and 2021, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2023	2022	2021
Average working life	13.0	13.0	13.0
Discount rate	6.1%	7.6%	5.0%
Future salary increases	6.6%	6.6%	6.6%

The mortality rates used in the valuation were based on the 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from 01 January 1977 to 31 December 1981, a period of five years. The 1985 UAT has been adjusted to reflect improvements in mortality experience since its original construction. The disability rates used in the valuation were based on 100% of the adjusted 1952 Disability Table, reflecting improvement in Philippine disability experience.

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability (assets) and its components (in thousands).

	Defined Benefits Obligation			Fair Value of Plan Assets			Net Retirement Benefit Liability (Asset)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Balance at January 1	P1,027,606	P1,244,156	P1,329,366	(P1,100,754)	(P1,085,608)	(P936,823)	(P73,148)	P158,548	P392,543
Included in Profit or Loss									
Current service cost	94,990	115,658	129,639	-	-	-	94,990	115,658	129,639
Interest expense (income)	77,119	62,208	51,845	(80,356)	(54,280)	(36,536)	(3,237)	7,928	15,309
	172,109	177,866	181,484	(80,356)	(54,280)	(36,536)	91,753	123,586	144,948
Included in OCI									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	167,475	(299,036)	(166,458)	-	-	-	167,475	(299,036)	(166,458)
Experience adjustment	81,345	18,033	(6,013)	-	-	-	81,345	18,033	(6,013)
Return on plan assets excluding interest income	-	-	-	39,176	96,178	(14,069)	39,176	96,178	(14,069)
	248,820	(281,003)	(172,471)	39,176	96,178	(14,069)	287,996	(184,825)	(186,540)
Others									
Contributions paid by the employer	-	-	-	(180,461)	(170,457)	(192,403)	(180,461)	(170,457)	(192,403)
Benefits paid	(105,401)	(113,413)	(94,223)	105,401	113,413	94,223	-	-	-
	(105,401)	(113,413)	(94,223)	(75,060)	(57,044)	(98,180)	(180,461)	(170,457)	(192,403)
Balance at December 31	P1,343,134	P1,027,606	P1,244,156	(P1,216,994)	(P1,100,754)	(P1,085,608)	P126,140	(P73,148)	P158,548

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2023	2022	2021
Balance at beginning of year	P77,723,200	P262,547,387	P449,088,000
Remeasurement losses (gains) on:			
Defined benefits obligation	248,820,103	(281,002,208)	(172,472,150)
Plan assets	39,175,594	96,178,021	(14,068,463)
Net change in remeasurement losses (gains) recorded in OCI	287,995,697	(184,824,187)	(186,540,613)
Balance at end of year	P365,718,897	P77,723,200	P262,547,387

The actual return (loss) on plan assets amounted to P41.2 million and (P41.9) million in 2023 and 2022, respectively.

The Bank expects to contribute P211.4 million to its defined benefits retirement plan in 2024.

The major categories of the fair value of plan assets as at December 31, 2023 and 2022 follow:

	2023	2022
Investment securities:		
Government and other debt securities	P526,163,095	P614,885,776
Quoted equity securities	339,884,175	270,829,395
Unquoted equity securities	2,600	2,600
Deposits with the bank	131,963,457	30,747,112
Loans receivables	206,022,617	170,241,796
Other receivables	12,958,486	14,047,453
Total Plan Assets	P1,216,994,430	P1,100,754,132

Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown below:

	December 31, 2023			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,225,926,087	P1,479,462,857	P1,468,882,977	P1,232,640,544
Fair value of plan assets	(1,216,994,429)	(1,216,994,429)	(1,216,994,429)	(1,216,994,429)
Net retirement liability (assets)	P8,931,658	P262,468,428	P251,888,548	P15,646,115

	December 31, 2022			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P940,049,711	P1,128,828,588	P1,122,198,314	P944,152,299
Fair value of plan assets	(1,100,754,132)	(1,100,754,132)	(1,100,754,132)	(1,100,754,132)
Net retirement liability (assets)	(P160,704,421)	P28,074,456	P21,444,182	(P156,601,833)

The maturity analyses of the undiscounted benefit payments as at December 31, 2023 and 2022 are as follows:

	2023	2022
1 - 5 years	P541,608,869	P443,062,358
6 - 10 years	1,101,752,171	922,629,278
11 - 15 years	1,086,406,759	1,068,594,031
16 years and up	5,407,534,068	4,581,346,511
	P8,137,301,867	P7,015,632,178

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is 9 years as at December 31, 2023 and 2022. The expected average remaining working lives as at December 31, 2023 and 2022 is 13 years.

30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2023, 2022, and 2021.

	2023	2022	2021
Repairs and maintenance	P199,706,881	P187,630,410	P170,656,204
Security services	197,680,447	220,318,339	180,368,900
Power, light, water	112,852,064	105,967,062	71,469,631
Rent expense	81,928,780	68,792,512	59,358,776
Janitorial services	42,226,915	38,559,704	35,909,859
Insurance	13,302,902	10,281,940	14,520,536
Total	P647,697,989	P631,549,967	P532,283,906

Insurance refers to the insurance for the Bank's property and equipment.

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.8% to 18.5%.

The Bank also leases parking space, ATM location, signage and storage with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets

Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

Lease Liabilities

See Note 5 for maturity analysis of lease liabilities as at December 31, 2023 and 2022.

The table below shows the amounts recognized in the statements of income in 2023, 2022 and 2021 related to leases under PFRS 16 (amounts in millions).

	2023	2022	2021
Interest on lease liabilities	P32.8	P28.2	P35.0
Expenses relating to short-term leases	70.0	59.1	59.4
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	12.0	9.7	8.9

Total cash outflow for leases recognized in 2023, 2022 and 2021 amounted to P320.1 million, P303.2 million, and P295.0 million, respectively.

Bank as Lessor

The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under “Miscellaneous” in the statements of income) for the years ended December 31, 2023, 2022, and 2021 were P1.6 million, P1.8 million, and P0.5 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounting to P3.0 million for years ended December 31, 2023, 2022, and 2021 (see Note 31).

As at December 31, 2023 and 2022, the Bank has no future rental receivables under non-cancellable operating lease.

31. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	<i>Note</i>	2023	2022	2021
Passed-on GRT		P50,377,835	P40,574,554	P26,542,569
Dividend income	10	5,604,161	1,612,352	5,709,161
Rent income	30	4,602,172	4,834,797	3,439,978
Others		84,692,214	68,157,678	14,873,615
		P145,276,382	P115,179,381	P50,565,323

Others include gain due to rent concessions, recovery from charged-off assets and excess chattel fees. Recovery from charged-off assets amounted to P71.1 million, P56.1 million, and P0.2 million, respectively, in 2023, 2022 and 2021.

Miscellaneous Expenses

This account consists of:

		2023	2022	2021
Marketing		P103,566,171	P57,421,253	P50,196,110
Supervision and examination fee		83,011,437	67,926,910	57,535,251
Communications		79,890,227	77,156,091	80,744,268
Forms and supplies		51,808,966	45,915,052	37,796,870
Transportation and travel		42,598,156	26,500,086	16,446,128
Messengerial services		39,440,243	36,985,834	53,659,322
Litigation and acquired assets-related expenses		27,984,321	16,391,828	10,166,679
Membership dues		27,594,750	20,809,127	16,439,851
Fines and penalties		3,372,381	71,713,640	97,759,614
Others		60,526,331	125,759,860	81,067,483
		P519,792,983	P546,579,681	P501,811,576

Others include management fee on deposits, charges on correspondent banks, royalty fees, other provisions and postage.

In 2021, universal banking license fee amounting to P24.5 million was accrued by the Bank under “Others”.

32. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the National Internal Revenue Code of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- Minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- The allowable deduction for interest expense shall be reduced by 20% of interest income subjected to final tax, instead of the previous 33%; and
- The imposition of 10% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In addition, Revenue Regulations (RR) No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue.

In 2011, the BIR issued RR 4-2011, *Proper allocation of costs and expenses amongst income earning of banks and other financial institutions for income tax reporting purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

Foreign Currency Deposit Unit

RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.
- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and
- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2023	2022	2021
Current:			
Final	P728,807,543	P523,060,497	P399,293,480
RCIT	93,876,511	73,242,737	1,778,182
Tax benefit	(25,186,431)	(61,363,313)	-
MCIT	-	-	38,840,735
Adjustment for CREATE	-	-	(34,487,630)
	797,497,623	534,939,921	405,424,767
Deferred	136,393,568	131,415,328	218,263,891
	P933,891,191	P666,355,249	P623,688,658

The amount of tax benefit relates to MCIT of prior periods that was used to reduce current tax payable.

The amount of deferred income tax relates to the origination and reversal of temporary differences. In 2021, this amount includes the impact of CREATE Law, resulting to the remeasurement of items previously measured based on previous tax rate, amounting to P160.3 million.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2023	2022	2021
Income before income tax expense	P3,736,110,366	P2,466,423,849	P1,830,307,823
Income tax at statutory rate	P934,027,592	P616,605,962	P457,576,956
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	192,649,750	114,721,794	128,709,952
Tax paid income	(157,558,235)	(56,603,094)	(28,047,183)
Nontaxable income	(62,716,480)	(6,127,328)	21,934,422
Changes in unrecognized deferred tax assets	59,498,560	26,098,741	59,508,039
FCDU income	(25,552,958)	(23,316,140)	(25,301,259)
Others	(6,457,038)	(5,024,686)	9,307,731
Effective income tax	P933,891,191	P666,355,249	P623,688,658

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2022 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2023 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P649,802,754	(P55,040,734)	P -	P594,762,020
Accumulated depreciation on foreclosed properties	206,229,257	12,899,855	-	219,129,112
Accrued employee benefits and other expenses	146,226,619	18,228,960	-	164,455,579
Unrealized loss on foreclosed properties	63,726,642	(2,940,405)	-	60,786,237
Net lease liability	14,370,454	(2,528,107)	-	11,842,347
Accrued rent expense	1,467,162	(430,310)	-	1,036,852
MCIT	25,186,431	(25,186,431)	-	-
	1,107,009,319	(54,997,172)	-	1,052,012,147
Deferred tax liability:				
Unrealized gain on foreclosed properties	(381,520,446)	(54,624,180)	-	(436,144,626)
Unrealized foreign exchange gain	(52,974,799)	(9,061,976)	-	(62,036,775)
Retirement benefits	(37,717,776)	(22,177,072)	-	(59,894,848)
Gain on investment properties sold under installments	(22,706,210)	4,466,832	-	(18,239,378)
Unrealized gain on financial assets at FVOCI	-	-	(363,597)	(363,597)
	(494,919,231)	(81,396,396)	(363,597)	(576,679,224)
Net Deferred Tax Assets (Liabilities)	P612,090,088	(P136,393,568)	(P363,597)	P475,332,923
	Beginning Balance (December 31, 2021 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2022 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P717,937,427	(P68,134,673)	P -	P649,802,754
Accumulated depreciation on foreclosed properties	194,605,367	11,623,890	-	206,229,257
Accrued employee benefits and other expenses	118,820,779	27,405,840	-	146,226,619
MCIT	86,549,744	(61,363,313)	-	25,186,431
Unrealized loss on foreclosed properties	68,825,400	(5,098,758)	-	63,726,642
Net lease liability	17,539,091	(3,168,637)	-	14,370,454
Accrued rent expense	2,068,868	(601,706)	-	1,467,162
	1,206,346,676	(99,337,357)	-	1,107,009,319
Deferred tax liability:				
Unrealized gain on foreclosed properties	(371,185,504)	(10,334,942)	-	(381,520,446)
Unrealized foreign exchange gain	(40,050,140)	(12,924,659)	-	(52,974,799)
Retirement benefits	(25,999,968)	(11,717,808)	-	(37,717,776)
Gain on investment properties sold under installments	(25,605,648)	2,899,438	-	(22,706,210)
	(462,841,260)	(32,077,971)	-	(494,919,231)
Net Deferred Tax Assets (Liabilities)	P743,505,416	(P131,415,328)	P -	P612,090,088

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences:

	2023		2022		2021	
	Deductible Temporary Differences	Deferred Tax Asset	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	P2,826,627,838	P706,656,960	P3,169,422,869	P792,355,717	P3,073,627,758	P768,406,940
Unrealized loss on financial assets at FVPL	4,023,806	1,005,952	4,539,344	1,134,836	3,421,893	855,473
Others	168,557,986	42,139,497	216,589,515	54,147,379	209,107,113	52,276,778
Deferred tax items not recognized in profit or loss	2,999,209,630	749,802,409	3,390,551,728	847,637,932	3,286,156,764	821,539,191
Remeasurement losses on retirement liability	365,718,897	91,429,724	77,723,200	19,430,800	262,547,387	65,636,847
Deferred tax items not recognized in OCI	365,718,897	91,429,724	77,723,200	19,430,800	262,547,387	65,636,847
	P3,364,928,527	P841,232,133	P3,468,274,928	P867,068,732	P3,548,704,151	P887,176,038

