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2021 Audited
Financial Statements



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STATEMENTS OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

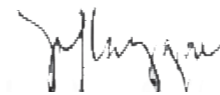
SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, have audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



JONATHAN T. GOTIANUN
Chairman



ANTONIO C. MONCUPA JR.
Chief Executive Officer



MINDA L. CAYABYAB
Financial Controller

Signed this March 15, 2022.

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
East West Banking Corporation
East West Corporate Center
The Beaufort, 5th Avenue corner 23rd Street
Fort Bonifacio Global City
Taguig City

Report on the Audit of the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of East West Banking Corporation (the Parent Company) and its subsidiaries (the Group) and the parent company financial statements of the Parent Company, which comprise the consolidated and parent company statements of financial position as at December 31, 2021 and 2020 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Parent Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Adequacy of allowance for credit losses on loans and receivables

The Bank's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables of the Group and the Parent Company as of December 31, 2021 amounted to ₱12.68 billion and ₱12.04 billion, respectively. Provision for credit losses of the Group and the Parent Company in 2021 amounted to ₱4.40 billion and ₱4.35 billion, respectively.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 15 to the financial statements.

Audit response

We obtained an understanding of the board-approved methodologies and models used for the Bank's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested the Bank's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Bank's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries including the timing, related direct costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay, including considerations to overlay for the impact of the coronavirus pandemic, through statistical test and corroboration using publicly available information and our understanding of the Bank's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

INDEPENDENT AUDITOR'S REPORT

Further, we compared the data used in the ECL models from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures. We reviewed the completeness of the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020, but does not include the financial statements and our auditor's report thereon. The SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's 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 audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and the Parent Company 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance the audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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


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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Notes 36 and Revenue Regulations No. 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Veronica Mae A. Arce.

SYCIP GORRES VELAYO & CO.


Veronica Mae A. Arce
Partner

CPA Certificate No. 0117208

Tax Identification No. 234-282-413

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 117208-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-135-2021, November 10, 2021, valid until November 9, 2024

PTR No. 8853465, January 3, 2022, Makati City

March 15, 2022

STATEMENTS OF FINANCIAL POSITION

(Amounts are presented in thousands of Philippine Pesos)

	Consolidated		Parent Company	
	As of December 31			
	2021	2020	2021	2020
ASSETS				
Cash and Other Cash Items	₱7,705,729	₱8,148,882	₱7,641,626	₱8,076,124
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	58,842,366	48,892,706	58,425,477	48,469,521
Due from Other Banks (Note 7)	19,335,182	11,392,088	19,292,742	11,353,609
Interbank Loans Receivables and Securities Purchased Under Resale Agreements (Note 7)	17,518,984	17,111,092	17,518,984	17,111,092
Financial Assets at Fair Value Through Profit or Loss (Notes 8 and 17)	4,056,851	7,523,592	4,056,851	7,523,592
Financial Assets at Fair Value Through Other Comprehensive Income (Notes 8 and 17)	41,660,568	29,471,707	41,660,568	29,471,707
Investment Securities at Amortized Cost (Notes 8 and 17)	20,815,382	20,899,699	19,137,174	19,282,889
Loans and Receivables (Notes 9, 15 and 28)	213,562,586	243,716,429	188,800,600	219,918,514
Investments in Subsidiaries (Note 10)	—	—	5,919,095	4,739,211
Investment in a Joint Venture (Note 10)	614,494	665,313	614,494	665,313
Property, Equipment and Right-of-Use Assets (Note 11)	4,422,355	5,089,529	4,016,329	4,601,091
Investment Properties (Notes 12 and 15)	927,988	981,147	927,291	979,914
Deferred Tax Assets (Note 25)	4,160,134	5,169,692	3,719,088	4,677,278
Goodwill and Other Intangible Assets (Note 13)	6,795,374	6,792,893	6,756,211	6,742,229
Other Assets (Notes 14 and 15)	4,343,837	2,347,231	4,274,746	2,275,298
TOTAL ASSETS	₱404,761,830	₱408,202,000	₱382,761,276	₱385,887,382
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 28)				
Demand	₱120,321,094	₱106,938,343	₱120,746,901	₱107,609,113
Savings	124,667,522	121,848,341	104,766,430	101,302,860
Time	69,420,051	87,846,290	69,420,051	87,846,290
Long-term Negotiable Certificates of Deposits	12,436,238	12,422,976	12,436,238	12,422,976
	326,844,905	329,055,950	307,369,620	309,181,239
Bills and Acceptances Payable and Securities Sold Under Repurchase Agreements (Note 17)	98,150	3,568,803	98,150	3,568,803
Accrued Taxes, Interest and Other Expenses (Note 18)	2,975,265	2,947,250	2,623,040	2,642,599
Cashier's Checks and Demand Draft Payable	730,702	678,795	730,702	678,795
Bonds Payable (Note 19)	3,687,686	3,677,434	3,687,686	3,677,434
Subordinated Debt (Note 20)	1,241,964	1,240,785	—	—
Income Tax Payable	141,255	402,325	31,745	306,336
Lease Liability (Note 27)	3,106,320	3,466,742	2,791,079	3,105,100
Other Liabilities (Note 21)	6,585,949	7,681,373	6,079,620	7,244,533
TOTAL LIABILITIES	345,412,196	352,719,457	323,411,642	330,404,839
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common Stock (Note 23)	22,499,754	22,499,754	22,499,754	22,499,754
Additional Paid in Capital (Note 23)	5,065,059	5,065,059	5,065,059	5,065,059
Surplus Reserves (Note 29)	946,618	936,635	946,618	936,635
Surplus (Note 29)	31,585,667	27,080,614	31,585,667	27,080,614
Fair Value Reserves on Financial Assets at Fair Value Through Other Comprehensive Income (Note 8)	(138,821)	189,936	(138,821)	189,936
Remeasurement Losses on Retirement Plans (Note 26)	(211,495)	(402,661)	(211,495)	(402,661)
Cumulative Translation Adjustment	(397,148)	113,206	(397,148)	113,206
TOTAL EQUITY	59,349,634	55,482,543	59,349,634	55,482,543
TOTAL LIABILITIES AND EQUITY	₱404,761,830	₱408,202,000	₱382,761,276	₱385,887,382

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

(Amounts are presented in thousands of Philippine Pesos)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
INTEREST INCOME						
Loans and receivables (Notes 9 and 28)	₱21,101,535	₱28,004,471	₱27,242,864	₱18,256,166	₱25,310,235	₱25,179,175
Financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 8)	1,213,865	1,901,083	2,037,981	1,163,139	1,870,948	2,037,981
Financial assets at fair value through profit or loss (Note 8)	345,017	497,556	414,970	345,017	497,556	414,970
Due from BSP and other banks and interbank loans receivables and securities purchased under resale agreement (Note 7)	591,800	307,094	62,121	589,816	305,682	58,830
	23,252,217	30,710,204	29,757,936	20,354,138	27,984,421	27,690,956
INTEREST EXPENSE						
Deposit liabilities (Note 16)	1,767,942	3,560,879	6,798,551	1,542,017	3,120,465	5,864,723
Bills and acceptances payable and SSURA, bonds payable, subordinated debt and other borrowings (Notes 17, 19 and 20)	238,072	406,568	1,224,863	168,143	336,703	1,155,059
Lease liability (Note 27)	219,636	239,565	267,598	191,562	214,146	252,013
	2,225,650	4,207,012	8,291,012	1,901,722	3,671,314	7,271,795
NET INTEREST INCOME	21,026,567	26,503,192	21,466,924	18,452,416	24,313,107	20,419,161
OTHER INCOME (LOSSES)						
Service charges, fees and commissions (Note 24)	3,725,738	3,710,792	5,236,443	3,317,183	3,245,073	4,330,952
Gain on sale of investment securities at amortized cost (Note 8)	1,850,425	3,675,195	–	1,850,425	3,675,195	–
Trading and securities gain (loss) (Note 8)	(841,415)	1,464,031	965,730	(841,415)	1,464,031	965,730
Foreign exchange gain	929,741	346,100	427,050	929,741	346,100	427,050
Loss on asset foreclosure and dacion transactions	(524,816)	(152,135)	(199,991)	(524,816)	(152,135)	(199,991)
Gain (loss) on sale of assets (Notes 9, 11, 12 and 14)	(223,613)	20,740	94,840	(226,724)	20,740	94,392
Trust income (Note 29)	99,828	79,271	70,535	99,828	79,271	70,535
Miscellaneous (Note 24)	967,961	(2,263,831)	636,130	934,290	(2,295,810)	617,197
TOTAL OPERATING INCOME	27,010,416	33,383,355	28,697,661	23,990,928	30,695,572	26,725,026
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 26 and 28)	5,671,448	5,710,743	5,624,044	5,204,372	5,275,037	5,199,685
Provision for impairment and credit losses (Notes 9, 12, 14 and 15)	4,149,431	9,834,418	4,042,472	4,099,408	9,583,646	3,822,366
Taxes and licenses	1,903,738	2,583,184	2,655,618	1,596,088	2,281,045	2,333,123
Depreciation and amortization (Notes 11, 12 and 14)	2,228,766	1,957,499	1,884,149	2,081,750	1,800,366	1,720,300
Amortization of intangible assets (Note 13)	168,298	186,275	146,676	157,745	179,667	143,256
Rent (Note 27)	259,723	90,810	107,121	271,857	84,606	83,986
Miscellaneous (Note 24)	6,287,660	5,701,811	5,987,527	5,882,686	5,350,032	5,657,443
TOTAL OPERATING EXPENSES	20,669,064	26,064,740	20,447,607	19,293,906	24,554,399	18,960,159
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND JOINT VENTURE	6,341,352	7,318,615	8,250,054	4,697,022	6,141,173	7,764,867
SHARE IN NET INCOME OF SUBSIDIARIES (Note 10)	–	–	–	1,160,738	783,241	324,331
SHARE IN NET LOSS OF A JOINT VENTURE (Note 10)	(236,077)	(300,623)	(339,482)	(236,077)	(300,623)	(339,482)
INCOME BEFORE INCOME TAX	6,105,275	7,017,992	7,910,572	5,621,683	6,623,791	7,749,716
PROVISION FOR INCOME TAX (Note 25)	1,590,239	510,158	1,668,634	1,106,647	115,957	1,507,778
NET INCOME	₱4,515,036	₱6,507,834	₱6,241,938	₱4,515,036	₱6,507,834	₱6,241,938
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	₱2.01	₱2.89	₱2.77			
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	₱2.01	₱2.89	₱2.77			

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

(Amounts are presented in thousands of Philippine Pesos)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
NET INCOME FOR THE YEAR	₱4,515,036	₱6,507,834	₱6,241,938	₱4,515,036	₱6,507,834	₱6,241,938
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Change in remeasurement losses of retirement liability (Note 26)	191,166	(277,872)	(46,797)	170,214	(269,109)	(39,777)
Change in fair value reserves on equity securities at FVTOCI (Note 10)	(16,548)	21,822	(5,871)	–	–	–
Share in changes in remeasurement loss of retirement liabilities of subsidiaries and joint venture (Notes 10 and 26)	–	–	–	20,952	(8,763)	(7,020)
Share in changes in fair value reserves on equity securities at FVTOCI of a joint venture (Note 10)	–	–	–	(16,548)	21,822	(5,871)
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>						
Change in fair value reserves on debt securities at FVTOCI (Note 8)	(312,209)	139,786	44,492	(312,209)	139,786	44,492
Cumulative translation adjustment	(510,354)	23,641	184,387	(510,354)	23,641	184,387
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(647,945)	(92,623)	176,211	(647,945)	(92,623)	176,211
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱3,867,091	₱6,415,211	₱6,418,149	₱3,867,091	₱6,415,211	₱6,418,149

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY (Amounts are presented in thousands of Philippine Pesos)