As at December 31, 2023 and 2022, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2023 follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2021	P25,186,431	(P25,186,431)	P -	2024

33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase provided that the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the MB, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower provided that in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank provided that the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth provided that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank provided that these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2023		2022	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P166	P39,011,760	P258	P29,909,689
Percent of DOSRI/Related Party loans to total loans	0.00%	35.66%	0.00%	28.34%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	21.14%	0.00%	39.98%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%	0.00%	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.35%	0.00%	0.03%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	Note	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Associate	13			
2023				
Investment in an associate		P -	P35,534	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		783	-	Share in net loss of BIC
2022				
Investment in an associate		-	39,523	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		133	-	Share in net loss of BIC
2021				
Investment in an associate		-	39,662	24.26% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		1,039	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	Amount/Volume			Outstanding Balance		Nature, Terms and Conditions
		2023	2022	2021	2023	2022	
Other Related Parties							
Financial assets at FVOCI:	10						
Private debt securities		P -	P -	P -	P -	P -	Matured bond with interest rate of 6.6%.
Maturities		-	300,000	-	-	-	
Investment securities at amortized cost	11	-	-	-	345,110	381,680	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity years ranging from 2024 to 2025.
Maturities		36,570	-	1,330,350	-	-	Matured bond had interest rates ranging from 4.0% to 5.5%
Loans and receivables - net:	12						
Receivables from customers:		-	-	-	38,819,027	29,820,614	Term, housing, auto, salary and personal loans with interest rates ranging from 4.8% to 19.1% and with maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, mortgage trust indenture and pledge agreement on shares;
Availments		111,576,878	49,176,944	63,412,047	-	-	
Settlements		100,198,842	40,503,492	60,623,795	-	-	
Accrued interest receivables:		-	-	-	300,454	177,332	Accrued interest receivables on loans and long-term bonds;
Interest income		2,875,183	1,560,266	1,830,281	-	-	Interest income on loans and long-term bonds;
Deposit liabilities:	18	-	-	-	59,314,694	52,293,651	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		6,166,071,245	5,689,342,609	4,112,755,092	-	-	
Withdrawals		5,048,087,644	4,888,848,456	3,631,676,685	-	-	
Accrued interest payable	21	967,838	260,241	105,793	127,398	39,391	Interest expense and accrued interest payable on deposits;
Accrued other expenses and other liabilities	21, 22	319,206	186,621	182,914	47,823	6,699	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	27, 31	219,010	292,932	80,923	-	-	Loan, underwriting, and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties and passed-on GRT
Commitments and contingent liabilities	38	-	-	-	24,544,851	21,644,130	Bank guarantees in favor of related party, outstanding letters of credit, and committed credit line

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2023 and 2022, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P772.8 million and P1.1 billion, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash.

As at December 31, 2023 and 2022, the allowance for credit losses on outstanding transactions with other related parties amounted to P210.5 million and P89.7 million, respectively. Provision for credit losses recorded in 2023 and 2022 on such related party transactions totaled to P120.8 million and P4.5 million, respectively. Reversal of credit losses recorded in 2021 on such related party transactions totaled to P276.4 million. Such outstanding transactions include investment securities at amortized cost, receivables from customers, and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an Investment Management Account (IMA) Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

Related unaudited financial information on assets/liabilities as at December 31, 2023 and 2022 and income/expense of the funds for the period ended December 31, 2023, 2022 and 2021 follow:

	2023	2022
Investment securities:		
Government and other debt securities	P526,163,095	P614,885,776
Quoted equity securities	339,884,175	270,829,395
Unquoted equity securities	2,600	2,600
Loans and other receivables	218,981,103	184,289,249
Deposits with the bank	133,299,081	35,626,380
Total Plan Assets	P1,218,330,054	P1,105,633,400
Due to broker	P1,062,471	P4,639,308
Trust fee payable	257,209	224,016
Other liabilities	15,944	15,944
Total Plan Liabilities	1,335,624	4,879,268
Net Plan Assets	P1,216,994,430	P1,100,754,132

Plan Income	2023	2022	2021
Interest income	P46,133,203	P35,630,193	P27,713,620
Trading and investment losses - net	(26,652,785)	(30,901,624)	(30,241,813)
Dividend income and others	28,632,767	8,901,291	9,477,411
	P48,113,185	P13,629,860	P6,949,218
Plan Expense			
Trust fees	P3,257,172	P2,775,610	P2,461,431
Other expenses	1,980,287	2,134,774	1,758,759
Provision for credit losses	1,219,179	2,258,204	11,821,715
	P6,456,638	P7,168,588	P16,041,905

As at December 31, 2023 and 2022, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2023 and 2022, the fair market value of the shares amounted to P5.3 million and P5.8 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P40,334, P4,257, and P4,014 in 2023, 2022 and 2021, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the Fund.

The Bank's contribution to its defined benefits retirement plan amounted to P180.5 million and P170.5 million in 2023 and 2022, respectively. Benefits paid out of the Bank's plan assets amounted to P105.4 million and P113.4 million in 2023 and 2022, respectively (see Note 29).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management under "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2023, 2022 and 2021 follows:

	2023	2022	2021
Short-term employee benefits	P711,101,785	P555,082,001	P544,595,527
Post-employment benefits	30,278,540	37,075,744	44,934,032
	P741,380,325	P592,157,745	P589,529,559

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

- a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.
- b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.
- c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).
- d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

- a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

- b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.
- c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

- a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

- b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.
- c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.
- d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

- a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;
- b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and
- c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

Assumption of NPAs of TRB

In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2023 and P4.4 billion as at December 31, 2022 and 2021 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank recognized P1.3 billion provisions to fully recognize the impairment losses on the NPAs in 2022. In 2021, provisions for impairment losses recognized for prudential reporting to BSP amounted to P160.0 million (see Note 16).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2023	2022	2021
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	P654,419,110	P251,831,964	P89,736,152
Additions to ROU assets	313,175,775	159,277,079	45,242,843
Increase in sales contract receivables from sale of investment properties	108,020,017	88,212,765	92,323,023

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Beginning balance	P7,933,164,363	P538,398,243	P682,015,739
Additions to lease liabilities	307,649,056	155,593,019	44,853,267
Interest accretion	68,831,053	42,795,198	35,033,242
Cash flows during the year:			
Proceeds	3,147,150,433	15,004,528,892	4,810,000,000
Settlements	(3,385,165,406)	(7,808,150,989)	(5,033,504,005)
	(238,014,973)	7,196,377,903	(223,504,005)
Ending balance	P8,071,629,499	P7,933,164,363	P538,398,243

As allowed by PAS 7, short-term borrowings from other banks amounting to P3.1 billion, P7.6 billion, and P4.8 billion in 2023, 2022 and 2021, respectively, are presented in the statements of cash flows on a net basis. In 2022, cash proceeds include issuance of bonds payable amounting to P7.5 billion.

36. Financial Performance Indicators

Basic earnings per share amounts were computed as follows:

	2023	2022	2021
a. Net income	P2,802,219,175	P1,800,068,600	P1,206,619,165
b. Dividends on preferred shares*	187,916,668	148,958,335	57,291,667
c. Net income to equity holders of the Bank	2,614,302,507	1,651,110,265	1,149,327,498
d. Weighted average number of outstanding common shares	1,403,013,920	1,334,592,963	1,122,411,120
e. Basic earnings per share (c/d)	P1.86	P1.24	P1.02

* potential dividends on preferred shares as these were not assumed to be converted.

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

	2023	2022	2021
a. Net income to equity holders of the Bank	P2,802,219,175	P1,800,068,600	P1,206,619,165
b. Weighted average number of outstanding common shares and dilutive preferred shares:			
Outstanding common shares*	1,403,013,920	1,334,592,963	1,122,411,120
Potential common shares from assumed conversion of preferred shares	416,666,670	416,666,670	173,611,113
c. Total weighted average common shares	1,819,680,590	1,751,259,633	1,296,022,233
d. Diluted earnings per share (a/c)	P1.54	P1.03	P0.93

The following basic ratios measure the financial performance of the Bank:

	2023	2022	2021
Return on average equity	9.52%	7.01%	6.01%
Return on average assets	1.25%	0.86%	0.65%
Net interest margin on average earning assets	4.28%	3.73%	3.42%

37. Events after the Reporting Date

Subject to the approval of the Stockholders and the relevant government regulatory agencies, the BOD approved on February 27, 2024 the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting and (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code. The BOD likewise approved to endorse to the Stockholders for approval the authority to delegate to the BOD the power to amend or repeal the current by-laws or enact a new one.

38. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks*.

(a) Notes to the Financial Statements

- a. *Capital Position* - please refer to Note 24.
- b. *Leverage Ratio and Total Exposure Measure* - please refer to Note 24.
- c. *Liquidity Position* (Liquidity Coverage Ratio and Net Stable Funding Ratio) - please refer to Note 24.
- d. *Provisioning Methodology and Key Assumptions Used in Determining Allowance for Credit Losses* - please refer to Notes 3 and 5.
- e. *Accounting Policies* - please refer to Note 3.

(b) Supplemental Information

- *Financial Performance Indicators* - please refer to Note 36.
- *Description of Capital Instruments Issued* - please refer to Note 24.
- *Significant Credit Exposures* - please refer to Note 5.
- *Breakdown of Total Loans* as to:
 - i. Security - please refer to Note 12
 - ii. Status - please refer to Note 12
- *Information on Related Party Loans* - please refer to Note 33.
- Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2023 and 2022:

	2023	2022
Contingent assets:		
Fixed income securities purchased	P6,409,295,659	P5,074,247
Future/spot exchange bought	2,683,155,542	1,146,547,214
Outward bills for collection	5,575,925	255,590
	P9,098,027,126	P1,151,877,051
Commitments and contingent liabilities:		
Trust department accounts	P70,208,670,193	P70,873,001,493
Committed credit line	16,152,161,850	7,470,632,437
Unused commercial letters of credit	8,181,592,869	15,638,084,869
Outstanding guarantees	4,305,962,435	3,438,552,342
Credit card lines	3,600,976,933	3,601,177,914
Future/spot exchange sold	3,181,038,760	1,954,996,944
Late deposits/payments received	67,179,756	137,803,664
Fixed income securities sold	6,450,988	5,074,247
Inward Bills For Collection-Domestic	3,525,034	-
Items held for safekeeping/securities held as collateral	45,347	44,835
	P105,707,604,165	P103,119,368,745

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2023 and 2022.

Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P70.2 billion (unaudited) and P70.9 billion (audited) as at December 31, 2023 and 2022, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million and P743.0 million as at December 31, 2023 and 2022, respectively, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 12, 24, 33 and 36.

39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 19, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the financial statements as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and no material exceptions were noted.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 920-961-311

BIR Accreditation No. 08-001987-038-2022

Issued June 27, 2022; valid until June 27, 2025

PTR No. MKT 10075185

Issued January 2, 2024 at Makati City

March 19, 2024

Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until September 20, 2026

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

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

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

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



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (the "Bank") as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 on which we have rendered our report dated March 19, 2024.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Bank's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules Required by Annex 68-J of the Revised SRC Rule 68
- Relationship Map

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
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Issued January 2, 2024 at Makati City

March 19, 2024

Makati City, Metro Manila

BANK OF COMMERCE

SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68 DECEMBER 31, 2023

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

PART I

- Schedule A: Schedule of Financial Soundness Indicators
- Schedule B: Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule C: Relationship Map

PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)

- Schedule A: Financial Assets
- Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Schedule C: Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
- Schedule D: Long-Term Debt
- Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)
- Schedule F: Guarantees of Securities of Other Issuers
- Schedule G: Capital Stock

BANK OF COMMERCE

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2022

RATIO	FORMULA	RATIO	
		2023	2022
Current Ratio	$\frac{\text{Total current assets}}{\text{Total current liabilities}}$	0.57	0.61
Acid Test Ratio	$\frac{\text{Total current financial assets}}{\text{Total current liabilities}}$	0.56	0.60
Solvency Ratio	$\frac{\text{Net income before non-cash expenses}}{\text{Total liabilities}}$	0.02	0.01
Debt to Equity Ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	6.51	6.76
Asset to Equity Ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	7.51	7.76
Interest Rate Coverage Ratio	$\frac{\text{Net Income before interest and taxes}}{\text{Interest expense}}$	2.08	2.92
Return on Equity	$\frac{\text{Net income}}{\text{Average total equity}}$	9.52%	7.01%
Return on Asset	$\frac{\text{Net income}}{\text{Average total assets}}$	1.25%	0.86%
Net Profit Margin	$\frac{\text{Net income}}{\text{Total revenues}}$	28.09%	22.18%
OTHER RATIOS			
Net Interest Margin	$\frac{\text{Net interest income}}{\text{Average interest-earning assets}}$	4.28%	3.73%
Cost to Income Ratio	$\frac{\text{Total operating expense}}{\text{Total revenues}}$	0.62	0.68
Debt to Assets Ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.87	0.87
Loans to Deposit Ratio	$\frac{\text{Total gross loans*}}{\text{Total deposits}}$	0.70	0.70
Non-performing Loans Cover	$\frac{\text{Allowance for credit losses on loans}}{\text{Non-performing loans}}$	93.21%	89.05%
Non-performing Loans Ratio**	$\frac{\text{Non-performing loans}}{\text{Total gross loans}}$	1.54%	2.10%
Net Non-performing Loans Ratio**	$\frac{\text{Net non-performing loans}}{\text{Total gross loans}}$	0.44%	0.60%
Capital Adequacy Ratio	$\frac{\text{Total qualifying capital}}{\text{Total risk-weighted assets}}$	19.88%	17.97%

*Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.

**Computed based on BSP Circular 941

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

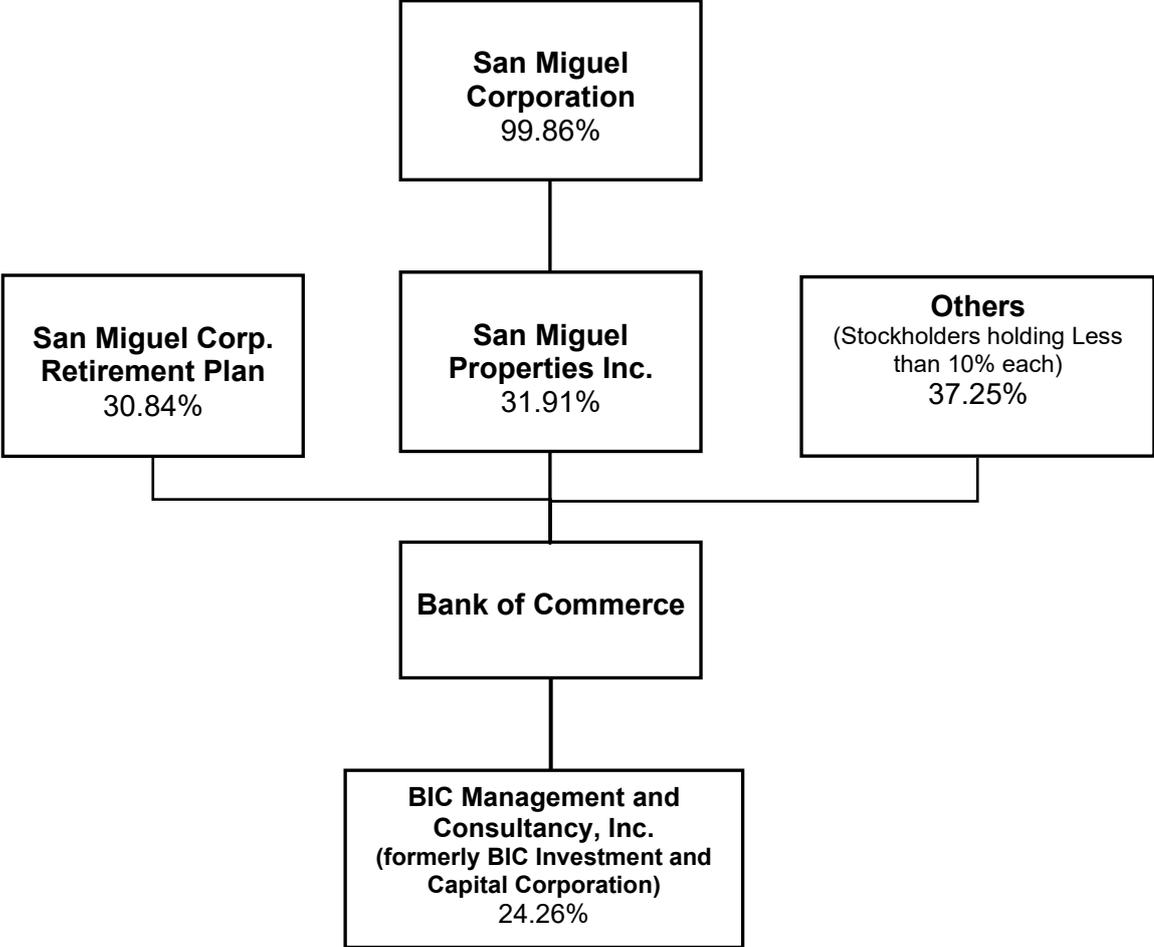
BANK OF COMMERCE

San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

Unappropriated deficit, beginning of reporting period		(P233,429,437)
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Transfer of gain on equity securities at FVOCI realized through disposal	P7,527,455	7,527,455
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Retained earnings appropriated during the reporting period	(111,596,965)	(111,596,965)
Unappropriated deficit, as adjusted		(337,498,947)
Add: Net income for the current year		2,802,219,175
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(186,110,324)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	(25,842,961)	
Unrealized fair value gain of Investment Property	(220,268,518)	
Sub-total		(432,221,803)
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	158,924,397	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	3,032,696	
Realized fair value gain of Investment Property	47,574,763	
Sub-total		209,531,856
Adjusted Net Income		2,579,529,228
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	49,528,660	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	2,528,107	
Sub-total		52,056,767
Total Retained Earnings, end of reporting period available for dividend		P2,294,087,048

BANK OF COMMERCE

**RELATIONSHIP MAP
DECEMBER 31, 2023**



BANK OF COMMERCE

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2023

(in thousands)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value through Profit of Loss				
Philippine government	P83,043	P83,883	P83,883	P19,215
Other government	91,743	96,719	96,719	2,346
Private corporations	199,965	190,505	190,505	-
Derivatives	-	27,685	27,685	-
		P398,792	P398,792	P21,561
Financial Assets at Fair Value through Other Comprehensive Income				
Philippine government	P11,030,610	P10,850,048	P10,850,048	P445,723
Equity securities	159	193,757	193,757	5,604
		P11,043,805	P11,043,805	P451,327
Investment Securities at Amortized Cost				
Philippine government	P49,443,959	P50,305,668	P48,921,075	P1,659,716
Other government	-	-	-	56,625
Private corporations	2,045,130	2,165,435	1,972,848	85,657
		P52,471,103	P50,893,923	P1,801,998

BANK OF COMMERCE**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023**

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
NONE TO REPORT <i>Indebtedness arise in the ordinary course of business.</i>							

BANK OF COMMERCE**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
NONE TO REPORT							
<i>Financial statements are not for consolidation.</i>							

BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption “Current Portion of Long-Term Debt” in Related Balance Sheet	Amount Shown under Caption “Long-Term Debt” in Related Balance Sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long-term negotiable certificates of time deposit	P5,029,420,000	P -	P5,029,420,000	4.5000%	Quarterly interest payment	September 17, 2025
Bonds payable	7,500,000,000	7,478,265,064	-	5.0263%	Quarterly interest payment	July 29, 2024

BANK OF COMMERCE

**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2023**

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
NONE TO REPORT			
<i>No long term loans from related companies.</i>			

BANK OF COMMERCE**SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023**

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
NONE TO REPORT <i>No securities were guaranteed.</i>				

BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties*	Directors, Officers and Employees	Others
Common shares	1,702,511,470	1,403,013,920	-	1,060,517,880	623,640	341,872,400
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

* Include shares held by Principal/Substantial Stockholders
Required information is disclosed in Note 24: Capital Stock



Minutes of the Annual Stockholders' Meeting
 via livestreaming at <https://bncomasm2023.sanmiguel.com.ph/event/bank-of-commerce-2023-annual-stockholders-meeting>
 on April 25, 2023, 2:00 P.M.

SHAREHOLDERS PRESENT:

See Record of Attendance attached as Annex "A" to these minutes

DIRECTORS:

1. FRANCIS C. CHUA
2. BENEDICTA A. DU-BALADAD
3. MICHELANGELO R. AGUILAR
4. ROBERTO C. BENARES
5. MARITO L. PLATON
6. MELINDA S. GONZALES-MANTO
7. FE B. BARIN
8. ALEXANDER R. MAGNO
9. MARIANO T. KATIPUNAN, JR.
10. JOSE C. NOGRALES
11. REBECCA MARIA A. YNARES
12. RICARDO D. FERNANDEZ
13. DANIEL GABRIEL M. MONTECILLO
14. SIMON R. PATERNO

IN ATTENDANCE:

Evita C. Caballa	-	Corporate Secretary
Felipe Martin F. Timbol	-	Head, Treasury Management Group
Manuel A. Castañeda, III	-	Head, Corporate Banking Group
Joel T. Carranto	-	Head, Branch Banking Group
Gamalielh Ariel O. Benavides	-	Chief Trust Officer
Antonio S. Laquindanum	-	Chief Financial Officer/Finance & Controllersh Group Head
Ma. Katrina A. Felix	-	Head, Credit Card Group
Mary Assumpta Gail C. Bautista-	-	Head, Transaction Banking Group
Marie Suzanne Sison-Sevilla	-	Chief Information Officer/Digital Services Group Head
Reginald C. Nery	-	Chief Audit Executive & Head, Internal Audit Division
Jose Mari M. Zerna	-	Head, Consumer Group
Marie Kristin G. Mayo	-	Head, Human Resources Management & Development Division
Louella P. Ira	-	Head, Legal Services Division
Ma. Ana P. De la Paz	-	Head, Credit Group
Jay S. Velasco	-	Head, Consumer Group

Jeremy H. Reyes	-	Chief Risk Officer
Atty. Gregorio M. Yaranon, Jr.	-	Chief Compliance Officer
Francisco Raymund P. Gonzales-		Deputy, Corporate Communications and Consumer Protection Division
Luis Martin E. Villalon	-	Head, Investment Banking Group
Robbie Carlo J. Gaerlan	-	Investor Relations Officer
Angelyn S. Lorenzo	-	Executive Secretary to the President
Janz Hanna Ria N. Serrano	-	Assistant of the Corporate Secretary
Shiela Dioso	-	Representative, R.G. Manabat & Co.

1. CALL TO ORDER

The meeting was called to order at 2:00 P.M. Mr. Francis Chua, Chairman of the Board of Directors, presided over the meeting. The singing of the National Anthem was followed by an invocation.

2. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary, Atty. Evita C. Caballa, certified that notices were duly sent to the stockholders-of-record.

Atty. Caballa also certified that out of the total outstanding capital stock of 1,819,680,590 shares, composed of 1,403,013,920 common shares and 416,666,670 preferred shares as of April 5, 2023, there are 1,490,498,460 shares (1,073,831,790 common shares and 416,666,670 preferred shares) or 81.91% of the outstanding capital stock, counted as present or represented by proxy in this meeting.

For the record, proxies for 964,165,150 or 68.72% of the outstanding common shares of the Bank have been issued by the stockholders in favor of the Chairman of the Meeting, Mr. Francis Chua, authorizing him to vote for the election and members of the Board of Directors and the approval of all corporate actions in the agenda for the meeting.

3. APPROVAL OF THE MINUTES OF THE ANNUAL **STOCKHOLDERS'** MEETING HELD ON APRIL 29, 2022

Chairman Chua proceeded to the first item in the agenda, which is the approval of the minutes of the annual stockholders' meeting held on April 29, 2022 held via livestreaming at <https://bncomasm2022.sanmiguel.com.ph/event/bank-of-commerce-2022-annual-stockholders-meeting>.

Copies of the draft minutes have been annexed to the Definitive Information Statement made available at the Bank's website as well as the PSE EDGE prior to the meeting.

Upon motion duly made and seconded, the stockholders resolved:

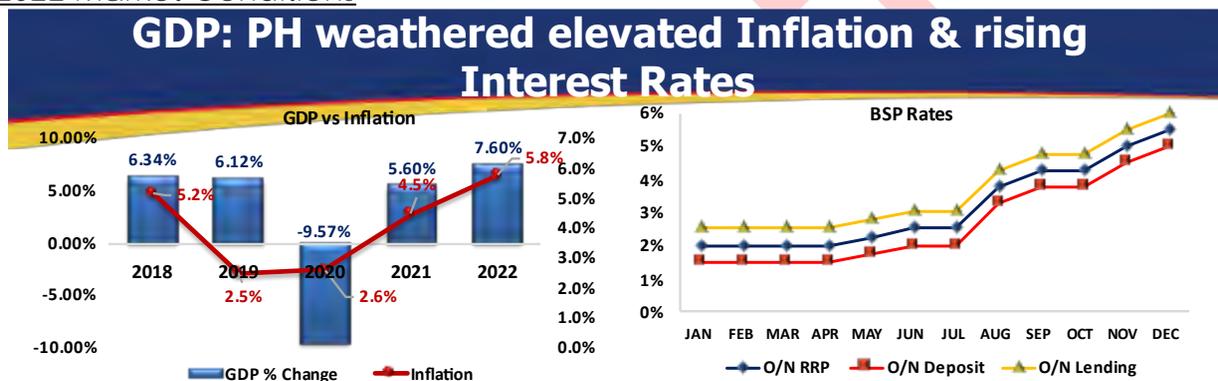
Resolution No. 23-01

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve the minutes of the Bank's Annual Stockholders' Meeting held on April 29, 2022.”