	Consolidated									
	Year Ended December 31, 2021		Equity Attributable to Equity Holders of the Parent Company							
	Common Stock	Additional Paid in Capital	Surplus Reserves	Surplus at FV/OCI	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total Equity			
Balance at January 1, 2021	P22,499,754	P5,065,059	P936,635	P27,080,614	P189,936	P113,206	P55,482,543			
Net income	-	-	-	4,515,036	-	-	4,515,036			
Other comprehensive income	-	-	-	(328,757)	(328,757)	191,166	(510,354)			
Total comprehensive income	-	-	-	4,515,036	(328,757)	191,166	(510,354)			
Transfer to surplus reserves (Note 29)	-	-	9,983	(9,983)	-	-	-			
Appropriations during the year (Note 23)	-	-	-	-	-	-	-			
Dividends declaration (Note 23)	-	-	-	-	-	-	-			
Balance at December 31, 2021	P22,499,754	P5,065,059	P946,618	P31,585,667	(P138,821)	(P211,495)	P59,349,634			
Balance as at January 1, 2020	P22,499,754	P5,065,059	P928,708	P20,580,707	P28,328	(P124,788)	P49,067,333			
Net income	-	-	-	6,507,834	-	-	6,507,834			
Other comprehensive income	-	-	-	161,608	(277,873)	23,641	(92,624)			
Total comprehensive income	-	-	-	6,507,834	(277,873)	23,641	6,415,210			
Transfer to surplus reserves (Note 29)	-	-	7,927	(7,927)	-	-	-			
Appropriations during the year (Note 23)	-	-	-	-	-	-	-			
Dividends declaration (Note 23)	-	-	-	-	-	-	-			
Balance at December 31, 2020	P22,499,754	P5,065,059	P936,635	P27,080,614	(P402,661)	P113,206	P55,482,543			
Balance as at January 1, 2019, as restated	P22,499,754	P5,065,059	P921,655	P14,345,822	(P10,293)	(P77,991)	P42,649,184			
Net income	-	-	-	6,241,938	-	-	6,241,938			
Other comprehensive income	-	-	-	38,621	(46,797)	184,387	176,211			
Total comprehensive income	-	-	-	6,241,938	(46,797)	184,387	6,418,149			
Transfer to surplus reserves (Note 29)	-	-	7,053	(7,053)	-	-	-			
Appropriations during the year (Note 23)	-	-	-	-	-	-	-			
Dividends declaration (Note 23)	-	-	-	-	-	-	-			
Balance at December 31, 2019	P22,499,754	P5,065,059	P928,708	P20,580,707	(P124,788)	P89,565	P49,067,333			

See accompanying Notes to Financial Statements

	Parent Company									
	Year Ended December 31, 2021		Fair Value Reserves on Financial Assets							
	Common Stock	Additional Paid in Capital	Surplus Reserves	Surplus at Fair Value Through Other Comprehensive Income	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total Equity			
Balance at January 1, 2021	P22,499,754	P5,065,059	P936,635	P27,080,614	P189,936	P113,206	P55,482,543			
Net income	-	-	-	4,515,036	-	-	4,515,036			
Other comprehensive income	-	-	-	(328,757)	(328,757)	191,166	(647,945)			
Total comprehensive income	-	-	-	4,515,036	(328,757)	191,166	(647,945)			
Transfer to surplus reserves (Note 29)	-	-	9,983	(9,983)	-	-	-			
Appropriations during the year (Note 23)	-	-	-	-	-	-	-			
Dividends declaration (Note 23)	-	-	-	-	-	-	-			
Balance at December 31, 2021	P22,499,754	P5,065,059	P946,618	P31,585,667	(P138,821)	(P211,495)	P59,349,634			
Balance at January 1, 2020	P22,499,754	P5,065,059	P928,708	P20,580,707	P28,328	(P124,788)	P49,067,333			
Net income	-	-	-	6,507,834	-	-	6,507,834			
Other comprehensive income	-	-	-	161,608	(277,873)	23,641	(92,624)			
Total comprehensive income	-	-	-	6,507,834	(277,873)	23,641	6,415,210			
Transfer to surplus reserves (Note 29)	-	-	7,927	(7,927)	-	-	-			
Appropriations during the year (Note 23)	-	-	-	-	-	-	-			
Dividends declaration (Note 23)	-	-	-	-	-	-	-			
Balance at December 31, 2020	P22,499,754	P5,065,059	P936,635	P27,080,614	(P402,661)	P113,206	P55,482,543			
Balance at January 1, 2019, as restated	P22,499,754	P5,065,059	P921,655	P14,345,822	(P10,293)	(P77,991)	P42,649,184			
Net income	-	-	-	6,241,938	-	-	6,241,938			
Other comprehensive income	-	-	-	38,621	(46,797)	184,387	176,211			
Total comprehensive income	-	-	-	6,241,938	(46,797)	184,387	6,418,149			
Transfer to surplus reserves (Note 29)	-	-	7,053	(7,053)	-	-	-			
Appropriations during the year (Note 23)	-	-	-	-	-	-	-			
Dividends declaration (Note 23)	-	-	-	-	-	-	-			
Balance at December 31, 2019	P22,499,754	P5,065,059	P928,708	P20,580,707	(P124,788)	P89,565	P49,067,333			

See accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS
(Amounts are presented in thousands of Philippine Pesos)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱6,105,275	₱7,017,992	₱7,910,572	₱5,621,683	₱6,623,792	₱7,749,716
Adjustments for:						
Provision for impairment and credit losses (Note 15)	4,149,431	9,834,418	4,042,472	4,099,408	9,583,646	3,822,366
Depreciation and amortization (Notes 11, 12 and 14)	2,228,766	1,957,499	1,884,149	2,081,750	1,800,366	1,720,300
Share in net loss of a joint venture (Note 10)	236,077	300,623	339,482	236,077	300,623	339,482
Amortization of intangible assets (Note 13)	168,298	186,275	146,676	157,745	179,667	143,256
Loss on asset foreclosure and dacion transactions (Note 33)	524,816	152,135	199,991	524,816	152,135	199,991
Gain on sale of assets (Notes 11, 12 and 14)	223,613	(20,740)	(94,840)	226,724	(20,740)	(94,391)
Net amortization of debt issuance cost and discount from subordinated debt	1,179	(15,801)	14,372	–	(16,915)	13,318
Amortization of bond issuance cost	10,252	8,421	–	10,252	8,421	–
Amortization of premium on financial assets at fair value through other comprehensive income and investment securities at amortized cost	(1,340,345)	1,277,479	1,301,570	(1,378,292)	1,255,102	1,301,570
Accretion of lease liabilities	219,636	239,565	267,598	191,562	214,146	252,013
Share in net income of subsidiaries (Note 10)	–	–	–	(1,160,738)	(783,241)	(324,331)
Gain on sale of investment securities at amortized cost (Note 8)	(1,850,425)	(3,675,195)	–	(1,850,425)	(3,675,195)	–
Loss on modification of loans (Note 24)	(346,769)	2,718,323	–	(346,769)	2,717,808	–
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables	18,723,310	9,510,605	(28,507,915)	19,731,051	7,770,790	(26,227,448)
Financial assets at FVTPL	3,466,741	9,317,117	(12,501,915)	3,466,741	9,317,117	(12,501,915)
Other assets	(673,601)	473,930	(2,309)	(702,497)	532,626	8,025
Increase (decrease) in the amounts of:						
Deposit liabilities	(2,211,045)	24,329,795	16,476,482	(1,811,619)	25,499,024	14,405,881
Cashier's checks and demand draft payable	51,907	(641,441)	424,519	51,907	(641,441)	424,519
Accrued taxes, interest and other expenses	28,015	(85,783)	164,006	(19,558)	(110,709)	216,776
Other liabilities	(822,726)	178,232	(1,168,617)	(892,215)	489,788	(1,036,051)
Net cash generated from (used in) operations	28,892,405	63,063,449	(9,103,707)	28,237,603	61,196,810	(9,586,923)
Income taxes paid	(951,059)	(2,876,894)	(1,733,046)	(519,096)	(2,473,072)	(1,389,687)
Dividends received from investment in subsidiaries (Note 10)	–	–	–	–	27,716	–
Net cash provided by (used in) operating activities	27,941,346	60,186,555	(10,836,753)	27,718,507	58,751,454	(10,976,610)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Investment properties and other repossessed assets (Notes 12 and 14)	4,310,145	1,581,566	2,289,904	4,307,144	1,581,566	2,289,904
Financial assets at FVOCI (Note 8)	189,123,604	22,149,989	712,171	189,123,603	22,149,989	712,171
Property and equipment (Note 11)	23,656	12,606	13,467	22,304	12,382	9,009
Proceeds from maturity of investment securities at amortized cost	601,788	394,118	1,040,643	601,788	394,118	1,040,643
Proceeds from sale of investment securities at amortized cost	13,879,335	31,568,521	–	13,879,335	31,568,521	–

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
Acquisitions of:						
Investment securities at amortized cost	(₱12,246,156)	(₱1,639,187)	(₱15,315,252)	(₱12,146,811)	₱–	(₱15,315,252)
Financial assets at FVOCI	(200,565,241)	(46,299,305)	(5,055,641)	(200,565,241)	(46,299,305)	(5,055,641)
Property and equipment (Note 11)	(268,576)	(175,948)	(290,750)	(253,795)	(158,340)	(257,936)
Capitalized software (Note 13)	(170,780)	(81,668)	(150,530)	(171,727)	(65,105)	(145,220)
Additional capital infusion in a joint venture	(200,000)	(250,000)	(350,000)	(200,000)	(250,000)	(350,000)
Net cash provided by (used in) investing activities	(5,512,225)	7,260,692	(17,105,988)	(5,403,400)	8,933,826	(17,072,322)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills and acceptances payable	–	417,064,715	1,006,635,393	–	417,064,715	1,006,635,393
Payments of bills and acceptances payable	(3,470,653)	(444,445,665)	(993,655,567)	(3,470,653)	(444,445,665)	(993,655,567)
Proceeds from bonds payable	–	3,669,013	–	–	3,669,013	–
Payment of lease liability (Note 27)	(1,100,975)	(1,065,852)	(962,655)	(975,971)	(961,816)	(890,495)
Payment of subordinated debt (Note 20)	–	(4,962,425)	–	–	(4,962,425)	–
Net cash provided by (used in) financing activities	(4,571,628)	(29,740,214)	12,017,171	(4,446,624)	(29,636,178)	12,089,331
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	17,857,493	37,707,033	(15,925,570)	17,868,483	38,049,102	(15,959,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	8,148,882	7,454,625	7,185,241	8,076,124	7,354,474	7,097,652
Due from Bangko Sentral ng Pilipinas	48,892,706	34,287,302	40,481,956	48,469,521	33,590,486	39,872,848
Due from other banks	11,392,088	3,403,926	10,233,438	11,353,609	3,324,402	10,087,675
Interbank loans receivables and securities purchased under resale agreement	17,111,092	2,691,882	5,862,670	17,111,092	2,691,882	5,862,670
	85,544,768	47,837,735	63,763,305	85,010,346	46,961,244	62,920,845
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	7,705,729	8,148,882	7,454,625	7,641,626	8,076,124	7,354,474
Due from Bangko Sentral ng Pilipinas	58,842,366	48,892,706	34,287,302	58,425,477	48,469,521	33,590,486
Due from other banks	19,335,182	11,392,088	3,403,926	19,292,742	11,353,609	3,324,402
Interbank loans receivables and securities purchased under resale agreement	17,518,984	17,111,092	2,691,882	17,518,984	17,111,092	2,691,882
	₱103,402,261	₱85,544,768	₱47,837,735	₱102,878,829	₱85,010,346	₱46,961,244
NET OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	₱24,666,193	₱25,372,930	₱29,803,501	₱21,590,294	₱22,897,457	₱27,728,529
Interest paid	2,277,268	4,598,331	8,625,648	1,945,378	4,028,537	7,543,670
Dividend received	663	8,834	2,209	663	8,834	2,209

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

East West Banking Corporation (EW or the Bank or the Parent Company) is a domestic universal bank which was registered with the SEC on March 22, 1994. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank and operate an expanded foreign currency deposit unit in 1994. Subsequently in 2012, the Parent Company was authorized by the BSP to operate as a universal bank. The Parent Company's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012 (Note 23).

As of December 31, 2021 and 2020, the Parent Company is effectively 77.85%, owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is A.L. Gotianun, Inc. The Parent Company's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

Through its network of 468 branches as of December 31, 2021 and 2020, the Bank and its subsidiaries (the Group) provide a wide range of financial services to consumer and corporate clients, which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso (₱) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso, which is the Parent Company's presentation currency (accounting policy on Foreign Currency Transactions and Translation). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

The functional currency of all subsidiaries and the joint venture is the Philippine peso.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 22.