4. **PRESIDENT'S ANNUAL REPORT**

President and CEO Mr. Michelangelo R. Aguilar presented his Report, which included a snapshot of the market conditions that prevailed in 2022, followed by the highlights of the Bank's performance. Finally, Mr. Aguilar discussed Management's plans for BankCom in 2023 as a full-fledged Universal Bank.

2022 Market Conditions



The GDP grew 7.2% in Q4 of 2022, fueled by improved labor market conditions and rebound in consumer and investor confidence weathering record high inflation. Full year 2022 GDP posted 7.6%, breaching gov'ts 6.5%-7.5% target range.

Inflation posted a 14-year high of 8.1% at end-Dec, driven by supply chain disruptions while agriculture sector was battered by typhoons and animal diseases. This resulted to a full-year inflation of 5.8%, well above the gov'ts goal of 2%-4%.

Bank of Commerce Source: PSA, BSP, BusinessWorld

The BSP undertook firm action by raising monetary policy interest rates by a total of 350 bps in 2022 to stabilize inflation caused by second-round effects of the pandemic and Ukraine/Russia geopolitical tensions.

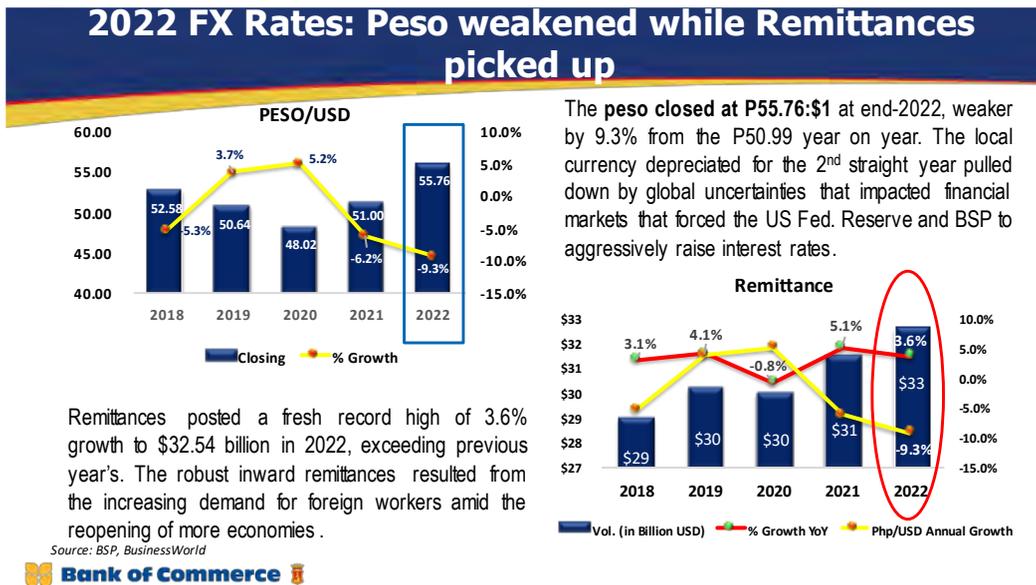
At end-Dec O/N RRP was at 5.5%, and interest rates on O/N Deposit and Lending were set at 5% and 6%, respectively.

At the conclusion of 2022, the country's full-year GDP growth was the highest since 2018 at 7.6%, breaching the government's target range of 6.5%-7.5%. Particularly in the 4th quarter, GDP grew by 7.2%, fueled by improved labor market conditions and the rebound in consumer and investor confidence in spite of high inflation.

Inflationary pressure characterized the year, brought about by the protracted geopolitical tensions between Ukraine and Russia, aggravated by the second-round efforts of the pandemic, such as but not limited to disruptions in supply chain and damage to agriculture from typhoons and livestock diseases. Not to mention the cost challenges that beset both households and small businesses alike brought about by shortages of basic ingredients such as sugar. At end-December, inflation thus posted a 14-year high of 8.1%.

To arrest the situation, the Bangko Sentral ng Pilipinas (BSP) set in motion a series of monetary policy interest hikes, totaling 350 basis points. While the O/N

RRP stood at 5.5% at end-December, interest rates on O/N Deposit and Lending were set at 5% and 6%, respectively.

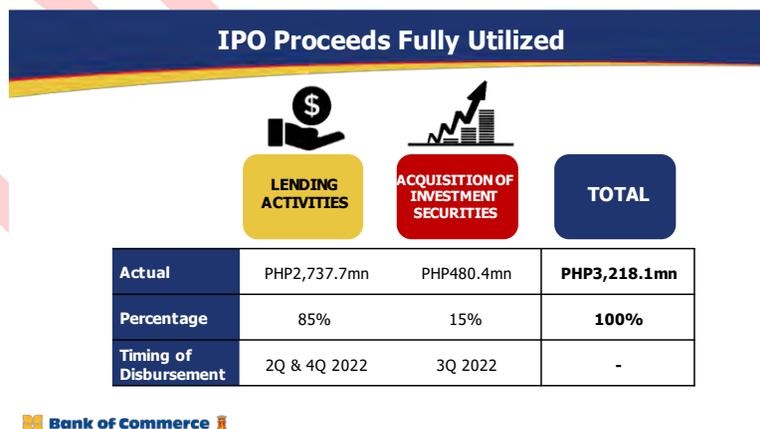


The global tension combined with similar actions on interest rates by the US Federal Reserve and the BSP pulled down the local currency to an exchange rate of P55.76 to the dollar at yearend, 9.3% weaker than P50.99 year-on-year. This was the second straight year that the Peso depreciated.

Amidst these hurdles, the volume of inward remittances to the country stood at a record high of \$32.54 billion, overtaking the previous year's figure by 3.6%. This reflected the higher demand for overseas workers as more economies reopened.

With this economic situation as backdrop, President Aguilar reported the highlights of BankCom's performance in 2022, as follows:

2022 Highlights



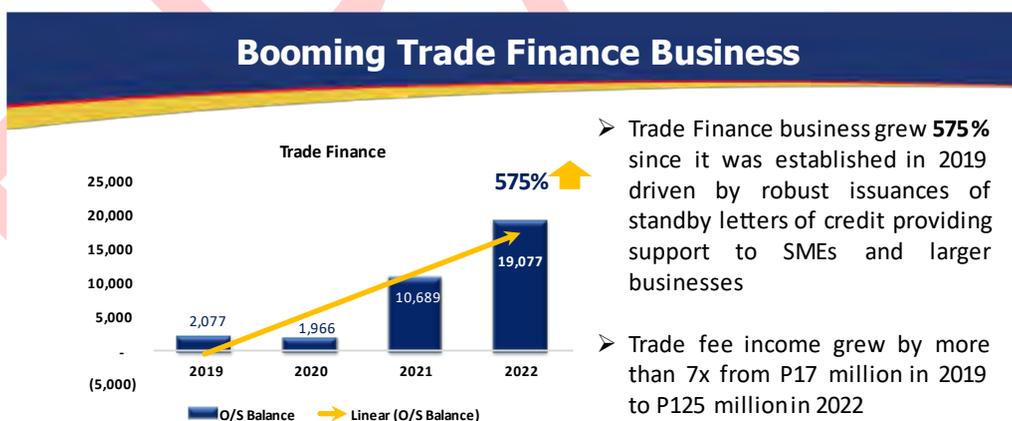
True to its purpose when the Bank opened its doors to investors in March last year, the Bank completed the disbursement of the P3.2 Billion IPO proceeds, with the bulk, or 85%, going to lending activities, being the Bank's core business, and the rest to the acquisition of investment securities.

As regards the Bank's major IT capital expenditures, given the significant increase in the Bank's profit run rate as of September, the Bank saw that these

major IT capital expenditures could already be fully funded through its regular operations instead of IPO proceeds. Even with the re-allocation of the proceeds, the Bank's investments in IT continue with the new ATMs rolling out this year and other improvements in the background.

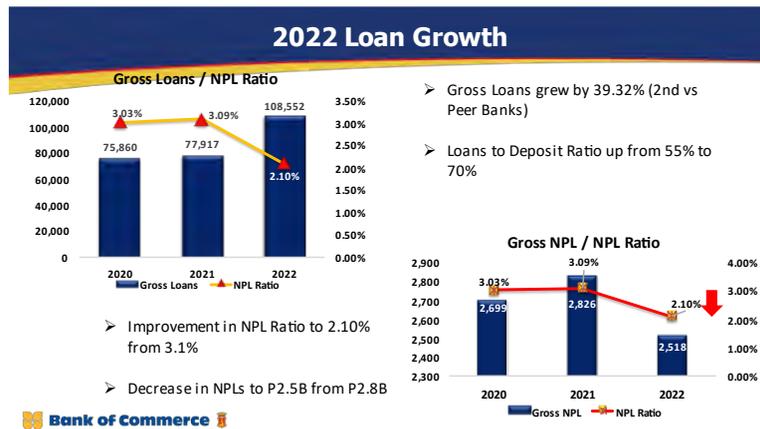


Having obtained approval of its universal banking license and fulfilled the requirements thereof, the Bank mobilized quickly to open its new Investment Banking business to tap markets for financial advisory, debt and equity securities from large corporates eyeing to ride with the economic recovery. The two key deals in its maiden year were the P40 Billion corporate bond issuance of SMC Global Power in July, and the P60 Billion corporate bond issuance of San Miguel Corporation in December. Producing P110 Million in fee income in its first six months – a velocity uncommon for startup investment houses – the new investment banking business proved its capability to run side-by-side with the major players.



Another continuing success story was in the area of Trade Finance. Since its establishment in 2019, BankCom's Trade Finance Business grew 575% driven by robust issuances of standby letters of credit to sellers of goods, providing support to SMEs and larger businesses throughout the pandemic. As a result, Trade fee income grew by more than seven times, from P17 Million in 2019 to P125 Million in 2022.

Amidst the highly competitive area of trade, this unparalleled expansion reflected the strong partnership between BankCom and San Miguel Corporation in supporting trade-heavy businesses with their operational requirements and exigencies.

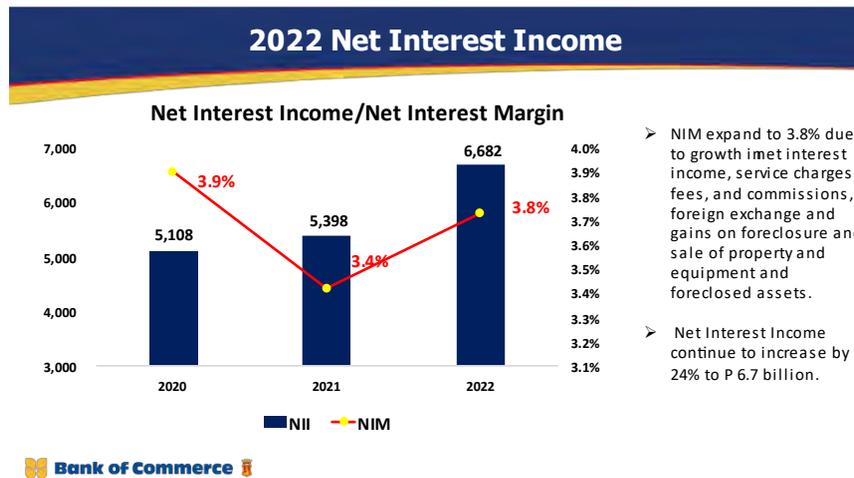


On the asset side, BankCom's lending business showed phenomenal growth at 39.32% at P108.6 Billion from corporate and consumer credit accounts. With this increase in the overall loan portfolio together with a decrease in the actual non-performing loan balances, Non-Performing Loans (NPL) ration likewise improved to 2.10% coming from 3.03% in 2020 and remains better than the industry average.

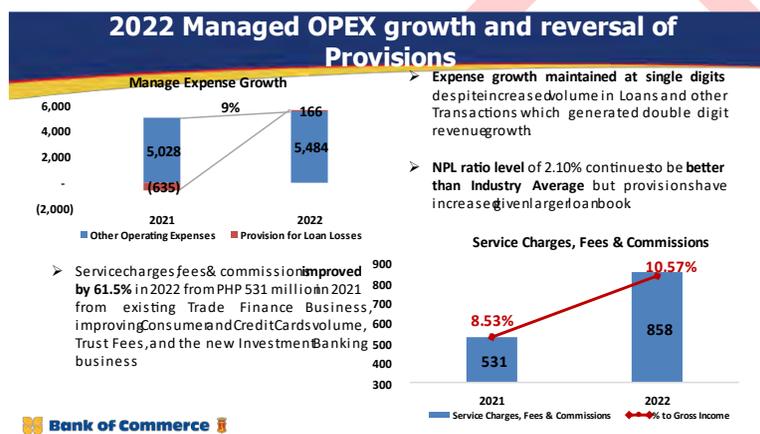


The gains from lending, combined with significant improvements in revenues from Forex, ROPA, trading, service charges and other sources, pushed Gross Revenues up by 30.4% from P6.2 Billion the previous year to P8.1 Billion in 2022.

That the top 3 revenue sources were Net Interest Income, Service Charges, and Foreign Exchange (FX) consistent with the Bank's growth strategy focusing on lending, transaction, and investment banking, and client FX transactions.