Basis of Consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly-owned subsidiaries of the Parent Company as of December 31, 2021 and 2020:

	Principal Activities
East West Rural Bank, Inc. (EWRB)	Consumer banking
East West Insurance Brokerage, Inc. (EWIB)	Non-life insurance brokerage
Quest Marketing and Integrated Services, Inc. (Q iMIS)	Sales and marketing
Assurance Solutions Insurance Agency (ASIA)*	General insurance and marketing
East West Leasing and Finance Corporation (EWLFC)*	Finance and leasing

* Non-operational since 2017

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in the consolidated financial statements.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continues to be consolidated until the date when control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable return from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company has power over the entity when it has existing rights that give it the current ability to direct relevant activities (i.e., activities that significantly affect the entity's returns). Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Adoption of New and Amended PFRS

(a) Standards effective in 2021 that are Relevant to the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

• Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

East West Banking Corporation (EW or the Bank or the Parent Company) is a domestic universal bank which was registered with the SEC on March 22, 1994. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank and operate an expanded foreign currency deposit unit in 1994. Subsequently in 2012, the Parent Company was authorized by the BSP to operate as a universal bank. The Parent Company's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012 (Note 23).

As of December 31, 2021 and 2020, the Parent Company is effectively 77.85%, owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is A.L. Gotianun, Inc. The Parent Company's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

Through its network of 468 branches as of December 31, 2021 and 2020, the Bank and its subsidiaries (the Group) provide a wide range of financial services to consumer and corporate clients, which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso (₱) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso, which is the Parent Company's presentation currency (accounting policy on Foreign Currency Transactions and Translation). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

The functional currency of all subsidiaries and the joint venture is the Philippine peso.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 22.

Basis of Consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly-owned subsidiaries of the Parent Company as of December 31, 2021 and 2020:

	Principal Activities
East West Rural Bank, Inc. (EWRB)	Consumer banking
East West Insurance Brokerage, Inc. (EWIB)	Non-life insurance brokerage
Quest Marketing and Integrated Services, Inc. (Q iMIS)	Sales and marketing
Assurance Solutions Insurance Agency (ASIA)*	General insurance and marketing
East West Leasing and Finance Corporation (EWLFC)*	Finance and leasing
* Non-operational since 2017	

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in the consolidated financial statements.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continues to be consolidated until the date when control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable return from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company has power over the entity when it has existing rights that give it the current ability to direct relevant activities (i.e., activities that significantly affect the entity's returns). Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Adoption of New and Amended PFRS

(a) Standards effective in 2021 that are Relevant to the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

• Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

NOTES TO FINANCIAL STATEMENTS

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendments beginning April 1, 2021. There is no significant impact to the Group.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021. There is no significant impact to the Group

(b) Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements [unless otherwise indicated].

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks, and interbank loans receivables and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risks of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents wherein withdrawals can be made to meet the Group's cash requirements as allowed by the BSP.

Foreign Currency Transactions and Translation

The financial statements are presented in PHP, which is the Group's functional and presentation currency. The book of accounts of RBU are maintained in PHP, while those of the FCDO are maintained in USD.

RBU

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities of the RBU are credited to or charged against operations in the period in which the rates change.

Non-monetary items that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDO

As at the reporting date, the assets and liabilities of the FCDO of the Parent Company are translated into the Parent Company's presentation currency (the Philippine Peso) at PDS closing rate prevailing at the statement of financial position date, and their income and expenses are translated at Bankers Association of the Philippines (BAP) weighted average rate for the year. Exchange differences arising on translation are taken to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon actual remittance of FCDO profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income in the RBU books.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurement

The Group measures certain financial instruments such as financial assets at FVTPL, financial assets at FVTOCI and derivative financial instruments at fair value at each statement of financial position date. Also, fair values of financial instruments carried at amortized cost and investment properties carried at cost are measured for disclosure purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described 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 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each statement of financial position date.

External appraisers are involved for valuation of significant non-financial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are adhered to.

For the purpose of fair value disclosures, the Group 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 (Note 5).

SPURA

Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the balance sheet. The corresponding cash paid including accrued interest, is recognized in the balance sheet as SPURA. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

The Group recognizes financial instruments when, and only when, the Group becomes a party to the contractual terms of the financial instruments.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, i.e., the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, 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 Group. Securities transactions and related commission income and expense are recorded also on a settlement date basis. Deposits, amounts due to banks and customers, and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Derivatives are recognized on trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) 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 the trade date.

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing instruments, as described below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction cost are added in, or subtracted from this amount. When the fair value of financial instrument at initial recognition differs from the transaction price, the Group accounts for Day 1 profit or loss, as described below.

'Day 1' Difference

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

Financial Instruments - Classification, Reclassification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

NOTES TO FINANCIAL STATEMENTS

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

Contractual cash flow characteristics test

The Group assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. Principal, for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies 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 basis lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-on-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model, and the financial assets held within that business model) and in particular, the way those risks are managed
- How managers of the business are compensated
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding; and
- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.

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 allowance for credit losses, with the calculated interest recognized as 'Interest income in the statement of income'.

The Group's financial assets at amortized cost are presented in the statement of financial positions as 'Due from BSP', 'Due from other banks', 'Interbank loans receivables and SPURA', 'Investment securities at amortized cost', 'Loans and receivables' and other financial assets (i.e., security deposits, downpayment/advance payments to suppliers and returned cash and other cash items) under 'Other assets'.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch that would arise had the financial asset been measured at amortized cost. As of December 31, 2021 and 2020, the Group has not made such designation.

Financial assets at FVTOCI

Financial assets at FVTOCI include debt and equity securities.

Debt securities at FVTOCI

Debt securities at FVTOCI are those that meet both of the following conditions:

- the contractual terms of the financial asset give rise to cash flows that are SPPI on the outstanding principal amount;
- the asset is held within a business model whose objective is both to sell or hold the financial asset in order to both collect contractual cash flows.

Debt securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income as 'Change in net unrealized gains (losses) on debt securities at FVTOCI'. The effective yield component and foreign exchange gains (losses) of debt securities at FVTOCI are reported on the statement of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision on credit and impairment losses' in the statement of income.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Equity securities at FVTOCI

Equity securities designated as at FVTOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. The designation is made on instrument-by-instrument basis. Equity securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income as 'Change in fair value reserves on equity securities at FVTOCI'. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Change in fair value reserves on equity securities at FVTOCI' is not reclassified to profit or loss, but is reclassified directly to 'Surplus'. Equity securities at FVTOCI are not subject to impairment assessment.

Dividends earned on holding these equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income under 'Miscellaneous income'.

NOTES TO FINANCIAL STATEMENTS

Financial assets at FVTPL

Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition. Derivative assets classified as at FVTPL are those that are not designated under hedge accounting treatment.

The Group's financial assets at FVTPL include government securities, private bonds, equity securities held for trading purposes and derivative assets.

Financial assets at FVTPL are initially measured at fair value without considering transaction costs. Subsequently, financial assets at FVTPL are re-measured fair value, and fair value gains and losses on these instruments are recognized as 'Trading and securities gain' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Miscellaneous income' when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on inputs provided by the BSP, Bureau of Treasury and investment bankers. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the PDS closing rate at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at FVTPL, the foreign exchange component is recognized in the statement of income. For equity financial assets designated as at FVTOCI, any foreign exchange component is recognized in OCI. For foreign currency-denominated debt instruments classified as at amortized cost and as at FVTOCI, the foreign exchange gains and losses are determined based on the amortized cost of the asset and are recognized in the statement of income.

Reclassification of financial assets

Subsequent to initial recognition, the Group may reclassify financial assets only if the objective of its business model for managing those financial assets changes.

The Group is required to reclassify the following financial assets:

- from amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met
- from FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instruments contractual cash flows are SPPI
- from amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVTOCI at initial recognition is not permitted.

A change in the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the reporting period following the change in the business model.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Management may designate a financial liability at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows, or it is clear, with little or no analysis, that it would not be separately recorded.

Financial liabilities at FVTPL are initially measured at fair value without considering transaction costs. Subsequently, financial liabilities at FVTPL are re-measured fair value, and fair value gains and losses on these instruments are recognized as 'Trading and securities gain' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Miscellaneous income' when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on inputs provided by the BSP, Bureau of Treasury and investment bankers. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

As of December 31, 2021 and 2020, the Group's financial liabilities at FVTPL include derivative liabilities.

Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated as at FVTPL, are classified as financial liabilities at amortized cost under deposit liabilities, bills and acceptances payable, subordinated debt or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the effective interest rate (EIR).

Impairment of Financial Assets

PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced SICR since initial recognition, evidenced by missed payments (for monthly amortizing exposures) and/or the significant increase in the likelihood of default. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of the financial asset. The ECL model requires that lifetime ECL be recognized for credit-impaired financial instruments.

For the movement of accounts to better stages (i.e. from Stage 2 or 3 to Stage 1 or 2):

- Financial instruments are moved to better stages when there is significant improvement to the credit risk such that the criteria for assessment of the better stage are met and there is consistent evidence of good credit behavior by the borrower.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at initial recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Definition of “default” and “cure”

For the calculation of ECL, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes: 1) 91 days past due for amortizing exposures; or 2) non-collection of full amounts at maturity date for non-amortizing loans or bullet-payment loans. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate likelihood of non-payment when an account is under litigation. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., cured) when it no longer meets any of the default criteria and there is sufficient evidence to support full collection thru payments received for at least 6 months.

Credit risk at initial recognition

The Group has an internal credit assessment process to determine the credit risk of exposures at initial recognition. The Group has separate models for its key portfolios in which the customers are rated using internal credit rating grades. The models incorporate both qualitative and quantitative information.

Significant increase in credit risk (SICR)

The Group monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. A set of defined empirical-based rules and expert judgment that discriminate good and bad credit make up the SICR model. For corporate loans and investments to debt-type instruments, accounts are considered to have a SICR if the equivalent Probability of default (PD) exceeds the Group's set threshold. The Group also considers an account to have a SICR if contractual payments are more than thirty (30) days past due or the account is considered “watchlist”.

To capture the impact of the pandemic to the credit portfolios, the Bank performed the following: 1) updated the macroeconomic forecasts to reflect the downturn caused by the pandemic and the outlook on the recovery; and 2) identified borrower segments that are likely to experience income disruption due to the community quarantine restrictions and factor adjustments are applied to the expected loss parameters based on the estimated potential increase to defaults and/or difficulty in recoveries as determined through expert credit judgment.

Restructuring

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to create a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Accounts subjected to distressed restructuring with indications of unlikelihood to pay are categorized as impaired accounts and are initially moved to Stage 3.

Assessment of ECL on a collective basis

The Group calculates ECL either on an individual or collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar attributes (i.e., type of facility) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

ECL is a function of the PD, Exposure at default (EAD) and Loss given default (LGD), with consideration for the expected timing of the loss, and is estimated by incorporating forward-looking economic information through the use of statistical techniques and/or experienced credit judgment.

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The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or within the remaining life of the exposure for Stage 2. The PD for each individual instrument is modelled based on historical data and is adjusted for current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristics of the portfolio, behavior of the accounts and materiality of the portfolio as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts from irrevocable committed credit lines, EAD includes an estimate of any further amounts to be drawn at the time of default (i.e., credit conversion factor). LGD is the amount that may not be recovered in the event of default and is modelled based on historical net cash flow recoveries from collections and the sale of foreclosed assets.

Economic overlays

The Group incorporates economic overlays into its assessment of SICR and its measurement of ECL. A broad range of economic overlays are considered as economic inputs, such as GDP growth, inflation rates, unemployment rates and interest rates. 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 these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group's loans and receivables consists of different portfolios, such as auto, corporate, credit card receivables, mortgage loans, as well as other receivables (e.g., personal, branch, emerging enterprise lending, and Department of Education (DepEd) loans). In compliance with PFRS 9, the Group has developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Undrawn Loan Commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2019, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn amounts of irrevocable loan commitments is recognized in 'Other liabilities'.

Financial guarantees

Financial guarantees are initially recognized at fair value. Subsequent to initial recognition, the Group's liability under each financial guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement and the amount of related ECL.

Restructured loans

Loan restructuring 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 that future

payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment and credit losses' in the statement of income.

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 or transferred;
- the Group 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 Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Group 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 the asset nor transferred control over the asset, the asset is recognized to the extent of the Group'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 Group could be required to repay.

Financial assets are written off either partially or fully only when the Group has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statements of income.

Modification of financial assets

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

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

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The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

If the modification does not result in cash flows that are substantially different, as set out above, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

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 from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

SSURA

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as SSURA included in 'Bills and acceptances payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Property and Equipment

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

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs, and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives (EUL) of the property, equipment and ROU assets.

	Group	Parent
Buildings	25-40 years	30-40 years
Major furniture, fixtures and equipment	3-5 years	3-5 years
ROU asset	6-10 years	6-10 years

The EUL of the vaults of EWRB is 20 years. The cost of the leasehold improvements is amortized over the shorter of the covering lease term or the EUL of the improvements of 10 years.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use 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 included in the statement of income in the period the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are recorded as 'Investment properties' upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dacion in payment (dacion en pago). Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Investment properties comprise completed property and property under construction or re-development (land, buildings and malls) that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties also include right-of-use assets involving real properties that are subleased to other entities.