In particular, the Bank's Net Interest Income posted a double-digit growth from P5.1 Billion in 2020 to P6.7 Billion in 2022. All in all, the growth in the various revenue sources resulted in Net Interest Margin (NIM) expanding by 3.8%.



In an environment of volatile interest rates, a stable income stream derived from transaction-based fee revenues is crucial. Unprecedented, the Bank achieved a 61.5% rise in income from service charges, fees and commissions, or a total of P858 million compared to P531 million the previous year, brought about by a confluence of record growth in trade finance contingent liabilities in average daily balance terms, the new investment banking business, trust fee expansion, improving consumer loan volume, and credit card billings breaching the P4 Billion mark.

Equally important, the Bank has managed its Operating Expense to a single-digit growth in spite of the rise in business activity.

Summing up the corporate and business actions in 2022, President Aguilar reported that BankCom's 2022 Income Statement clearly represents the successful execution of the strategies set forth during the last annual stockholders' meeting, to wit:

1. Achieving double-digit loan growth by continuing to build accrual income
2. Focusing on fee income from Trust and Trade Finance Businesses, and foreign exchange flows;

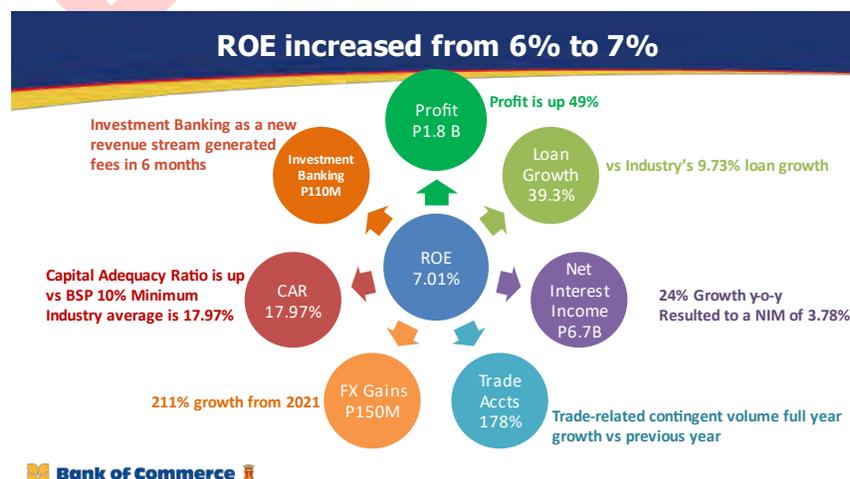
3. continuing campaigns to sell and reduce our inventories of foreclosed assets;
4. launching its first Investment Banking deals;

<i>(in millions)</i>	2022	2021	Growth	Growth %
Net Interest Income	6,682	5,398	1,284	24%
Non-Interest Income	1,434	826	608	74%
Total Revenues	8,117	6,225	1,892	30%
Total Operating Expenses	5,484	5,029	455	9%
EBIT	2,633	1,195	1,437	120%
Impairment Losses	166	(635)	801	-126%
Provisions for Taxes	666	624	43	7%
Profit After Taxes	1,800	1,207	593	49%

Set against the Bank's historical performance, the story of the Bank's growth becomes more dramatic.



In less than five years since the augmented management team came on board, the Bank has achieved the highest income and the steepest trajectory of growth since the SMC's acquisition of BankCom in 2008. For BankCom, the year 2022 was the banner period of this previous period not only in financial terms, but also in making history by becoming a universal bank.

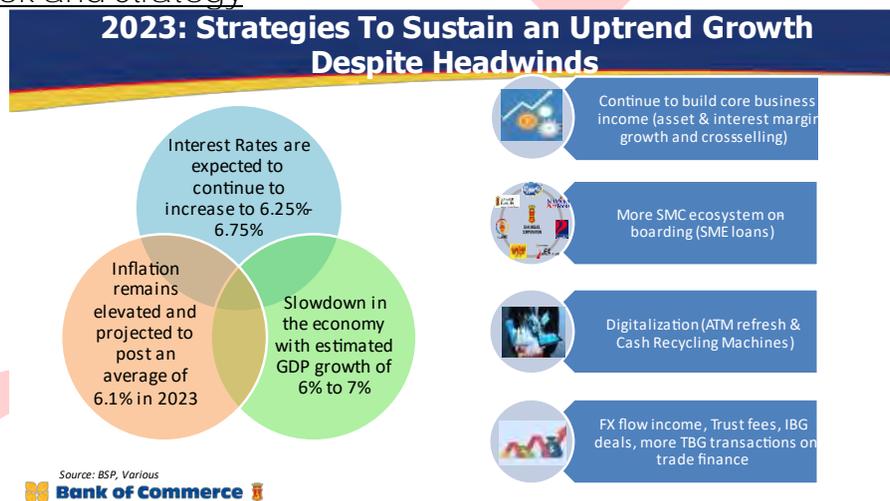


President Aguilar proudly reported that the Bank has achieved an ROE of 7.01% and is on track to its target of 10.1% by 2026. This is due to the following:

1. 49% rise in Profit to P1.8 Billion, the highest since SMC acquired BankCom in 2008, and the second time the Bank breached the billion-Peso mark since the commencement of the Bank's growth strategy in 2019;
2. 41% growth in Net Loans, more than four (4) times the banking industry's 9.73%;
3. P6.7 Billion in Net Interest Income, a double-digit growth of 24% year-on-year, resulting to HIM of 3.78%;
4. 178% growth in Trade Accounts' contingent volume vs. previous year;
5. 211% growth in FX gains of P150 million vs. last year;
6. 17.97% Capital Adequacy Ratio (CAR) vs. BSP's 10% minimum
7. 110 Million in investment banking fees in just six (6) months – a new revenue stream

Cognizant of persistent and unresolved challenges that carried over from the year 2022, President Aguilar presented Management's outlook for 2023, and a gist of BankCom's strategy, as follows:

2023 Outlook and Strategy



First, Management shares the view that Interest Rates will continue to rise to 6.25% up to 6.75% as monetary policy actions are not expected to simmer down soon. Second, the inflation is projected to average at 6.1% and remain elevated versus previous years. Third, despite GDP growth of 6% to 7%, there are signs that support the scenario of a slowdown in the economy due to the first two factors as mentioned.

In response to these headwinds, Management will execute the following strategies:

1. Maximize opportunity where the Bank's strength lies, by continuing to build core business income including more aggressive cross-selling;
2. Deepening SMC ecosystem absorption through well thought-out SME loans;
3. Pushing digitalization, combining cash recycling with a more robust ATM network;

4. Accelerating fee-based business in FX, Trust Services, Trade Finance, Cash Management, and other transactions

President Aguilar concluded his report by thanking the stockholders for being with the Bank on its first year as a universal Bank, and the culmination of the Bank's 4-year growth story that started in 2018.

After the presentation, Chairman Chua inquired from the Corporate Secretary if there are questions received from the shareholders. Atty. Caballa reported that three questions were picked to be answered from those that were submitted ahead of the meeting via e-mail as provided in the Information Statement and the Bank's website.

The first question was, "Given Trust was a key focus in last year's presentation, how is the Trust Business doing today?"

President Aguilar answered that Trust Assets Under Management increased 11% to P 70 Billion. This increase in Assets Under Management led to a 10% increase in Trust Fees to almost P153 Million. In addition to these fees, the Trust business played a significant part in the success of the Bank's maiden investment banking deals acting as an important distribution channel for our investment banking products.

The second question was, "What is the Bank's Key Performance Indicator (KPI)?"

President Aguilar answered that the Bank's medium-term goal is to achieve above average Return on Equity compared to other local banks. Analysts have told us that ROE is key determinant of stock price for Philippine Banks over time. At the end of December 2022, average ROE ranged from 10-11%. As I mentioned before, the Bank has grown its ROE consecutively in the past few years, even with the increased equity, and management is focused on accelerating this trend. We will try to sustain the double-digit profit growth achieved in recent years by finding higher yielding loan assets in SMC ecosystem and increasing fees and other non-interest revenue.

The third and final question was, "What is the justification of the increase in the Board of Directors compensation?"

President Aguilar answered that given that the Bank is now a publicly listed Universal Bank, management benchmarked the prior allowances paid to Directors vs our peer and recognized the need to remain competitive. In addition to representing the Bank's shareholders, the Directors provide key guidance and assistance to the Bank by leveraging their years of experience and broad network of contacts. They've played a key role in our journey to becoming a Universal Bank and will continue to guide us in our goal of becoming a Top Universal Bank.

After the three questions were answered, Atty. Caballa stated for the benefit of the stockholders that all other questions and comments sent, whether via e-mail or through the chat box available during the livestream, have been duly noted, and shall be answered accordingly by the Bank through e-mail.

Thereafter, upon motion duly made and seconded, the stockholders resolved:

Resolution No. 23-02

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve the Annual Report of the President, as presented.”

5. RATIFICATION OF CORPORATE ACTS

The Corporate Secretary, Atty. Evita C. Caballa reported to the stockholders that all acts of the Board of Directors, the Executive Committee and other committees and officers of the Bank are on file, to which each and every stockholder is entitled to access. Atty. Caballa further reported that these acts were performed in the year 2022 taking into consideration the appropriate authorities granted and the relevant provisions of the articles of incorporation and by-laws of the Bank and existing laws and regulations.

Considering the above report, upon motion duly made and seconded, the stockholders resolved:

Resolution No. 23-03

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve, confirm, and ratify all acts of the Board of Directors, the Executive Committee and other committees and officers of the Bank performed in the year 2022.”

6. **CONFIRMATION OF BANK'S SIGNIFICANT TRANSACTIONS WITH ITS DOSRI AND RELATED PARTIES**

The next item on the agenda was the confirmation of the bank's significant transactions with its DOSRI and related parties.

Pursuant to the provisions of BSP Circular No. 895 series of 2015 Guidelines on Related Party transactions, Director Ricardo D. Fernandez, Chairman of the Related Party Transactions Committee, moved to confirm and approve all significant transactions of the Bank with its DOSRI and related parties in 2022.

These transactions are reflected in pages 105 to 110 of the Notes to the Bank's Audited Financial Statements as of December 31, 2022, copies of which have been made available to the stockholders-of-record prior to the meeting through the Information Statement uploaded in the Bank's Website and the PSE EDGE.

The motion having been moved and seconded, the stockholders of the Bank resolved:

Resolution No. 23-04

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve, confirm, and ratify all significant transactions of the Bank

with its Directors, Officers, Shareholders, and their Related Interests (DOSRI) and Related Parties in 2022, as reflected in pages 105 to 110 of the Notes to the Bank's Audited Financial Statements as of December 31, 2022."

7. APPROVAL OF DIRECTOR'S FEES

The next item on the agenda was the approval of the Director's Fees.

Ms. Marie Kristin Mayo reported that the Bank's Nomination Compensation and Remuneration Committee (NCRC) endorses to the stockholders for approval the increase in the directors' and advisors' compensation/per diem considering the upgraded universal banking license of the Bank, and its good performance in 2022.

The current compensation/per diem and the proposed increase are as follows:

	Current	Proposed
Board meetings	30,000	40,000
Committee meetings		
ExCom (Chair only)	20,000	As Committee Chairperson -
TIC	10,000	25,000
Others (ExCom, CGCom, RPTCom, ITSC, BROCom, NCRC, AuditCom, UWCom)	15,000	As Members/Advisors of the Board - 20,000 As Committee Advisor (but not board adviser) - 10,000

The above can also be found in page 58 of the Bank's Definitive Information Statement, which is posted in the Bank's website and PSE Edge prior to this meeting for information and consideration of the stockholders.

Further, Ms. Mayo reported that the NCRC seeks the approval of the stockholders of a 2022 performance bonus in the total amount of P17,656,998.62 (tax inclusive). The bonus is calculated based on the Bank's 2022 profit, the directors' terms in office, and their roles in the Board and the Board Committees.

For 2022, there were a total of thirteen (13) board meetings and one hundred thirty-two (132) board committee meetings attended by the members of the Board. Such attendance and participation in these meetings are recognized to have contributed to the good performance of the Bank resulting in a 49% increase in profit.

Upon motion duly made and seconded, the stockholders of the Bank resolved:

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve the increase in the directors' and advisors' compensation/per diem, as follows:

	Compensation/Per Diem (in PhP)
Board meetings	40,000
Committee meetings	<ul style="list-style-type: none"> ▪ As Committee Chairperson - 25,000 ▪ As Members/Advisors of the Board - 20,000 ▪ As Committee Advisor (but not board adviser) - 10,000

“RESOLVED, FURTHER, to approve a 2022 performance bonus for the Bank's directors and advisors in the total amount of P17,656,998.62 (tax inclusive).”

8. **APPROVAL OF AMENDMENT TO ARTICLE SEVENTH OF THE AMENDED ARTICLES OF INCORPORATION TO INCREASE THE BANK'S AUTHORIZED CAPITAL STOCK**

The next item on the agenda was the approval of the amendment to the Articles of Incorporation of the Bank.

Atty. Caballa reported that on February 28, 2023, the Board of Directors approved to amend Article SEVENTH of the Amended Articles of Incorporation of the Bank to increase the Bank's authorized capital stock from P21,575,114,700.00 to P28,198,773,840.00, as follows:

From	To
<p>SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY-ONE BILLION FIVE HUNDRED SEVENTY-FIVE MILLION ONE HUNDRED FOURTEEN THOUSAND SEVEN HUNDRED (₱21,575,114,700.00) divided into ONE BILLION SEVEN HUNDRED TWO MILLION FIVE HUNDRED ELEVEN THOUSAND FOUR HUNDRED SEVENTY (1,702,511,470) common shares with a par value of PESOS: TEN (₱10.00) per share; and FOUR HUNDRED FIFTY-FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (₱10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021)</p>	<p>*SEVENTH – The total authorized capital stock of the corporation is PESOS: <u>TWENTY EIGHT BILLION ONE HUNDRED NINETY EIGHTY MILLION SEVEN HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY</u> (₱28,198,773,840.00) divided into <u>TWO BILLION THREE HUNDRED SIXTY FOUR MILLION EIGHT HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED EIGHTY FOUR</u> (2,364,877,384) common shares with a par value of PESOS: TEN (₱10.00) per share; and FOUR HUNDRED FIFTY FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (₱10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021). (*As amended on 25 April 2023).</p>

Electronic copy of the Information Statement stipulating the proposed amendment to the Amended Articles of Incorporation of the Bank was posted in the Bank's website and PSE Edge prior to this meeting for information and consideration of the stockholders.

Upon motion duly made and seconded, the stockholders of the Bank resolved:

Resolution No. 23-06

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve the proposed amendments to Article SEVENTH of the Bank's Amended Articles of Incorporation, as follows:

*SEVENTH – The total authorized capital stock of the corporation is PESOS: TWENTY EIGHT BILLION ONE HUNDRED NINETY EIGHTY MILLION SEVEN HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY (₱28,198,773,840.00) divided into TWO BILLION THREE HUNDRED SIXTY FOUR MILLION EIGHT HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED EIGHTY FOUR (2,364,877,384) common shares with a par value of PESOS: TEN (₱10.00) per share; and FOUR HUNDRED FIFTY FIVE MILLION (455,000,000) preferred shares with a par value of PESOS: TEN (₱10.00) per share. (As amended on 30 January 2020 and further amended on 08 July 2021). (*As amended on 25 April 2023).

9. APPROVAL OF AMENDMENTS TO SECTION 2 OF ARTICLE II AND SECTIONS 1, 4, 5, 8, AND 9 OF ARTICLE III OF THE AMENDED BY-LAWS OF THE BANK

The next item on the agenda was the approval of the amendments to the By-laws of the Bank.

Atty. Caballa reported that on February 28, 2023, the Board of Directors approved to amend Section 2 of Article II and Sections 1, 4, 5, 8, and 9 of Article III of the By-Laws of the Bank, as follows:

1. Amendment to Section 2 Article II of the Amended By-Laws of the Bank to change its schedule of annual stockholders' meeting from April to May

From	To
ARTICLE II STOCKHOLDERS	ARTICLE II STOCKHOLDERS
Section 2. Annual Meeting. – The annual meeting of the stockholders shall be held in the month of April on such day and at such time and place as the Board	*Section 2. Annual Meeting. – The annual meeting of the stockholders shall be held in the month of <u>May</u> on such day and at such time and place as the Board of Directors may

of Directors may determine. (As amended on 22 September 1988.)	determine. (As amended on 22 September 1988.) <u>(*As amended on 25 April 2023).</u>
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2. Amendment to Section 1 of Article III of the Amended By-Laws of the Bank to comply with Section 132 of the MORB and Section 3 of SEC Memorandum Circular No. 20 series of 2020:

From	To
ARTICLE III THE BOARD OF DIRECTORS	ARTICLE III THE BOARD OF DIRECTORS
Section 1. Number, Qualification and Election. – The corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled and held by the Board of Directors, consisting of fifteen (15) members, at least twenty percent (20%) but not less than two (2) members of the Board of Directors shall be Independent Directors, provided, that any fractional result from applying the required minimum proportion, i.e., twenty percent (20%), shall be rounded up to the nearest whole number. The members of the Board of Directors shall be elected annually by the stockholders entitled to vote and to serve until the election and qualification of their successors. (As amended on 24 April 2012).	*Section 1. Number, Qualification and Election. – The corporate powers of the Corporation shall be exercised, its business conducted, and its property controlled and held by the Board of Directors, consisting of fifteen (15) members, at least <u>one-third (1/3)</u> but not less than <u>five (5)</u> members of the Board of Directors shall be Independent Directors, provided, that any fractional result from applying the required minimum proportion, i.e., <u>one-third (1/3)</u> , shall be rounded up to the nearest whole number. The members of the Board of Directors shall be elected annually by the stockholders entitled to vote and to serve until the election and qualification of their successors. (As amended on 24 April 2012). <u>(*As amended on 25 April 2023).</u>

3. Amendment to Section 4 of Article III of the Amended By-Laws of the Bank to comply with Section 132 of the MORB, as amended:

From	To
Section 4. Meeting. – X x x. X x x.	*Section 4. Meeting. – X x x. X x x.
The meetings of the Board of Directors may be conducted through modern technologies	The meetings of the Board of Directors may be conducted through modern technologies

<p>such as, but not limited to, teleconferencing and video conferencing as long as the directors who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: Provided, That every member of the Board shall participate in at least fifty percent (50%) and shall physically attend at least twenty five percent (25%) of all board meetings every year: Provided, further, That in the case of a director who is unable to physically attend or participate in board meetings via teleconferencing or video conferencing, the Corporate Secretary shall execute a notarized certification attesting that said director was given the agenda materials prior to the meeting and that his/her comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, and that the submission of said certification shall be considered compliance with the required fifty percent (50%) minimum attendance in board meetings. (As amended on April 29, 2014).</p>	<p>such as, but not limited to, teleconferencing and video conferencing as long as the directors who are taking part in said meetings can actively participate in the deliberations on matters taken up therein: Provided, That every member of the Board shall participate in at least fifty percent (50%) and shall physically attend at least twenty five percent (25%) of all board meetings every year: Provided, further, That <u>absence of a Director in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his/her incumbency is a ground for disqualification in the succeeding election.</u> (As amended on April 29, 2014). (<u>*As amended on 25 April 2023).</u></p>
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4. Amendment to Section 5 of Article III of the Amended By-Laws of the Bank to rationalize the process of determining the directors' compensation and per diem per Section 29 of the Revised Corporation Code:

From	To
<p>Section 5. Compensation and Per Diems. – The members of the Board of Directors, as such directors, shall be entitled to compensation the amount of which shall be fixed by the stockholders from time to time but in no case shall their total yearly compensation, as such directors, exceed ten (10%) per cent of the net income before income tax of the Corporation</p>	<p>*Section 5. Compensation and Per Diems. – The members of the Board of Directors, as such directors, shall be entitled to compensation the amount of which shall be fixed by the <u>Nomination Compensation and Remuneration Committee and approved by majority of the Board of Directors</u> but in no case shall their total yearly</p>

<p>during the preceding year. The members of the Board of Directors, the Executive Committee, other committees and the Corporate Secretary shall be entitled to per diem for every attendance in meetings the amount of which shall be fixed by the stockholders from time to time. (As amended on 22 September 1988).</p>	<p>compensation, as such directors, exceed <u>two (2%)</u> per cent of the net income before income tax of the Corporation during the preceding year. The members of the Board of Directors, the Executive Committee, <u>the Board Committees</u> and the Corporate Secretary shall be entitled to per diem for every attendance in meetings the amount of which shall be fixed by the <u>Nomination Compensation and Remuneration Committee and approved by majority of the Board of Directors</u>. (As amended on 22 September 1988). (<u>*As amended by the Board of Directors and approved by the Stockholders on 25 April 2023</u>).</p>
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5. Amendment to Section 8 of Article III of the Amended By-Laws of the Bank to include the Underwriting Committee:

From	To
<p>Section 8. Board Committees – The Board of Directors shall constitute an Executive Committee, a Trust and Investment Committee, a Nomination, Compensation and Remuneration Committee, an Audit Committee, a Board Risk Oversight Committee, a Related Party Transaction Committee, an Information Technology Steering Committee, a Corporate Governance Committee and such other Committees that the law and regulations may mandate. In addition, the Board of Directors may create other internal committees with the powers determined by the Board of Directors. All established committees shall be required to have Committee Charters stating in plain terms their respective purposes, membership, structures, operations, reporting processes, resources, and other relevant information, including the</p>	<p>*Section 8. Board Committees – The Board of Directors shall constitute an Executive Committee, a Trust and Investment Committee, a Nomination, Compensation and Remuneration Committee, an Audit Committee, a Board Risk Oversight Committee, a Related Party Transaction Committee, an Information Technology Steering Committee, a Corporate Governance Committee, <u>an Underwriting Committee</u> and such other Committees that the law and regulations may mandate. In addition, the Board of Directors may create other internal committees with the powers determined by the Board of Directors. All established committees shall be required to have Committee Charters stating in plain terms their respective purposes, membership, structures, operations, reporting processes, resources, and other</p>

standards for evaluating the performance of the Committees. (As amended on 09 November 2021).	relevant information, including the standards for evaluating the performance of the Committees. (As amended on 09 November 2021). <u>(*As amended on 25 April 2023).</u>
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6. Amendment to Section 9 of Article III of the Amended By-Laws of the Bank to clarify the delegated authority of the Executive Committee to conform to Section 34 of the Revised Corporation Code:

From	To
Section 9. Executive Committee. – The Board of Directors may create an Executive Committee, the composition of which shall include not less than three members of the Board of Directors to be appointed by the Board of Directors. The Executive Committee, by a majority vote of all its members, is empowered to approve and/or implement all corporate acts within the competence of the Board of Directors except those acts expressly reserved by the Revised Corporation Code to the Board of Directors. (As amended on 22 September 1988). (As amended on 09 November 2021). (As amended on 29 April 2022).	*Section 9. Executive Committee. – The Board of Directors may create an Executive Committee, the composition of which shall include not less than three members of the Board of Directors to be appointed by the Board of Directors. The Executive Committee, by a majority vote of all its members, is empowered to approve and/or implement <u>such specific matters</u> within the competence of the Board of Directors except those acts expressly reserved by the Revised Corporation Code to the Board of Directors. (As amended on 22 September 1988). (As amended on 09 November 2021). (As amended on 29 April 2022). <u>(*As amended on 25 April 2023).</u>

Electronic copy of the Information Statement stipulating the proposed amendments to the Amended By-laws of the Bank was posted in the Bank's website and PSE Edge prior to this meeting for information and consideration of the stockholders.

Upon motion duly made and seconded, the stockholders resolved:

Resolution No. 23-07

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve to amend Section 2 of Article II, and Sections 1, 4, 5, 8, and 9 of Article III of the Bank's By-laws, as follows:

ARTICLE II
 STOCKHOLDERS

*SECTION 2. ANNUAL MEETING. – THE ANNUAL MEETING OF THE STOCKHOLDERS SHALL BE HELD IN THE MONTH OF

MAY ON SUCH DAY AND AT SUCH TIME AND PLACE AS THE BOARD OF DIRECTORS MAY DETERMINE. (AS AMENDED ON 22 SEPTEMBER 1988.) (*AS AMENDED ON 25 APRIL 2023).

ARTICLE III
THE BOARD OF DIRECTORS

*SECTION 1. NUMBER, QUALIFICATION AND ELECTION. – THE CORPORATE POWERS OF THE CORPORATION SHALL BE EXERCISED, ITS BUSINESS CONDUCTED, AND ITS PROPERTY CONTROLLED AND HELD BY THE BOARD OF DIRECTORS, CONSISTING OF FIFTEEN (15) MEMBERS, AT LEAST ONE-THIRD (1/3) BUT NOT LESS THAN FIVE (5) MEMBERS OF THE BOARD OF DIRECTORS SHALL BE INDEPENDENT DIRECTORS, PROVIDED, THAT ANY FRACTIONAL RESULT FROM APPLYING THE REQUIRED MINIMUM PROPORTION, I.E., ONE-THIRD (1/3), SHALL BE ROUNDED UP TO THE NEAREST WHOLE NUMBER. THE MEMBERS OF THE BOARD OF DIRECTORS SHALL BE ELECTED ANNUALLY BY THE STOCKHOLDERS ENTITLED TO VOTE AND TO SERVE UNTIL THE ELECTION AND QUALIFICATION OF THEIR SUCCESSORS. (AS AMENDED ON 24 APRIL 2012). (*AS AMENDED ON 25 APRIL 2023).

X X X.

*SECTION 4. MEETING. – X X X.

X X X.