NOTES TO FINANCIAL STATEMENTS

For those right-of-use assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Group, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the statement of income under 'Gain on sale of assets' in the year of retirement or disposal.

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

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed 10 years for both buildings and condominium units.

Foreclosed properties of land or building are classified under Investment properties from foreclosure date.

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

Other repossessed assets

Other repossessed assets comprise of repossessed vehicles which are measured at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis using the remaining useful life from the time of acquisition of the asset. The useful life of other repossessed assets is estimated to be five (5) years.

The carrying values of 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 Nonfinancial Assets).

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed in the statement of income.

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Investments in Subsidiaries

Investments in subsidiaries in the Parent Company's separate financial statements are accounted for under the equity method.

Under the equity method, an investment in subsidiary is carried in the statement of financial position at cost plus post-acquisition changes in the Parent Company's share of the net assets of the subsidiary. Post-acquisition changes in the share of net assets of the subsidiaries include the share in the: (a) income or losses; and (b) remeasurement of retirement plans. Dividends received are treated as a reduction in the carrying amount of the investments. The statement of income reflects the share of the results of operations of the subsidiary. Where there has been a change recognized directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes and thus, when applicable, discloses in the statement of changes in equity. If the Parent Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Parent Company discontinues recognizing its share in further losses.

Investment in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

NOTES TO FINANCIAL STATEMENTS

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. The statement of income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of income and represents profit or loss after tax.

On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in a joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as 'Share in net income (loss) of joint venture' in the statement of income.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill and branch licenses, are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic 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 at each statement of financial position date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is 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 statement of income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 statement of income when the asset is derecognized.

Intangible assets include goodwill, branch licenses, customer relationship, core deposits and capitalized software (Note 13).

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Branch licenses

Branch licenses are determined to have indefinite useful lives. These are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortized. The useful life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Customer relationship and core deposits

Customer relationship and core deposits are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposits are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the credit cards business is amortized on a straight-line basis over its useful life of 40 years while the customer relationship related to the auto loans business and core deposits are amortized on a straight-line basis over its useful life of 13 and 10 years, respectively (Note 13).

Capitalized software

Capitalized software acquired separately is measured at cost on initial recognition. Following initial recognition, capitalized software is carried at cost less accumulated amortization and any accumulated impairment losses. The capitalized software is amortized on a straight-line basis over its estimated useful life of 5-10 years.

Card Acquisition Costs

Card acquisition costs represent capitalized commissions paid to third-party brokers for successfully originated credit card accounts, which are amortized over two years, the average relationship life with customers.

NOTES TO FINANCIAL STATEMENTS

Impairment of Nonfinancial Assets

An assessment is made at each statement of financial position date whether there is any indication of impairment of property and equipment, investment properties, other repossessed assets 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. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises, unless the asset is carried at a revalued amount in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations, unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the said asset.

The following criteria are also applied in assessing impairment of specific assets:

Property and equipment, investment properties and other repossessed assets

The carrying values of the property and equipment and investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or CGUs are written down to their recoverable amounts.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Branch licenses

Branch licenses are tested for impairment annually at the statement of financial position date either individually or at the CGU level, as appropriate.

Other intangible assets

Other intangible assets such as customer relationship, core deposits and capitalized software are assessed for impairment whenever there is an indication that they may be impaired.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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

Service charges and penalties

Service charges and penalties earned over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Service charges and penalties are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer and excludes amounts collected on behalf of third parties.

Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The Parent Company allocates a portion of the consideration received from interchange from credit cards to the reward points. This allocation is based on the estimated stand-alone selling prices. The amount allocated to the customer loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Income generated from customer loyalty programmes is recognized as part of 'Service charges, fees and commissions' in the statement of income.

Interest income

Under PFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets at FVOCI under PFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

Dividend income

Dividend income is recognized when the Group's right to receive payment is established.

Commissions earned on credit cards

Commissions earned on credit cards are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus 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 statement of financial position.

The unearned discount is taken to income over the installment terms and is computed using the effective interest method.

Gain on sale of assets

Income from sale of assets include any gains or losses on the retirement or disposal of property and equipment, investment properties, and other repossessed assets. The gain or loss arising from the derecognition is recognized in the statement of income in the year of retirement or disposal.

Other income

Income from sale of services or properties is recognized when control of such services or properties are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Expense Recognition

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

Expenses are recognized in the statement of income:

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

Expenses in the statement of income are presented using the nature of expense method. General and administrative expenses are cost attributable to administrative and other business activities of the Group.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized adjusted by lease payments made at or before the commencement date and lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the depreciable assets. The depreciation expense is presented under 'Depreciation and Amortization' in the statement of income.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO FINANCIAL STATEMENTS

Short-term leases and low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of ATM sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM sites that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Retirement Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlement to annual leave is recognized as a liability when the employees render the services that increase their annual leave entitlement. The cost of accumulating annual leave is measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Provisions and Contingencies

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

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to 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 financial statements when an inflow of economic benefits is probable.

Debt Issue Costs

Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVTPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred taxes

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of Minimum Corporate Income Tax (MCIT) over the regular income tax and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Current tax and deferred tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the statement of income.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Equity

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to Additional paid in capital account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid in capital' account. If additional paid-in capital is not sufficient, the excess is charged against 'Surplus'.

Surplus represents accumulated earnings of the Group less dividends declared.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (the Board or BOD) of the Parent Company and approved by the BSP. Dividends for the year that are declared and approved after the statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)

Basic EPS is determined by dividing the net income for the year attributable to common shares by the weighted average number of common shares outstanding during the year while diluted EPS is computed by dividing net income for the year attributable to common shares by the weighted average number of outstanding and dilutive potential common shares. Basic and diluted EPS are given retroactive adjustments for any stock dividends declared and stock rights exercised in the current year, if any. The Group does not have dilutive potential common shares.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is one that provides products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

The Group's operations are organized according to the nature of products and services provided. Financial information on business segments is presented in Note 6.

Events after the Financial Reporting Date

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

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 Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Unless otherwise stated, below significant judgements and estimates apply as of and for the years ended December 31, 2021, 2020 and 2019:

NOTES TO FINANCIAL STATEMENTS

Judgments

a) *Determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates*

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance review, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

b) *Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options, the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Upon adoption of PFRS 16, the Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

c) *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position.

It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 30).

d) *Evaluation of business model in managing financial assets and sale of investment securities at amortized cost*

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high-quality liquid assets while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group's business model allows for financial assets to be held to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than infrequent and more than insignificant sales are made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the

Group considers the following to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reason for those sales and why those sales do not reflect a change in the Group's objective for the business model:

- sales or derecognition of debt instrument under any of the circumstances spelled out under the relevant BSP Circulars on PFRS 9;
- sales in preparation for funding a potential aberrant behavior in the depositors' withdrawal pattern triggered by news of massive withdrawals or massive withdrawal already experienced by other systemically important banks in the industry;
- sales attributable to an anticipated or in reaction to major events in the local and/or international arena that may adversely affect the collectability of the debt instrument and seen to prospectively affect adversely the behavior of deposits or creditors; and
- sales that the Asset-Liability Management Committee (ALCO) deems appropriate to be consistent with managing the Group's balance sheet based upon but are not limited to the set risk limits and target ratios that have been approved by the BOD.

In 2021 and 2020, the Parent Company sold investment securities at amortized cost and assessed that the disposal was not inconsistent with the hold-to-collect (HTC) business model (see Note 8).

e) *Testing the cash flow characteristics of financial assets*

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

f) *Determination of joint control over EW Ageas Life*

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agree on the sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Based on the provisions of the joint venture arrangement between the Parent Company and Ageas (Note 10), both parties have to agree in order for any resolution to be passed relating to the joint venture entity's relevant activities. This joint arrangement is classified as a joint venture since the parties have rights to the net assets of the joint venture entity.

Estimates

a) *Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Parent Company and EWRB 'would have to pay', which requires estimation where no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company and EWRB estimate their respective IBRs for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying amount of the lease liabilities as of December 31, 2021 and 2020 is disclosed in Note 27.

NOTES TO FINANCIAL STATEMENTS

b) *Fair values of derivatives*

Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active market. Valuation techniques are used to determine fair values which are validated and periodically reviewed by qualified independent personnel. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, the models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to develop estimates and assumptions. Changes in assumptions about these factors could affect reported fair values of derivatives. The Group uses judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Fair value measurements of financial instruments (including derivatives) as of December 31, 2021 and 2020 are disclosed in Note 5.

a) *Estimation of expected credit losses on financial assets*

The COVID-19 pandemic is bringing the economy globally in a very uncertain state. Disruptions in many businesses have overtaken leading to further downward income, heightened debt, climbing costs, bankruptcies and defaults which are now felt in many countries. As the impact of the pandemic grows, the Group made changes in the methodology used in calculating for the expected credit losses.

In 2021, the Group made some enhancements and updates in the ECL model of the Group as follows:

- updating of the coverage data for the historical components of the model, thus, partially incorporating the impact of the pandemic; and
- updating of the “house view” or the economic outlook of the Group to account for the availability of vaccines for COVID-19 that is expected to result to easing of restrictions, and subsequently, economic recovery.

The former is used as basis for establishing the relationship between economic conditions, and the default and recovery experience of the Group, and the latter is used as input for estimating the forward-looking expected loss.

Further, the components of the 2020 ECL models which were based on expert credit judgment and were put in place to address the limitation of the historical data (i.e., no data for the pandemic) are no longer necessary and are, therefore, not included in the 2021 recalibrated ECL models because the update in coverage data addressed the limitation.

The measurement of credit losses under PFRS 9 across all categories of financial assets requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Group’s credit risk exposures;
- the Group’s definition of default;

- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

The carrying values of loans and receivables and the related allowance are disclosed in Notes 9 and 15, while the carrying values of debt financial assets at FVTOCI and amortized cost and their related allowances are disclosed in Notes 8 and 15.

b) *Impairment of non-financial assets (excluding goodwill and branch licenses)*

The Group assesses impairment on non-financial assets and considers the following impairment indicators:

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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other non-financial assets is determined based on the assets’ value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the investment in subsidiaries and joint venture, property and equipment, investment properties, intangible assets (excluding goodwill and branch licenses), and other non-financial assets recorded in ‘Other Assets’ of the Group and the Parent Company are disclosed in Notes 10, 11, 12, 13, and 14.

c) *Impairment of goodwill and branch licenses*

The Group determines whether goodwill and branch licenses are impaired at least on an annual basis. Goodwill and branch licenses are written down for impairment where the net present value of the forecasted future cash flows from the CGUs is insufficient to support its carrying value. The Group has used the cost of equity as the discount rate for the value in use (VIU) computation. The Group determined the cost of equity using the capital asset pricing model.

The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the BOD covering a five-year period. Future cash flows from the CGU are estimated based on the theoretical annual income of the CGU. Average growth rate was derived from the average increase in annual income during the last 5 years. The discount rate applied reflects the current market assessment of the risk specific to each CGU. Key assumptions in VIU calculation of CGUs are most sensitive to the following assumptions: a) interest margin; b) discount rates; c) market share during the budget period; and d) projected growth rates used to extrapolate cash flows beyond the budget period.

The carrying values of goodwill and branch licenses of the Group and the Parent Company are disclosed in Note 13.

NOTES TO FINANCIAL STATEMENTS

d) *Recognition of deferred tax assets*

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

Key assumptions used in forecast of future taxable income include loan portfolio and deposit growth rates.

The Group believes it will be able to generate sufficient taxable income in the future to utilize its deferred tax assets. Taxable income is sourced mainly from interest income, and earnings from service charges, fees, commissions and trust activities.

The recognized and unrecognized net deferred tax assets of the Group and of the Parent Company are disclosed in Note 25.

e) *Retirement obligation*

The cost of defined benefit retirement plans, and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases, and pension increases are based on historical annual merit, market and promotional increase and future inflation rates.

The present value of the defined benefit obligation of the Group and of the Parent Company and details about the assumptions used are disclosed in Note 26.

4. Financial Risk Management Objectives and Policies

Risk Management

To ensure that corporate goals and objectives, and business and risk strategies are achieved, the Parent Company utilizes a risk management process that is applied throughout the organization in executing all business activities. Employees' functions and roles fall into one of the three categories where risk must be managed: business units, operating units and governance units.