THE MEETINGS OF THE BOARD OF DIRECTORS MAY BE CONDUCTED THROUGH MODERN TECHNOLOGIES SUCH AS, BUT NOT LIMITED TO, TELECONFERENCING AND VIDEO CONFERENCING AS LONG AS THE DIRECTORS WHO IS TAKING PART IN SAID MEETINGS CAN ACTIVELY PARTICIPATE IN THE DELIBERATIONS ON MATTERS TAKEN UP THEREIN: PROVIDED, THAT EVERY MEMBER OF THE BOARD SHALL PARTICIPATE IN AT LEAST FIFTY PERCENT (50%) AND SHALL PHYSICALLY ATTEND AT LEAST TWENTY FIVE PERCENT (25%) OF ALL BOARD MEETINGS EVERY YEAR: PROVIDED, FURTHER, THAT ABSENCE OF A DIRECTOR IN MORE THAN FIFTY PERCENT (50%) OF ALL REGULAR AND SPECIAL MEETINGS OF THE BOARD OF DIRECTORS DURING HIS/HER INCUMBENCY IS A GROUND FOR DISQUALIFICATION IN THE SUCCEEDING ELECTION. (AS AMENDED ON APRIL 29, 2014). (*AS AMENDED ON 25 APRIL 2023).

*SECTION 5. COMPENSATION AND PER DIEMS. – THE MEMBERS OF THE BOARD OF DIRECTORS, AS SUCH DIRECTORS, SHALL BE ENTITLED TO COMPENSATION THE AMOUNT OF WHICH SHALL BE FIXED BY THE NOMINATION COMPENSATION AND REMUNERATION COMMITTEE AND APPROVED BY MAJORITY OF THE BOARD OF DIRECTORS BUT IN NO CASE SHALL THEIR TOTAL YEARLY COMPENSATION, AS SUCH DIRECTORS, EXCEED TWO (2%) PER CENT OF THE NET INCOME BEFORE INCOME TAX OF THE CORPORATION DURING THE PRECEDING YEAR. THE MEMBERS OF THE BOARD OF DIRECTORS, THE EXECUTIVE COMMITTEE, THE BOARD COMMITTEES AND THE CORPORATE SECRETARY SHALL BE ENTITLED TO PER DIEM FOR EVERY ATTENDANCE IN MEETINGS THE AMOUNT OF WHICH SHALL BE FIXED BY THE NOMINATION COMPENSATION AND REMUNERATION COMMITTEE AND APPROVED BY MAJORITY OF THE BOARD OF DIRECTORS. (AS AMENDED ON 22 SEPTEMBER 1988). (*AS AMENDED BY THE BOARD OF DIRECTORS AND APPROVED BY THE STOCKHOLDERS ON 25 APRIL 2023).

X X X

*SECTION 8. BOARD COMMITTEES – THE BOARD OF DIRECTORS SHALL CONSTITUTE AN EXECUTIVE COMMITTEE, A TRUST AND INVESTMENT COMMITTEE, A NOMINATION, COMPENSATION AND REMUNERATION COMMITTEE, AN AUDIT COMMITTEE, A BOARD RISK OVERSIGHT COMMITTEE, A RELATED PARTY TRANSACTION COMMITTEE, AN INFORMATION TECHNOLOGY STEERING COMMITTEE, A CORPORATE GOVERNANCE COMMITTEE, AN UNDERWRITING COMMITTEE AND SUCH OTHER COMMITTEES THAT THE LAW AND REGULATIONS MAY MANDATE. IN ADDITION, THE BOARD OF DIRECTORS MAY CREATE OTHER INTERNAL COMMITTEES WITH THE POWERS DETERMINED BY THE BOARD OF DIRECTORS. ALL ESTABLISHED COMMITTEES SHALL BE REQUIRED TO HAVE COMMITTEE CHARTERS STATING IN PLAIN TERMS THEIR RESPECTIVE PURPOSES, MEMBERSHIP, STRUCTURES, OPERATIONS, REPORTING PROCESSES, RESOURCES, AND OTHER RELEVANT INFORMATION, INCLUDING THE STANDARDS FOR EVALUATING THE PERFORMANCE OF THE COMMITTEES. (AS AMENDED ON 09 NOVEMBER 2021). (*AS AMENDED ON 25 APRIL 2023).

*SECTION 9. EXECUTIVE COMMITTEE. – THE BOARD OF DIRECTORS MAY CREATE AN EXECUTIVE COMMITTEE, THE COMPOSITION OF WHICH SHALL INCLUDE NOT LESS THAN THREE MEMBERS OF THE BOARD OF DIRECTORS TO BE APPOINTED BY THE BOARD OF DIRECTORS. THE EXECUTIVE COMMITTEE, BY A MAJORITY VOTE OF ALL ITS MEMBERS, IS EMPOWERED TO APPROVE AND/OR IMPLEMENT ON

SUCH SPECIFIC MATTERS WITHIN THE COMPETENCE OF THE BOARD OF DIRECTORS EXCEPT THOSE ACTS EXPRESSLY RESERVED BY THE REVISED CORPORATION CODE TO THE BOARD OF DIRECTORS. (AS AMENDED ON 22 SEPTEMBER 1988). (AS AMENDED ON 09 NOVEMBER 2021). (AS AMENDED ON 29 APRIL 2022). (*AS AMENDED ON 25 APRIL 2023).

10. ELECTION OF BOARD OF DIRECTORS

Chairman Chua then proceeded to the next item on the agenda, which is the election of the Board of Directors. Atty. Caballa informed the stockholders that pursuant to the amended By-laws of the Bank, the Nomination Compensation and Remuneration Committee duly conducted the required screening procedure of all nominees.

The following were duly qualified and recommended for nomination to the Board of Directors:

1. FRANCIS C. CHUA, *Chairman*
2. BENEDICTA A. DU-BALADAD, *Vice Chairperson*
3. MICHELANGELO R. AGUILAR
4. ROBERTO C. BENARES
5. MARITO L. PLATON
6. MELINDA S. GONZALES-MANTO
7. FE B. BARIN
8. ALEXANDER R. MAGNO
9. MARIANO T. KATIPUNAN, JR.
10. JOSE C. NOGRALES, *as Independent Director*
11. REBECCA MARIA A. YNARES, *as Independent Director*
12. RICARDO D. FERNANDEZ, *as Independent Director*
13. DANIEL GABRIEL M. MONTECILLO, *as Independent Director*
14. WINSTON A. CHAN, *as Independent Director*
15. SIMON R. PATERNO, *as Independent Director*

The Proxy Statement circulated to the stockholders identified the nominees for election as independent directors, namely: JOSE C. NOGRALES, REBECCA MARIA A. YNARES, RICARDO D. FERNANDEZ, DANIEL GABRIEL M. MONTECILLO, WINSTON A. CHAN, and SIMON R. PATERNO.

A motion to close the nominations was duly made and seconded. After the nominations have been closed, Atty. Benedicta Du-Baladad moved that the nominees be elected as Directors of the Bank for the ensuing year 2023, considering that there are only fifteen (15) nominees, and there are only fifteen (15) seats in the Board to be filled up.

There being no objections thereto, the stockholders approved:

Resolution No. 23-08

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve the following as members of the Board of Directors of the Bank of Commerce for the year 2023:

1. FRANCIS C. CHUA, Chairman
2. BENEDICTA A. DU-BALADAD, Vice Chairperson
3. MICHELANGELO R. AGUILAR
4. ROBERTO C. BENARES
5. MARITO L. PLATON
6. MELINDA S. GONZALES-MANTO
7. FE B. BARIN
8. ALEXANDER R. MAGNO
9. MARIANO T. KATIPUNAN, JR.
10. JOSE C. NOGRALES, as Independent Director
11. REBECCA MARIA A. YNARES, as Independent Director
12. RICARDO D. FERNANDEZ, as Independent Director
13. DANIEL GABRIEL M. MONTECILLO, as Independent Director
14. WINSTON A. CHAN, as Independent Director
15. SIMON R. PATERNO, as Independent Director

Atty. Caballa advised the newly elected members of the Board of Directors that their election will be submitted to the Monetary Board of the *Bangko Sentral ng Pilipinas* for its approval and confirmation.

Thereafter, Atty. Caballa also reported the appointment of the following as advisers to the Board of Directors of the Bank for the ensuing year 2023:

1. JOSE T. PARDO, Chairman
2. AURORA T. CALDERON
3. FERDINAND K. CONSTANTINO
4. CECILE L. ANG, and
5. ANTONIO M. CAILAO

Upon motion duly made and seconded, the stockholders resolved:

Resolution No. 23-08-A

“RESOLVED, AS IT IS HEREBY RESOLVED, to note appointment of the following as advisers to the Board of Directors of the Bank for the ensuing year 2023:

1. JOSE T. PARDO, Chairman
2. AURORA T. CALDERON
3. FERDINAND K. CONSTANTINO
4. CECILE L. ANG, and
5. ANTONIO M. CAILAO

11. APPOINTMENT OF EXTERNAL AUDITOR

The last item on the agenda is the appointment of the Bank's external auditor. There was a motion to appoint R.G. Manabat & Co. as the external

auditor of the Bank of Commerce for the year 2023. The motion was duly seconded.

There being no objections to the motion as raised, the stockholders resolved:

Resolution No. 23-09

“RESOLVED, AS IT IS HEREBY RESOLVED, to approve the appointment of KPMG-R.G. MANABAT & CO. as the external auditor of Bank of Commerce for the year 2023.”

12. OTHER MATTERS

Chairman Chua then asked the Corporate Secretary Atty. Caballa if there are other matters to be discussed. Atty. Caballa declared that there are no other matters for discussion.

13. ADJOURNMENT

There being no other matter to be discussed, upon motion duly made and seconded, the Chairman of the Meeting adjourned the meeting and thanked the stockholders for attending.

A copy of the voting results is attached as Annex “B”.

EVITA C. CABALLA
Corporate Secretary

Attested by:

FRANCIS C. CHUA
Chairman

BENEDICTA DU-BALADAD
Vice Chairperson

MICHELANGELO R. AGUILAR
Director, President & CEO

MARITO L. PLATON
Director

ROBERTO C. BENARES

MELINDA S. GONZALES-MANTO

Director

Director

FE B. BARIN
Director

MARIANO T. KATIPUNAN, JR.
Director

ALEXANDER R. MAGNO
Director

JOSE C. NOGRALES
Independent Director

REBECCA MARIA A. YNARES
Independent Director

RICARDO D. FERNANDEZ
Independent Director

DANIEL GABRIEL M. MONTECILLO
Independent Director

SIMON R. PATERNO
Independent Director

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Bank of Commerce
PROXY VOTING MODULE
Voting Instructions (Grouped by Entry Date)
Apr 24, 2023

ENTRY DATE	PX FORM	SH NUMBER	STOCKHOLDER NAME	ASSIGNED SHARES	PX GROUP	VOTING INSTRUCTIONS
04/24/2023	0000001	000331000020	BANK OF COMMERCE - TRUST SERVICES GROUP AS TRUSTEE FOR BANK OF COMMERCE RETIREMENT PLAN	730,670	01	YYYYYYYY
04/24/2023	0000002	000331000117	Q-TECH ALLIANCE HOLDINGS, INC.	12,171,660	01	YYYYYYYY
04/24/2023	0000003	PCD000000065	GINEBRA SAN MIGUEL, INC. RETIREMENT PLAN	100,600	01	YYYYYYYY
04/24/2023	0000004	PCD000000161	NCC RETIREMENT PLAN (PAPA SECURITIES CORPORATION)	200,000	01	YYYYYYYY
04/24/2023	0000005	PCD000000126	SAN MIGUEL BREWERY INC. RETIREMENT PLAN	1,400,000	01	YYYYYYYY
04/24/2023	0000006	000331000001	SAN MIGUEL CORP. RETIREMENT PLAN	432,626,860	01	YYYYYYYY
04/24/2023	0000007	PCD000000162	SMITS INC. RETIREMENT PLAN (ASIASEC EQUITIES, INC.)	125,000	01	YYYYYYYY
04/24/2023	0000008	PCD000000127	SAN MIGUEL YAMAMURA PACKAGING CORP. RETIREMENT PLAN	793,600	01	YYYYYYYY
04/24/2023	0000009	000331000034	CARITAS HEALTH SHIELD INC.	109,666,640	01	YYYYYYYY
04/24/2023	0000010	000331000002	SAN MIGUEL PROPERTIES, INC.	447,711,800	01	YYYYYYYY
04/24/2023	0000011	000331000003	SMC EQUIVEST CORPORATION	68,305,560	01	YYYYYYYY
04/24/2023	0000012	PRF331000003	SMC EQUIVEST CORPORATION	416,666,670	01	UUUUUYU

TOTAL PROXIES : 12
TOTAL SHARES ASSIGNED : 1,490,499,060
TOTAL UNASSIGNED SHARES : 0
TOTAL PROXIES SUPERCEDED : 0
TOTAL SHARES SUPERCEDED : 0