The Parent Company's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. Forming part of a coherent risk management system are the risk concepts, control tools, analytical models, statistical methodologies, historical research and market analysis, which are being employed by the Parent Company. These tools support the key risk process that involves identifying, measuring, controlling, and monitoring risks.

Risk Management Structure

a. *Board of Directors (BOD)*

The Parent Company's risk culture is practiced and observed across the Group, putting the prime responsibility on the BOD. It establishes the risk culture and the risk management organization and incorporates the risk process as an essential part of the strategic plan of the Group. The BOD approves the Parent Company's articulation of risk appetite which is used internally to help management understand the tolerance for risk in each of the major risk categories, its measurement and key controls available that influence the Parent Company's level of risk taking. All risk management policies and policy amendments, risk-taking limits such as but not limited to credit and trade transactions, market risk limits, counterparty limits, trader's limits and activities are based on the Parent Company's established approving authorities which are approved by the Parent Company's BOD. At a high level, the BOD also approves the Parent Company's framework for managing risk.

b. *Executive Committee*

This is a BOD level committee, which reviews the bankwide credit strategy, profile and performance. It approves the credit risk-taking activities based on the Parent Company's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System.

c. *Loan and Investments Committee*

This committee is headed by the Chairman of the Parent Company and whose primary responsibility is to: oversee the Parent Company's credit risk-taking activities and overall adherence to the credit risk management framework; review business/credit risk strategies, quality and profitability of the Parent Company's credit portfolio; and recommend changes to the credit evaluation process, credit risk acceptance criteria and the minimum and target return per credit or investment transaction. All credit risk-taking activities based on the Parent Company's established approving authorities are evaluated and approved by this committee. It establishes infrastructure by ensuring business units have the right systems, and adequate and competent manpower support to effectively manage its credit risk.

d. *Asset-Liability Management Committee (ALCO)*

ALCO, a management level committee, meets on a weekly basis and is responsible for the overall management of the Parent Company's market, liquidity, and financial position related risks. It monitors the Parent Company's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others, (a) ensuring that the Parent Company and each business unit holds sufficient liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee and BOD, and (e) approving the assumptions used in contingency and funding plans. It also reviews cash flow forecasts, stress testing scenarios and results, and implements liquidity limits and guidelines.

NOTES TO FINANCIAL STATEMENTS

e. Risk Management Committee (RMC)

RMC is a BOD level committee that convenes monthly and is primarily responsible in assisting the BOD in managing the Parent Company's risk-taking activities. This is performed by the Committee by institutionalizing risk policies and overseeing the Parent Company's risk management system. It develops and recommends risk appetite and tolerances for the Parent Company's major risk exposures to the BOD. Risk management principles, strategies, framework, policies, processes, and initiatives and any modifications and amendments thereto are reviewed and approved by RMC. It oversees and reports to the BOD the effectiveness of the risk management system, overall risk profile, and compliance with the risk appetite and tolerances that the BOD approved.

f. Risk Management Subcommittee (RMSC)

RMSC is a management level committee that convenes, at least twice in a year, and is responsible to assist RMC in fulfilling its responsibilities in managing the Parent Company's risk-taking activities. This is performed by the committee through the implementation of risk management principles, strategies, framework, policies, processes, and initiatives across the Parent Company. It leads the effective conduct of risk and capital management. It oversees and directs the management of the Parent Company's overall risk profile. The committee likewise oversees risk incidents, control gaps, and control deficiencies and management actions in implementing the corresponding corrective actions.

g. Audit Committee (Audit Com)

The Audit Com is a BOD level committee that assists the BOD in fulfilling its responsibilities for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide reasonable assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It is tasked to discuss with management the Parent Company's major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the Parent Company's risk assessment and risk management policies. The Audit Com oversees the internal audit function and is responsible for monitoring and reviewing its effectiveness while ensuring its independence.

h. Corporate Governance and Compliance Committee (CGCC)

The CGCC is a BOD level committee that leads the Parent Company in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of the Parent Company's compliance program, money laundering and terrorist financing prevention program and ensuring that regulatory compliance issues are resolved expeditiously. In addition to its governance role, the CGCC also assumes the nomination function whereby it reviews and evaluates the qualifications of all persons nominated to the BOD, all direct reports of the President and Chief Executive Officer (CEO), Heads of Governance Units regardless of rank, and other positions of the Parent Company requiring appointment by the BOD. The committee oversees the annual performance evaluation of the BOD, its committees, and individual directors and conducts an annual self-evaluation of its performance as prescribed under and in accordance with the Corporate Governance Manual and Securities and Exchange Commission (SEC) Code of Corporate Governance for Publicly Listed Companies.

i. Related Party Transactions (RPT) Committee

The RPT Committee is a BOD level committee that assists the BOD in ensuring that the transactions with related parties of the Parent Company are handled in a sound and prudent manner, with integrity and in compliance with the applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. It also ensures that related party transactions are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged by such transactions.

j. Asset Impairment Committee (AIC)

AIC is a management level committee that convenes at least two times in a year and shall officially represent the Parent Company's source of experienced credit judgement insofar as the asset impairment exercise is concerned. This experienced credit judgment is tapped to provide guidance under the conditions that include, but are not limited to the following: 1) The result of the calculation is assessed to be unreasonable such that it is considered as not fairly representative of the Parent Company's historical experience, current, and prospective credit condition or other conditions deemed relevant in reasonably determining the Parent Company's assets' recoverable value; 2) There is an adverse change in the prevailing or foreseen prospective economic condition relative to the embedded presumption in the existing impairment framework; and 3) The data set in the calculation parameters is not available or insufficient to complete the calculation.

k. Risk Management Division (RMD)

RMD performs an independent risk governance function within the Parent Company. RMD is tasked with identifying, measuring, controlling, and monitoring existing and emerging risks inherent in the Parent Company's overall portfolio (on- or off-balance sheet). RMD develops and employs risk assessment tools to facilitate risk identification, analysis and measurement. It is responsible for developing and implementing the framework for policies and practices to assess and manage enterprise-wide market, credit, operational, and all other risks of the Parent Company.

It also develops and endorses risk tolerance limits for BOD approval, as endorsed by the RMC, and monitors compliance with approved risk tolerance limits. Finally, it regularly apprises the BOD, through the RMC, the results of its risk monitoring.

l. Internal Audit (IA)

IA provides an independent assessment of the adequacy of the Parent Company's internal controls, risk management, governance framework and execution/operational practices. Internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) and the Code of Ethics. IA has adopted a risk assessment methodology, which provides a sound basis in the selection of areas of coverage and frequency of audit for the preparation of the annual audit plan. IA employs a risk-based audit approach that examines both the adequacy of the policies and the Parent Company's compliance with the procedures while assuring audit coverage of the areas identified as representing the greatest current risk. It discusses the results of assessments with management, and reports its findings and recommendations to the Audit Com. IA's activities are suitably designed to provide the BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Parent Company's policies, standards, procedures and applicable laws and regulations.

NOTES TO FINANCIAL STATEMENTS

m. Compliance Division

Compliance Division is vested with the responsibility of overseeing the design of the Parent Company's Compliance Program and coordinating its effective implementation towards the sound management of Business and Compliance Risks. It also manages the implementation of the Money Laundering and Terrorist Financing Program. Its mandate is to ensure that the Parent Company is compliant with relevant and applicable laws, rules, regulations, codes of conduct and standards of good practice while avoiding an overly risk-averse environment that inhibits business growth. It serves as the Parent Company's central point of contact with banking regulators.

The major risk types identified by the Group are disclosed in the following section:

Credit Risk

Credit risk refers to the potential loss of earnings or capital arising from an obligor/s, customer/s or counterparty's failure to perform and/or to meet the terms of any contract with the Group. Credit risk may last for the entire tenor of the exposure, may be set at the full amount of the transaction and in some cases, may exceed the original principal exposure. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by the Group. To identify and assess this risk, the Group has: 1) approval process per borrower, business and/or product segment; and 2) structured and standardized credit rating for corporate, credit cards, auto, mortgage and personal loans, and risk acceptance criteria for other consumer loans. For large corporate credit transactions, the Parent Company has a comprehensive procedure for credit evaluation, risk assessment, and well-defined concentration limits that are established for each borrower. The Group's credit risk is managed at the portfolio level, which may be on an overall perspective or according to product type.

Credit Concentration

Excessive concentration of lending plays a significant role in the weakening of asset quality. The Group reduces this risk by diversifying its loan portfolios across various sectors and borrowers. The Group believes that good diversification across economic sectors and geographic areas, among others, will enable it to ride through business cycles without causing undue harm to its asset quality.

The Group's loan portfolio is in line with the Group's policy of not having significant concentrations of exposure to specific industries or group of borrowers. Management of risk concentration is by client/counterparty, by industry sector, and by geographical location. For risk concentration monitoring purposes, the financial assets are broadly categorized into loans and receivables, loans and advances to banks, and investment securities. The Group ensures compliance with BSP's limit on exposure to any single person or group of connected persons by closely monitoring large exposures and top 20 borrowers for both single and group accounts.

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the Parent Company's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.00%) of their aggregate outstanding balance. This is to maintain the quality of the large exposures within the Group's risk appetite. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Group's loan facilities.

Aligned with the Manual of Regulations for Banks definition, the Group considers its loan portfolio concentrated if it has exposures of more than thirty percent (30.00%) to an industry.

Credit Concentration Profile as of December 31, 2021 and 2020

Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Group and the Parent Company's financial instruments, excluding those where the carrying values are reflected in the statement of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancement:

	Consolidated							
	2021				2020			
	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] - [C]	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] - [C]
Securities purchased under resell agreement (SPURA)	P15,800,317	P15,800,317	P15,800,317	P-	P15,819,273	P15,819,273	P15,819,273	P-
Loans and receivables:								
Receivables from customers								
Corporate lending	60,660,458	23,239,516	7,393,026	53,267,432	58,903,518	25,216,102	6,996,156	51,907,362
Consumer lending	155,205,608	81,773,992	68,747,156	86,458,452	186,623,432	105,385,234	80,379,884	106,243,548
	P231,666,383	P120,813,825	P91,940,499	P139,725,884	P261,346,223	P146,420,609	P103,195,313	158,150,910

	Parent Company							
	2021				2020			
	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] - [C]	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] - [C]
Securities purchased under resell agreement (SPURA)	P15,800,317	P15,800,317	P15,800,317	P-	P15,819,273	P15,819,273	P15,819,273	P-
Loans and receivables:								
Receivables from customers*								
Corporate lending	60,588,661	23,129,413	7,342,379	53,246,282	58,831,184	25,074,517	6,939,244	51,891,940
Consumer lending	130,252,619	81,763,664	68,741,543	61,511,076	162,713,348	105,373,563	80,374,655	82,338,693
	P206,641,597	P120,693,394	P91,884,239	P114,757,358	P237,363,805	P146,267,353	P103,133,172	P134,230,633

Credit risk, in respect of derivative financial products, is limited to those with positive fair values which are included under financial assets at FVTPL (Note 5). As a result, the maximum credit risk is limited to the amounts on the statements of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 36 to the financial statements.

For off-balance sheet items, the figures presented below summarize the Group's and the Parent Company's maximum exposure to credit risk:

	2021					2020				
	Notional Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure	Notional Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure
Off-balance sheet items*										
Direct credit substitutes	P981,418	100%	P981,418	-	P981,418	P529,135	100%	P529,136	-	P529,136
Transaction-related contingencies	2,503,695	50%	1,251,848	-	1,251,848	1,600,501	50%	800,250	-	800,250
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	-	-	-	-	-	-	-	-	-	-
Guarantees	7,531,324	20%	1,506,265	-	1,506,265	5,458,540	20%	1,091,708	-	1,091,708
Letters of credit	1,776,663	20%	355,333	-	355,333	193,387	20%	38,677	-	38,677
	P12,793,100		P4,094,864	P-	P4,094,864	P7,781,563		P2,459,771	P-	P2,459,771

*For all other off-balance sheet exposures (see Note 30), credit conversion factor is 0.00%.

NOTES TO FINANCIAL STATEMENTS

Collateral and other credit enhancements

Collaterals are taken into consideration during the loan application process as they offer an alternative way of collecting from the client should a default occur. The percentage of loan value attached to the collateral offered is part of the Group's lending guidelines. Such percentages take into account safety margins for foreign exchange rate exposure/fluctuations, interest rate exposure, and price volatility.

Collaterals are valued according to existing credit policy standards and following the latest appraisal report, serve as the basis for the secured amount of the loan facility. Premium security items are collaterals that have the effect of reducing the estimated credit risk for a facility. The primary consideration for enhancements falling under such category is the ease of converting them to cash.