*** END OF REPORT ***

NOM. NO.	NOMINEE	VOTES
1	FRANCIS CHUA	1,073,832,390
2	BENEDICTA A. DU-BALADAD	1,073,832,390
3	MICHELANGELO R. AGUILAR	1,073,832,390
4	ROBERTO C. BENARES	1,073,832,390
5	FE B. BARIN	1,073,832,390
6	MARITO L. PLATON	1,073,832,390
7	MARIANO T. KATIPUNAN, JR.	1,073,832,390
8	MELINDA S. GONZALES-MANTO	1,073,832,390
9	ALEXANDER R. MAGNO	1,073,832,390
10	JOSE C. NOGRALES	1,073,832,390
11	REBECCA MARIA A. YNARES	1,073,832,390
12	RICARDO D. FERNANDEZ	1,073,832,390
13	DANIEL GABRIEL M. MONTECILLO	1,073,832,390
14	WINSTON A. CHAN	1,073,832,390
15	SIMON R. PATERNO	1,073,832,390
Total votes registered		22,357,485,900
Total votes counted for election of board nominees		16,107,485,850
Total uncast votes for election of board nominees		6,250,000,050

RES. NO.	RESOLUTION	SHARES VOTED	% TO TOTAL O.S.
2	Approval of the Minutes of the Annual Stockholders' Meeting held on 29 April 2022	1,073,832,390	76.538%
	For	1,073,832,390	76.538%
	Against	0	0.000%
	Abstain	0	0.000%
3	Approval of the Annual Report of the Bank for year ended December 31, 2022	1,073,832,390	76.538%
	For	1,073,832,390	76.538%
	Against	0	0.000%
	Abstain	0	0.000%
4	Ratification of all the Acts and Proceedings of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting	1,073,832,390	76.538%
	For	1,073,832,390	76.538%
	Against	0	0.000%
	Abstain	0	0.000%
5	Confirmation of Bank's 2022 Significant Transactions with its DOSRI and Related Parties	1,073,832,390	76.538%
	For	1,073,832,390	76.538%
	Against	0	0.000%
	Abstain	0	0.000%

6 Approval of Directors' Fees	1,073,832,390	76.538%
For	1,073,832,390 -	76.538%
Against	0 -	0.000%
Abstain	0 -	0.000%
7 Approval of Amendment to Article SEVENTH of the Bank's Articles of Incorporation to increase the Bank's authorized capital stock	1,490,499,060	81.910%
For	1,490,499,060 -	81.910%
Against	0 -	0.000%
Abstain	0 -	0.000%
8 Approval of Amendments to Sections 2 of Article II and Sections 1, 4, 5, 8 and 9 of Article III of the Bank's By-laws	1,490,499,060	81.910%
For	1,490,499,060 -	81.910%
Against	0 -	0.000%
Abstain	0 -	0.000%
9 Appointment of R.G. Manabat & Company CPAs as external auditors of the Bank	1,073,832,390	76.538%
For	1,073,832,390 -	76.538%
Against	0 -	0.000%
Abstain	0 -	0.000%

SUMMARY REPORT

% TO
 TOTAL O.S.

OUTSTANDING COMMON SHARES	1,403,013,920	
OUTSTANDING PREFERRED SHARES	416,666,670	
TOTAL OUTSTANDING SHARES AS OF RECORD DATE	1,819,680,590	
TOTAL SHARES IN ATTENDANCE :		
Attending proxy assignees	1,490,499,060	
Attending stockholders	0	
	1,490,499,060	81.910%
LESS :		
Invalidated / knocked-off / Uncast shares - Proxy Assignees	0	
Knock-off by attending stockholder	0	
Invalidated shares - Stockholders	0	
Uncast shares of stockholders	0	
TOTAL SHARES/VOTES COUNTED	1,490,499,060	81.910%

NOTE:

Total no. of stockholders in attendance 0
 Total no. of stockholder with ballots 0

*** END OF REPORT ***



Annual Meeting of Stockholders

April 25, 2023

BALLOT FOR PROXY

I. THE ELECTION OF THE BOARD OF DIRECTORS: One (1) share is equivalent to fifteen (15) votes, which you can distribute among the candidates of your choice. If no distribution of votes is made hereunder, the votes will be divided equally among the candidates listed in this ballot, with the vote/s incapable of equal distribution added to the votes of the candidate/s in order of their appearance in this ballot.

- Distribute my votes equally for all candidates
- Distribute my votes for the candidates listed, as follows:

Candidate	Votes	Candidate	Votes
1. Francis Chua	<u>0</u>	9. Alexander R. Magno	<u>0</u>
2. Benedicta A. Du-Baladad	<u>0</u>	10. Jose C. Nograles	<u>0</u>
3. Michelangelo R. Aguilar	<u>0</u>	11. Rebecca Maria A. Ynares	<u>0</u>
4. Roberto C. Benares	<u>0</u>	12. Ricardo D. Fernandez	<u>0</u>
5. Fe B. Barin	<u>0</u>	13. Daniel Gabriel M. Montecillo	<u>0</u>
6. Marito L. Platon	<u>0</u>	14. Winston A. Chan	<u>0</u>
7. Mariano T. Katipunan, Jr.	<u>0</u>	15. Simon R. Paterno	<u>0</u>
8. Melinda S. Gonzales-Manto	<u>0</u>		

II. RESOLUTIONS SUBMITTED FOR VOTING: If you decide to vote in favor, please mark "X" in the box below the word "FOR". If you desire to vote against, please mark "X" in the box below the word "AGAINST". If you decide to abstain from voting on the resolution, please mark "X" in the box below the word "ABSTAIN".

	For	Against	Abstain
● Approval of the Minutes of the Annual Stockholders' Meeting held on 29 April 2022	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Approval of the Annual Report of the Bank for the year ended December 31, 2022	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Ratification of all the Acts and Proceedings of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Confirmation of the Bank's 2022 Significant Transactions with its DOSRI and Related Parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Approval of Directors' Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Approval of Amendment to Article SEVENTH of the Bank's Articles of Incorporation to increase the Bank's authorized capital stock	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Approval of Amendments to Sections 2 of Article II and Sections 1, 4, 5, 8 and 9 of Article II the Bank's By-laws	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Appointment of R.G. Manabat & Company CPAs as external auditors of the Bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Total Shares Represented 416,666,670

(Signature of Stockholder or Proxy)

CHAIRMAN



Annual Meeting of Stockholders
April 25, 2023

BALLOT FOR PROXY

I. THE ELECTION OF THE BOARD OF DIRECTORS: One (1) share is equivalent to fifteen (15) votes, which you can distribute among the candidates of your choice. If no distribution of votes is made hereunder, the votes will be divided equally among the candidates listed in this ballot, with the vote/s incapable of equal distribution added to the votes of the candidate/s in order of their appearance in this ballot.

- Distribute my votes equally for all candidates
 Distribute my votes for the candidates listed, as follows:

Candidate	Votes	Candidate	Votes
1. Francis Chua	<u>1,073,832,390</u>	9. Alexander R. Magno	<u>1,073,832,390</u>
2. Benedicta A. Du-Baladad	<u>1,073,832,390</u>	10. Jose C. Nograles	<u>1,073,832,390</u>
3. Michelangelo R. Aguilar	<u>1,073,832,390</u>	11. Rebecca Maria A. Ynares	<u>1,073,832,390</u>
4. Roberto C. Benares	<u>1,073,832,390</u>	12. Ricardo D. Fernandez	<u>1,073,832,390</u>
5. Fe B. Barin	<u>1,073,832,390</u>	13. Daniel Gabriel M. Montecillo	<u>1,073,832,390</u>
6. Marito L. Platon	<u>1,073,832,390</u>	14. Winston A. Chan	<u>1,073,832,390</u>
7. Mariano T. Katipunan, Jr.	<u>1,073,832,390</u>	15. Simon R. Paterno	<u>1,073,832,390</u>
8. Melinda S. Gonzales-Manto	<u>1,073,832,390</u>		

II. RESOLUTIONS SUBMITTED FOR VOTING: If you decide to vote in favor, please mark "X" in the box below the word "FOR". If you desire to vote against, please mark "X" in the box below the word "AGAINST". If you decide to abstain from voting on the resolution, please mark "X" in the box below the word "ABSTAIN".

	For	Against	Abstain
● Approval of the Minutes of the Annual Stockholders' Meeting held on 29 April 2022	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Approval of the Annual Report of the Bank for the year ended December 31, 2022	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Ratification of all the Acts and Proceedings of the Board of Directors and Corporate Officers since the 2022 Annual Stockholders' Meeting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Confirmation of the Bank's 2022 Significant Transactions with its DOSRI and Related Parties	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Approval of Directors' Fees	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Approval of Amendment to Article SEVENTH of the Bank's Articles of Incorporation to increase the Bank's authorized capital stock	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Approval of Amendments to Sections 2 of Article II and Sections 1, 4, 5, 8 and 9 of Article II the Bank's By-laws	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Appointment of R.G. Manabat & Company CPAs as external auditors of the Bank	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Total Shares Represented 1,073,832,390

(Signature of Stockholder or Proxy)

CHAIRMAN

BANK OF COMMERCE

Stockholders' Meeting: April 25, 2023

Record date: April 05, 2023

Proxy Report (preliminary)

Voting by Proxy (with submitted proxy form)

	No. Of Common Shares	No. of Preferred Shares	Total Shares (C + P)	% VS O/S (Common)	% VS O/S (C + P)
SMC AND BANKCOM					
San Miguel Properties, Inc.	447,711,800		447,711,800	31.91%	24.60%
San Miguel Corporation Retirement Plan	432,626,860		432,626,860	30.84%	23.77%
Bank of Commerce - Trust Services Group as Trustee for Bank of Commerce Retirement Plan	730,670		730,670	0.05%	0.04%
Ginebra San Miguel Inc. Retirement Plan <i>(lodged)</i>	100,600		100,600	0.01%	0.01%
NCC Retirement Plan <i>(lodged)</i>	200,000		200,000	0.01%	0.01%
San Miguel Brewery Inc. Retirement Plan <i>(lodged)</i>	1,400,000		1,400,000	0.10%	0.08%
SMITS Inc. Retirement Plan <i>(lodged)</i>	125,000		125,000	0.01%	0.01%
SMYPC Retirement Plan <i>(lodged)</i>	793,000		793,000	0.06%	0.04%
SMC Equivest Corporation	68,305,560	416,666,670	484,972,230	4.87%	26.65%
Sub-total	951,993,490	416,666,670	1,368,660,160	67.85%	75.21%
OTHERS					
Q-Tech Alliance Holdings, Inc.	12,171,660		12,171,660	0.87%	0.67%
Sub-total	12,171,660	0	12,171,660	0.87%	0.67%
TOTAL SHARES W/ PROXY	964,165,150	416,666,670	1,380,831,820	68.72%	75.88%

Voting In Person (with submitted ballot form)

<i>Others</i>					
Caritas Health Shield Inc.	109,666,640		109,666,640	7.82%	6.03%
TOTAL ATTENDING IN PERSON (with ballot)	109,666,640	0	109,666,640	7.82%	6.03%
TOTAL ATTENDING STOCKHOLDERS IN PERSON OR BY PROXY	1,073,831,790	416,666,670	1,490,498,460	76.54%	81.91%
Without Proxy or Ballot form					
Others	329,182,130		329,182,130	23.46%	18.09%
Total Outstanding Shares	1,403,013,920	416,666,670	1,819,680,590	100.00%	100.00%

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY, METRO MANILA) S.S.

CERTIFICATION

I, **EVITA C. CABALLA**, of legal age, Filipino, and with office address c/o 24F San Miguel Properties Centre (SMPC), No. 7 St. Francis St., Mandaluyong City 1550 Metro Manila, being duly sworn in accordance with law, hereby certify that:

1. I am the duly elected and incumbent Corporate Secretary of BANK OF COMMERCE (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at San Miguel Properties Centre (SMPC), No. 7 St. Francis Street, Mandaluyong City, 1550 Metro Manila.
2. Based on the records of the Corporation presently in my custody, and to the best of my knowledge, no director or officer of the Corporation is employed by and/or connected with any government agencies or its instrumentalities of the Philippines.
3. I am executing this Certification in compliance with the requirements of the Securities and Exchange Commission in connection with the filing by the Corporation of the Information Statement, pursuant to Section 20 of the Securities Regulations Code, for the annual stockholders' meeting of the Corporation to be held on April 30, 2024.

IN WITNESS WHEREOF, I have hereunto signed these presents this 06 MAR 2024 at _____.

Evita C. Caballa
EVITA C. CABALLA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 06 2024 at MANDALUYONG CITY,
affiant exhibiting to me her Passport No. [REDACTED] issued on 02 March 2018 at DFA NCR East
valid until 01 March 2028 bearing affiant's photo and signature.

Doc. No. 67;
Page No. 15;
Book No. XI;
Series of 2024.

Eva Z. Banzon
EVA Z. BANZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0529-23
UNTIL 31 DECEMBER 2024
SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 5425491 / 03 JAN 2024 / MANDALUYONG CITY
IBP OR No. 332607 / 20 DEC 2023
ROLL OF ATTORNEYS NO. 62160