The Group is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Group's policy to dispose foreclosed assets in an orderly fashion. The proceeds of the sale of the foreclosed assets, included under 'Investment Properties', are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

As part of the Group's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to legal review prior to implementation.

Credit collaterals profile

The table below provides the collateral profile of the outstanding loan portfolio of the Group and the Parent Company:

	Consolidated				Parent Company			
	2021		2020		2021		2020	
	Gross Amount	%	Gross Amount	%	Gross Amount	%	Gross Amount	%
Loans secured by:								
Chattel	P68,733,473	31.84	P93,327,644	38.01	P68,733,473	36.02	P93,064,560	42.01%
Real estate	24,827,272	11.50	25,609,396	10.43	24,774,042	12.98	25,546,116	11.53%
Others*	11,659,198	5.40	11,844,008	4.82	11,385,562	5.97	11,837,405	5.34%
	105,219,943	48.74	130,781,048	53.26	104,893,077	54.97	130,448,081	58.88%
Unsecured	110,646,123	51.26	114,745,902	46.74	85,948,203	45.03	91,096,451	41.12%
	P215,866,066	100.00	P245,526,950	100.00	P190,841,280	100.00	P221,544,532	100.00%

*Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of receivables etc.

The credit exposures, after due consideration of the allowed credit enhancements, are considered the maximum credit exposure to any client or counterparty.

As for the computation of credit risk weights, hold-out on deposits with the Parent Company, Home Guaranty cover, and Philippine sovereign guarantees are the only credit risk mitigants considered as eligible.

Large exposures and top 20 borrowers

The table below summarizes the top 20 borrowers and large exposures of the Group and the Parent Company:

	2021			
	Top 20 Borrowers		Large Exposures*	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure	P25,784,739	P28,765,380	P13,304,419	P16,579,678
Composite Risk Rating	2.91	3.16	1.76	2.17
Total Credit Loss/Aggregate Exposure	0.35%	0.44%	0.24%	0.24%

*Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5.00% of the Parent Company's qualifying capital.

	2020			
	Top 20 Borrowers		Large Exposures*	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure	P25,628,061	P27,928,040	P13,978,102	P15,105,972
Composite Risk Rating	2.88	3.05	1.73	1.87
Total Credit Loss/Aggregate Exposure	0.29%	0.33%	0.17%	0.20%

*Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5.00% of the Parent Company's qualifying capital.

Concentration by industry

The tables below show the distribution of the Group and the Parent Company's financial assets before taking into account any collateral or other credit enhancements analyzed by industry sector as of December 31, 2021 and 2020:

	Consolidated					
	2021					
	Loans and Receivables		Loans and Advances to Banks*		Investment Securities**	Other Financial Assets***
	Amount	%				
Private households with employed persons	P138,747,581	61.33	P-	P-	P-	P138,747,581
Financial intermediaries	7,476,554	3.30	95,701,081	2,268,089	-	105,445,724
Government and foreign sovereign	448,403	0.20	-	56,765,532	-	57,213,935
Real estate, renting and business activity	27,879,851	12.32	-	1	-	27,879,852
Wholesale and retail trade, repair of motor vehicles	17,804,479	7.87	-	-	-	17,804,479
Manufacturing	7,306,052	3.23	-	125	-	7,306,177
Electricity, gas, steam and air-conditioning supply	5,909,564	2.61	-	964,826	-	6,874,390
Other service activities	2,742,660	1.21	-	1,900,078	-	4,642,738
Accommodation and food service activities	3,326,412	1.47	-	540,767	-	3,867,179
Holding	66,504	0.03	-	4,105,002	-	4,171,506
Transportation and storage	2,322,920	1.03	-	-	-	2,322,920
Construction	1,699,176	0.75	-	-	-	1,699,176
Administrative and support service activities	1,486,993	0.66	-	-	-	1,486,993
Agriculture, fisheries and forestry	892,731	0.39	-	-	-	892,731
Others****	8,128,030	3.60	-	-	501,729	8,629,759
	226,237,910	100.00	95,701,081	66,544,420	501,729	388,985,140
Allowance for credit losses (Note 15)	12,675,324	-	4,549	11,619	-	12,691,492
Total	P213,562,586		P95,696,532	P66,532,801	P501,729	P376,293,648

* Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA

** Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.

*** Includes other financial assets presented under 'Other assets' (Note 14)

**** Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.

	Consolidated					
	2020					
	Loans and Receivables		Loans and Advances to Banks*		Investment Securities**	Other Financial Assets***
	Amount	%				
Private households with employed persons	P173,883,247	67.66	P-	P-	P-	P173,883,247
Financial intermediaries	9,013,689	3.51	77,395,996	2,139,417	-	88,549,102
Government and foreign sovereign	465,421	0.18	-	51,360,350	-	51,825,771
Real estate, renting and business activity	29,672,961	11.55	-	1	-	29,672,962
Wholesale and retail trade, repair of motor vehicles	16,600,065	6.46	-	-	-	16,600,065
Electricity, gas, steam and air-conditioning supply	6,551,604	2.55	-	4,426,037	-	10,977,641
Manufacturing	6,669,741	2.60	-	125	-	6,669,866
Accommodation and food service activities	3,119,874	1.21	-	-	-	3,119,874
Other service activities	3,071,040	1.19	-	-	-	3,071,040
Transportation and storage	2,428,513	0.94	-	-	-	2,428,513
Construction	1,790,502	0.70	-	-	-	1,790,502
Agriculture, fisheries and forestry	1,032,716	0.40	-	-	-	1,032,716
Administrative and support service activities	618,430	0.24	-	-	-	618,430
Holding	-	-	-	-	-	-
Others****	2,090,546	0.81	-	-	488,640	2,579,186
	257,008,349	100.00	77,395,996	57,925,930	488,640	392,818,915
Allowance for credit losses (Note 15)	13,291,920	-	110	30,932	-	13,322,962
Total	P243,716,429		P77,395,886	P57,894,998	P488,640	P379,495,953

* Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA

** Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.

*** Includes other financial assets presented under 'Other assets' (Note 14)

**** Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.

NOTES TO FINANCIAL STATEMENTS

Consideration is also given to security arrangements in computing for the final BRR. Depending on certain requisites, an account secured by real estate mortgages and hold-out on deposits or guarantees may be upgraded to better risk classifications.

The BRR for each borrower is reviewed annually. A more frequent review is warranted in cases where the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy.

The following is a brief explanation of the Parent Company's risk grades:

Rating	Description	Account/Borrower Characteristics
1	Excellent	<ul style="list-style-type: none"> low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness has ready access to adequate funding sources high degree of stability, substance and diversity of the highest quality under virtual economic conditions
2	Strong	<ul style="list-style-type: none"> low probability of going into default in the coming year access to money markets is relatively good business remains viable under normal market conditions strong market position with a history of successful financial performance financials show adequate cash flows for debt servicing and generally conservative balance sheets
3	Good	<ul style="list-style-type: none"> sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate financial performance is good and capacity to service debt remains comfortable cash flows remain healthy and critical balance sheet ratios are at par with industry norms reported profits in the past three years and expected to sustain profitability in the coming year
4	Satisfactory	<ul style="list-style-type: none"> clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance normally have limited access to public financial markets able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period combination of reasonably sound asset and cash flow protection
5	Acceptable	<ul style="list-style-type: none"> risk elements for the Parent Company are sufficiently pronounced, but would still be able to withstand normal business cycles immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection

Rating	Description	Account/Borrower Characteristics
5B	Acceptable	<ul style="list-style-type: none"> financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown continuous decline in revenues and margins due to competition substantial or unexplained build-up in borrowings with banks financing bulk of working capital and capex requirements coupled by substantial dividends pay-outs chronically tight cash flows with operating income negative or barely enough for debt servicing with past record of past due loans with other banks, cancelled credit cards and court cases
6	Watchlist	<ul style="list-style-type: none"> with identified disruptions that may negatively affect performance but are likely to be resolved within the year deteriorating revenue, net income, margins, leverage which may lead to loss on credit exposure if trends are not reversed thin margin business with high debt burden with increase in debt level not commensurate to growth in revenues and funding requirements
7	Special Mention	<ul style="list-style-type: none"> not meeting expectations on business projections and/or repayment schedule experienced sudden and unexpected adverse event which is likely to affect business operations and eventually loan repayment maxed out lines with banks and availments evergreen with minimal payments made over time some payment defaults but with probability to revert to current loan has been restructured but conditions that fully met litigation is being contemplated
8	Substandard	<ul style="list-style-type: none"> net loss for the last 2 years that have eroded capital substantially with no clear prospects of a turnaround or capital infusion from owners evergreen for 2 years with lines with all creditors maxed-out and no clear source of repayment due to chronic tightness in cashflows recurring past due status due to cashflow problems with no definite commitment to pay or restructure restructured but not complied with serious flaws in Type A documentation that have surfaced after loan release collection case filed
9	Doubtful	<ul style="list-style-type: none"> continuing losses that have totally wiped out equity business viability uncertain due to adverse business conditions such as substantial loss of market share, unsalable products due to obsolescence, competition, and influx of cheap substitutes business is bankrupt but may have pending recovery plans such as merger or acquisition, capital infusion and refinancing plans that classification to loss is deferred with assets for liquidation but full recovery of principal uncertain due to marketability and outstanding claims

NOTES TO FINANCIAL STATEMENTS

Rating	Description	Account/Borrower Characteristics
10	Loss	<ul style="list-style-type: none"> business is non-operational and loans are considered absolutely uncollectible due to presence of fraud and major build-up of claims and litigation borrower's whereabouts unknown or insolvent or earning power-impaired and guarantors are insolvent or guarantee not financially supported

It is the Parent Company's policy to maintain accurate and consistent risk ratings across the corporate credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of businesses, geographic regions, and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The risk ratings are assessed and updated regularly.

The consumer loan portfolio of the Group is composed of the following product lines: credit cards, auto, mortgage, salary, personal and branch loans. Each of these products have established credit risk guidelines and systems for managing credit risk across all businesses. For credit cards, auto, mortgage and personal loans, application and behavioral scoring models are in place that primarily consider demographic variables and payment behavior, respectively, for the assessment of the likelihood of default by the borrower. For the other consumer loans, minimum risk acceptance criteria were set for each portfolio according to the nature of the product and the target market and is used for the evaluation of the credit quality of borrowers at origination.

For purposes of comparison of different exposure types, the credit portfolios (corporate and consumer) of the Parent Company are benchmarked against marketable corporate debt securities (using the Standard & Poor's (S&P) global study on corporate exposures) based on credit risk rating and corresponding PDs (i.e., Investment Grade – BRR 1 to 4, Standard Grade – BRR 5, Substandard Grade – BRR 5B to 6, Nonperforming – BRR 7 to 10).

The Parent Company assigns credit risk using the following credit score master scale:

Credit quality	Description	Credit rating
Investment Grade	These accounts are of the highest quality and are likely to meet financial obligations.	AAA to AA+
		AA
		AA-
		A+
		A
		A-
		BBB+
		BBB
Standard Grade	These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.	BBB-
		BB+
		BB
		BB-
		B+
		B
		B-
Substandard Grade	These accounts are vulnerable to non-payment but for which default has not yet occurred.	CCC+ to C-
Non-Performing	These refer to accounts which are in default or those that demonstrate objective evidence of impairment.	Default

External Ratings

The Group also uses external ratings, such as S&P's, Moody's, and Fitch, to evaluate its counterparties and in its assignment of credit risk weights to its banking book exposures. Transactions falling under this category are normally of the following nature: placements with other banks, money market lending, debt security investments, and to some extent, equity security investments.

Credit rating grades of gross carrying amounts of financial assets

The credit quality by class of the Group's loans and receivables (gross of allowance for credit losses and unamortized premium) as of December 31, 2021 and 2020 are as follows:

	2021			Total
	Stage 1	Stage 2	Stage 3	
Corporate loans*				
Investment Grade	₱24,959,273	₱15,000	₱–	₱24,974,273
Standard Grade	2,740,566	30,872,894	–	33,613,460
Substandard Grade	–	20,375	–	20,375
Non-Performing	–	–	2,148,172	2,148,172
	27,699,839	30,908,269	2,148,172	60,756,280
Auto loans				
Investment Grade	–	–	–	–
Standard Grade	36,807,928	16,793,578	–	53,601,506
Substandard Grade	–	5,335	–	5,335
Non-Performing	–	–	11,619,771	11,619,771
	36,807,928	16,798,913	11,619,771	65,226,612
Credit cards				
Investment Grade	85,514	21,725	–	107,239
Standard Grade	22,474,517	4,697,266	–	27,171,783
Substandard Grade	671,741	1,881,498	–	2,553,239
Non-Performing	–	–	3,373,766	3,373,766
	23,231,772	6,600,489	3,373,766	33,206,027
Mortgage loans				
Investment Grade	–	–	–	–
Standard Grade	13,318,939	2,892,664	–	16,211,603
Substandard Grade	2,267	1,359,978	–	1,362,245
Non-Performing	–	–	2,325,687	2,325,687
	13,321,206	4,252,642	2,325,687	19,899,535
Other consumer loans**				
Investment Grade	67	96	–	163
Standard Grade	27,829,140	268,972	–	28,098,112
Substandard Grade	77,903	2,255,139	–	2,333,042
Non-Performing	–	–	3,671,193	3,671,193
	27,907,110	2,524,207	3,671,193	34,102,510
Unquoted debt securities				
Non-Performing	₱–	₱–	₱332,115	₱332,115
	–	–	332,115	332,115
Other receivables***				
Investment Grade	587,936	274	–	588,210
Standard Grade	4,975,649	2,407,100	–	7,382,749
Substandard Grade	28,094	111,148	–	139,242
Non-Performing	–	–	1,929,528	1,929,528
	5,591,679	2,518,522	1,929,528	10,039,729
Total	₱134,559,534	₱63,603,042	₱25,400,232	₱223,562,808

*Include Corporate loans, Emerging Enterprise Loans and Branch Loans

**Include DepEd loans, Employee loans, Salary loans, Personal loans,

*** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

NOTES TO FINANCIAL STATEMENTS

	2020			Total
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	
Corporate loans*				
Investment Grade	₱18,275,811	₱1,924,952	₱–	₱20,200,763
Standard Grade	3,409,303	33,414,781	–	36,824,084
Substandard Grade	–	1,463	–	1,463
Non-Performing	–	–	2,139,417	2,139,417
	21,685,114	35,341,196	2,139,417	59,165,727
Auto loans				
Investment Grade	1,861,532	116,260	–	1,977,792
Standard Grade	31,334,217	35,256,262	–	66,590,479
Substandard Grade	684,099	8,532,872	–	9,216,971
Non-Performing	–	–	11,622,319	11,622,319
	33,879,848	43,905,394	11,622,319	89,407,561
Credit cards				
Investment Grade	3,216,792	–	–	3,216,792
Standard Grade	13,828,473	5,505,413	–	19,333,886
Substandard Grade	1,621,108	5,533,334	–	7,154,442
Non-Performing	–	–	1,774,299	1,774,299
	18,666,373	11,038,747	1,774,299	31,479,419
Mortgage loans				
Investment Grade	₱903,706	₱–	₱–	₱903,706
Standard Grade	5,739,198	6,864,648	–	12,603,846
Substandard Grade	6,023	7,263,520	–	7,269,543
Non-Performing	–	–	1,164,477	1,164,477
	6,648,927	14,128,168	1,164,477	21,941,572
Other consumer loans**				
Investment Grade	300,213	7,500	–	307,713
Standard Grade	29,645,401	323,669	–	29,969,070
Substandard Grade	2,259,134	1,578,350	–	3,837,484
Non-Performing	–	–	3,157,062	3,157,062
	32,204,748	1,909,519	3,157,062	37,271,329
Unquoted debt securities				
Non-Performing	–	–	335,668	335,668
	–	–	335,668	335,668
Other receivables***				
Investment Grade	623,618	28,140	–	651,758
Standard Grade	3,777,661	3,287,260	–	7,064,921
Substandard Grade	185,543	1,129,835	–	1,315,378
Non-Performing	–	–	2,113,674	2,113,674
	4,586,822	4,445,235	2,113,674	11,145,731
Total	₱117,671,832	₱110,768,259	₱22,306,916	₱250,747,007

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans.

*** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

The credit quality by class of the Parent Company's loans and receivables (gross of allowance for credit losses and unamortized premium) as of December 31, 2021 and 2020 are as follows:

	2021			Total
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	
Corporate loans*				
Investment Grade	₱24,959,273	₱15,000	₱–	₱24,974,273
Standard Grade	2,721,158	30,872,894	–	33,594,052
Substandard Grade	–	20,104	–	20,104
Non-Performing	–	–	2,095,723	2,095,723
	27,680,431	30,907,998	2,095,723	60,684,152
Auto loans				
Investment Grade	–	–	–	–
Standard Grade	36,807,928	16,793,578	–	53,601,506
Substandard Grade	–	5,335	–	5,335
Non-Performing	–	–	11,619,771	11,619,771
	36,807,928	16,798,913	11,619,771	65,226,612
Credit cards				
Investment Grade	85,514	21,725	–	107,239
Standard Grade	22,474,517	4,697,266	–	27,171,783
Substandard Grade	671,741	1,881,498	–	2,553,239
Non-Performing	–	–	3,373,766	3,373,766
	23,231,772	6,600,489	3,373,766	33,206,027
Mortgage loans				
Investment Grade	–	–	–	–
Standard Grade	13,318,939	2,892,664	–	16,211,603
Substandard Grade	2,267	1,359,978	–	1,362,245
Non-Performing	–	–	2,325,687	2,325,687
	13,321,206	4,252,642	2,325,687	19,899,535
Other Consumer Loans**				
Investment Grade	67	96	–	163
Standard Grade	5,382,471	268,972	–	5,651,443
Substandard Grade	77,903	302,574	–	380,477
Non-Performing	–	–	1,740,001	1,740,001
	5,460,441	571,642	1,740,001	7,772,084
Unquoted Debt Securities				
Non-Performing	–	–	322,115	322,115
	–	–	322,115	322,115
Other receivables***				
Investment Grade	555,449	274	–	555,723
Standard Grade	4,701,403	2,407,100	–	7,108,503
Substandard Grade	28,094	89,930	–	118,024
Non-Performing	–	–	1,894,200	1,894,200
	5,284,946	2,497,304	1,894,200	9,676,450
Total	₱111,786,724	₱61,628,988	₱23,371,263	₱196,786,975

*Include Corporate loans, Emerging Enterprise Loans and Branch Loans

**Include DepEd loans, Employee loans, Salary loans, Personal loans.

*** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

	2020			Total
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	
Corporate loans*				
Investment Grade	₱18,275,810	₱1,924,952	₱–	₱20,200,762
Standard Grade	3,389,172	33,414,695	–	36,803,867
Substandard Grade	–	1,463	–	1,463
Non-Performing	–	–	2,086,968	2,086,968
	21,664,982	35,341,110	2,086,968	59,093,060
Auto loans				
Investment Grade	1,861,532	116,260	–	1,977,792
Standard Grade	31,334,217	35,256,262	–	66,590,479
Substandard Grade	684,099	8,532,872	–	9,216,971
Non-Performing	–	–	11,622,319	11,622,319
	33,879,848	43,905,394	11,622,319	89,407,561

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2020			
	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3	
Credit cards				
Investment Grade	₱3,216,792	₱–	₱–	₱3,216,792
Standard Grade	13,828,473	5,505,413	–	19,333,886
Substandard Grade	1,621,108	5,533,334	–	7,154,442
Non-Performing	–	–	1,774,299	1,774,299
	18,666,373	11,038,747	1,774,299	31,479,419
Mortgage loans				
Investment Grade	903,706	–	–	903,706
Standard Grade	5,739,198	6,864,648	–	12,603,846
Substandard Grade	6,023	7,263,520	–	7,269,543
Non-Performing	–	–	1,164,477	1,164,477
	6,648,927	14,128,168	1,164,477	21,941,572
Other Consumer Loans**				
Investment Grade	1,402	489	–	1,891
Standard Grade	8,451,284	323,669	–	8,774,953
Substandard Grade	2,070,675	143,561	–	2,214,236
Non-Performing	–	–	1,194,552	1,194,552
	10,523,361	467,719	1,194,552	12,185,632
Unquoted Debt Securities				
Non-Performing	–	–	325,668	325,668
	–	–	325,668	325,668
Other receivables***				
Investment Grade	592,399	28,140	–	620,539
Standard Grade	3,451,909	3,280,434	–	6,732,343
Substandard Grade	185,543	1,071,421	–	1,256,964
Non-Performing	–	–	2,112,870	2,112,870
	4,229,851	4,379,995	2,112,870	10,722,716
Total	₱95,613,342	₱109,261,133	₱20,281,153	₱225,155,628

*Include Corporate loans, Emerging Enterprise Loans and Branch Loans

**Include DepEd loans, Employee loans, Salary loans, Personal loans,

*** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

The credit quality by class of the Group's financial assets other than loans and receivables (gross of allowance for credit losses) as of December 31, 2021 and 2020 are as follows:

	2021			
	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3	
Due from BSP				
Investment Grade	₱58,842,366	₱–	₱–	₱58,842,366
	58,842,366	–	–	58,842,366
Due from other banks				
Investment Grade	19,339,731	–	–	19,339,731
	19,339,731	–	–	19,339,731
Interbank loans receivables and SPURA				
Investment Grade	17,518,984	–	–	17,518,984
	17,518,984	–	–	17,518,984
Financial assets at FVTPL				
Investment Grade	4,056,851	–	–	4,056,851
	4,056,851	–	–	4,056,851
Financial assets at FVTOCI				
Investment Grade	30,403,129	–	–	30,403,129
Standard Grade	9,700,042	1,557,397	–	11,257,439
	40,103,171	1,557,397	–	41,660,568
Investment securities at amortized cost				
Investment Grade	20,317,052	–	–	20,317,052
Standard Grade	–	509,950	–	509,950
	20,317,052	509,950	–	20,827,002
Other financial assets (Note 14)				
Non-Performing	–	–	501,729	501,729
	–	–	501,729	501,729
Total	₱160,178,155	₱2,067,347	₱501,729	₱162,747,231

	2020			
	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3	
Due from BSP				
Investment Grade	₱48,892,706	₱–	₱–	₱48,892,706
	48,892,706	–	–	48,892,706
Due from other banks				
Investment Grade	11,392,088	–	–	11,392,088
	11,392,088	–	–	11,392,088
Interbank loans receivables and SPURA				
Investment Grade	17,111,092	–	–	17,111,092
	17,111,092	–	–	17,111,092
Financial assets at FVTPL				
Investment Grade	₱7,523,592	₱–	₱–	₱7,523,592
	7,523,592	–	–	7,523,592
Financial assets at FVTOCI				
Investment Grade	28,671,446	–	–	28,671,446
Standard Grade	–	800,261	–	800,261
	28,671,446	800,261	–	29,471,707
Investment securities at amortized cost				
Investment Grade	19,177,099	–	–	19,177,099
Standard Grade	–	1,753,532	–	1,753,532
	19,177,099	1,753,532	–	20,930,631
Other financial assets (Note 14)				
Non-Performing	–	–	488,640	488,640
	–	–	488,640	488,640
Total	₱132,768,023	₱2,553,793	₱488,640	₱135,810,456

The credit quality by class of the Parent Company's financial assets other than loans and receivables (gross of allowance for credit losses) as of December 31, 2021 and 2020 are as follows:

	2021			
	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3	
Due from BSP				
Investment Grade	₱58,425,477	₱–	₱–	₱58,425,477
	58,425,477	–	–	58,425,477
Due from other banks				
Investment Grade	19,297,291	–	–	19,297,291
	19,297,291	–	–	19,297,291
Interbank loans receivables and SPURA				
Investment Grade	17,518,984	–	–	17,518,984
	17,518,984	–	–	17,518,984
Financial assets at FVTPL				
Investment Grade	4,056,851	–	–	4,056,851
	4,056,851	–	–	4,056,851
Financial assets at FVTOCI				
Investment Grade	30,403,129	–	–	30,403,129
Standard Grade	9,700,042	1,557,397	–	11,257,439
	40,103,171	1,557,397	–	41,660,568
Investment securities at amortized cost				
Investment Grade	18,638,844	–	–	18,638,844
Standard Grade	–	509,950	–	509,950
	18,638,844	509,950	–	19,148,794
Other financial assets (Note 14)				
Non-Performing	–	–	494,998	494,998
	–	–	494,998	494,998
Total	₱158,040,618	₱2,067,347	₱494,998	₱160,602,963

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Credit Score	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
Investment Grade	₱48,469,521	₱-	₱-	₱48,469,521
	48,469,521	-	-	48,469,521
Due from other banks				
Investment Grade	11,353,609	-	-	11,353,609
	11,353,609	-	-	11,353,609
Interbank loans receivables and SPURA				
Investment Grade	₱17,111,092	₱-	₱-	₱17,111,092
	17,111,092	-	-	17,111,092
Financial assets at FVTPL				
Investment Grade	7,523,592	-	-	7,523,592
	7,523,592	-	-	7,523,592
Financial assets at FVTOCI				
Investment Grade	28,671,446	-	-	28,671,446
Standard Grade	-	800,261	-	800,261
	28,671,446	800,261	-	29,471,707
Investment securities at amortized cost				
Investment Grade	17,560,288	-	-	17,560,288
Standard Grade	-	1,753,533	-	1,753,533
	17,560,288	1,753,533	-	19,313,821
Other financial assets (Note 14)				
Non-Performing	-	-	483,081	483,081
	-	-	483,081	483,081
Total	₱130,689,548	₱2,553,794	₱483,081	₱133,726,423

Credit Risk Weighting as of December 31, 2021, and 2020

Total credit risk exposure after risk mitigation

The table below shows the different credit risk exposures of the Group and of the Parent Company after credit risk mitigation, by risk weight applied in accordance with BSP Circular No. 538:

	Consolidated							
	2021							
	Capital Deduction	Risk Buckets						Total
	0%	20%	50%	75%	100%	150%		
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱11,832,469	₱124,906,148	₱4,356,913	₱41,001,943	₱7,697,654	₱184,400,298	₱18,435,292	₱380,798,248
Off-balance sheet assets	-	-	-	-	-	4,094,863	-	4,094,863
Counterparty in the banking book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	-
Counterparty in the trading book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	-
Credit-linked notes in the banking book	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-
	₱11,832,469	₱124,906,148	₱4,356,913	₱41,001,943	₱7,697,654	₱188,495,161	₱18,435,292	₱384,893,111
Credit Risk Weighted Assets	₱-	₱-	₱871,383	₱20,500,972	₱5,773,241	₱188,495,161	₱27,652,938	₱243,293,695
	Consolidated							
	2020							
	Capital Deduction	Risk Buckets						Total
	0%	20%	50%	75%	100%	150%		
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱12,769,756	₱78,473,165	₱5,844,787	₱5,837,112	₱12,298,983	₱216,084,065	₱11,868,878	₱380,406,990
Off-balance sheet assets	-	-	-	-	-	2,459,771	-	2,459,771
Counterparty in the banking book (derivatives and repo-style transactions)	-	-	-	575,668	-	-	-	575,668
Counterparty in the trading book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	0
Credit-linked notes in the banking book	-	-	-	-	-	-	-	0
Securitization exposures	-	-	-	-	-	-	-	-
	₱12,769,756	₱78,473,165	₱5,844,787	₱5,837,112	₱12,298,983	₱218,543,836	₱11,868,878	₱383,442,429
Credit Risk Weighted Assets	₱-	₱-	₱1,168,957	₱28,206,390	₱9,224,237	₱218,543,836	₱17,803,317	₱274,946,738

	Parent Company							
	2021							
	Capital Deduction	Risk Buckets						Total
	0%	20%	50%	75%	100%	150%		
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱17,090,420	₱122,714,535	₱4,356,853	₱41,001,943	₱7,697,654	₱160,643,610	₱16,634,387	₱353,048,982
Off-balance sheet assets	-	-	-	-	-	4,094,863	-	4,094,863
Counterparty in the banking book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	-
Counterparty in the trading book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	-
Credit-linked notes in the banking book	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-
	₱17,090,420	₱122,714,535	₱4,356,853	₱41,001,943	₱7,697,654	₱164,738,473	₱16,634,387	₱357,143,845
Credit Risk Weighted Assets	₱-	₱-	₱871,371	₱20,500,972	₱5,773,241	₱164,738,473	₱24,951,581	₱216,835,638
	Parent Company							
	2020							
	Capital Deduction	Risk Buckets						Total
	0%	20%	50%	75%	100%	150%		
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱16,833,594	₱77,977,245	₱5,844,764	₱55,837,112	₱12,298,983	₱190,457,380	₱11,177,338	₱353,592,822
Off-balance sheet assets	-	-	-	-	-	2,459,771	-	2,459,771
Counterparty in the banking book (derivatives and repo-style transactions)	-	-	-	575,668	-	-	-	575,668
Counterparty in the trading book (derivatives and repo-style transactions)	-	-	-	-	-	-	-	-
Credit-linked notes in the banking book	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-
	₱16,833,594	₱77,977,245	₱5,844,764	₱56,412,780	₱12,298,983	₱192,917,151	₱11,177,338	₱356,628,261
Credit Risk Weighted Assets	₱-	₱-	₱1,168,953	₱28,206,390	₱9,224,237	₱192,917,151	₱16,766,007	₱248,282,738

Liquidity Risk

Liquidity risk is the risk that sufficient funds are unavailable to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments. The main responsibility of daily asset liability management lies with the Parent Company's Treasury Group, specifically the Liquidity Desk, which are tasked to manage the balance sheet and have thorough understanding of the risk elements involved in the respective businesses. Only the Parent Company and EWRB are potentially exposed to liquidity risk exposures, where their liquidity risk management are monitored by their respective ALCOs. Resulting analysis of the balance sheet along with the recommendation is presented during the weekly ALCO meeting where deliberations, formulation of actions and decisions are made to minimize risk and maximize returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that both the Parent Company and EWRB have sufficient liquidity at all times, the respective ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to both entities and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow (MCO) limit, the Group is able to manage its long-term liquidity risks by placing a cap on the outflow of cash on a cumulative basis. The Group takes a multi-tiered approach to maintaining liquid assets. The Group's principal source of liquidity is comprised of Cash and other cash items, Due from BSP, Due from other banks and Interbank loans receivables and SPURA with maturities of less than one year. In addition to regulatory reserves, the Parent Company maintains a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be realized quickly.

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Market risk in the trading book

The BOD has set limits on the level of market risk that may be accepted. VaR limits are applied at the instrument level and approved by the BOD based on, among other things, a business unit's capacity to manage price risks, the size and distribution of the aggregate exposure to price risks and the expected return relative to price risks.

The Parent Company applies the VaR methodology to assess the market sensitive positions held for trading and to estimate the potential economic loss based on parameters and assumptions. VaR is a method used in measuring market risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

Objectives and limitations of the VaR Methodology

The Parent Company utilizes the VaR model of Bloomberg Portfolio Analytics using one-year historical data set to assess possible changes in the market value of the fixed income and equities trading portfolio. VaR for the US treasury futures is measured using Historical Simulation, while VaR for Foreign Exchange/Forwards are calculated through the Parametric methodology- both instruments utilize an internally developed Excel spreadsheet. The interest rate swaps' (IRS) risk is measured using Monte Carlo VaR through the OPICS Risk Plus system.

The VaR models are designed to measure market risk in a normal market environment. The use of VaR has limitations because correlations and volatilities in market prices are based on historical data and VaR assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated.

VaR may also be under or overestimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, VaR only represents the risk of the portfolio at the close of each business day, and it does not account for any losses that may occur beyond the specified confidence level.

In practice, actual trading results will differ from the VaR calculation and the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored through hypothetical and actual backtesting to test the accuracy of the VaR model.

Stress testing provides a means of complementing VaR by simulating the potential loss impact on market risk positions from extreme market conditions, such as risk factor movements based on historical financial market stress conditions and scenarios adopted from the uniform stress testing framework of the BSP.

VaR assumptions

The VaR that the Parent Company uses for majority of its trading exposures is at 99% confidence level, while FX uses a confidence level of 90% with a premise that this potential loss estimate is not expected to be exceeded if the current market risk positions were to be held unchanged for a given holding period. Foreign exchange and US Treasury Futures VaR is measured using one (1) day holding period while fixed income VaR has a holding period of five (5) days. Furthermore, the Parent Company's equity and IRS trading positions are assumed to be closed out in ten (10) days. The use of a 99% confidence level means that within the set time horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

VaR is an integral part of the Parent Company's market risk management and encompasses investment positions held for trading. VaR exposures form part of the market risk monitoring which is reviewed daily against the limit approved by the BOD. The trading activities are controlled through the Market Risk Limit (MRL), which is a dynamic risk limit anchored on the principle of risk and return which is adjusted by net trading gains (added in half) or losses subtracted in whole. RMD reports compliance to the MRL and trader's VaR limits daily. If the MRL or individual trader's limit is exceeded, such occurrence is promptly reported to the Treasurer, President, Chief Risk Officer and the Chief Executive Officer, and further to the BOD through the RMC.

The table below pertains to interest rate risk of the Parent Company's fixed income trading portfolio:

	2021	2020
Year-end VaR	₱129,284	₱408,051
Average VaR	348,949	633,071
Highest VaR	713,226	952,048
Lowest VaR	128,870	186,625

The year-end VaR for 2021 was based on the Parent Company's fixed income trading book valued at ₱3.82 billion with average yields of 3.56% and 2.56% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 5 years and 9 months for the peso portfolio and 14 years and 6 months for the foreign currency portfolio.

The year-end VaR for 2020 was based on the Parent Company's fixed income trading book valued at ₱9.48 billion with average yields of 3.46% and 3.32% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 9 years and 5 months for the peso portfolio and 18 years and 8 months for the foreign currency portfolio.

The market risk in the Parent Company's US treasury futures trading positions is shown in the table below:

	2021	2020
Year-end VaR	₱-	₱2,254
Average VaR	9,734	12,234
Highest VaR	41,236	89,329
Lowest VaR	2,251	2,152

The market risk in the Parent Company's IRS trading positions is shown in the table below:

	2021	2020
Year-end VaR	₱-	₱4,181
Average VaR	6,170	8,744
Highest VaR	21,444	25,039
Lowest VaR	-	2,979

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The Parent Company's end-2020 IRS positions have a notional amount of US\$20.00 million where it pays fixed rate and receives floating rate interest. In 2021, the IRS positions were closed.

The interest rate risk in the Parent Company's FX forwards positions is shown in the table below:

	2021	2020
Year-end VaR	₱3,842	₱396
Average VaR	5,192	802
Highest VaR	14,290	2,993
Lowest VaR	—	—

Foreign Currency Risk

The Parent Company holds foreign currency denominated assets and liabilities, thus, foreign exchange rate fluctuations can affect the financials and cash flows of the Parent Company. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. For the Parent Company, this includes purchase or sell of foreign currency to control the impact of changes in exchange rates on its financial position.

The table below pertains to the foreign exchange risk of the Parent Company:

	2021	2020
Year-end VaR	₱15,836	₱15,009
Average VaR	22,419	10,251
Highest VaR	36,924	15,009
Lowest VaR	3,206	4,918

The Parent Company's foreign currency exposures emanate from its net open spot and forward FX purchase and sell transactions and net foreign currency income accumulated over the years of its operations. Foreign currency-denominated deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolios in the FCDU.

In the FCDU books, BSP requires banks to match the foreign currency assets with the foreign currency liabilities. Thus, banks are required to maintain at all times a 100.00% cover for their foreign currency liabilities held through FCDU.

Total foreign currency position is monitored through the daily BSP FX position reports, which are subject to the overbought and oversold limits set by the BSP at 25.00% of unimpaired capital or US\$100.00 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which consider the trading desk and the branch FX transactions, are also monitored.

The tables below summarize the exposure to foreign currencies of the Parent Company as of December 31, 2021 and 2020:

	2021					Total
	USD	CNY	EUR	JPY	Other Currencies*	
Assets						
Gross FX assets	\$894,734	\$18,009	\$184,365	\$5,099	\$92,027	\$1,194,234
Contingent FX assets	408,834	—	91,040	—	—	\$499,874
	1,303,568	18,009	275,405	5,099	92,027	1,694,108
Liabilities						
Gross FX liabilities	990,057	21,269	10,363	6,275	10,625	\$1,038,589
Contingent FX liabilities	327,552	—	267,430	—	83,410	\$678,392
	1,317,609	21,269	277,793	6,275	94,035	1,716,981
Net exposure	(\$14,041)	(\$3,260)	(\$2,388)	(\$1,176)	(\$2,008)	(\$22,873)

*Other currencies include GBP, HKD, AUD, NZD and SGD.

	2020					Total
	USD	SGD	JPY	EUR	Other Currencies*	
Assets						
Gross FX assets	\$1,195,048	\$1,431	\$8,151	\$102,586	\$28,051	\$1,335,267
Contingent FX assets	48,861	—	—	2,448	2,757	\$54,066
	1,243,909	1,431	8,151	105,034	30,808	1,389,333
Liabilities						
Gross FX liabilities	1,081,212	1,905	5,412	82,417	30,148	\$1,201,094
Contingent FX liabilities	171,941	—	2,008	23,258	74	\$197,281
	1,253,153	1,905	7,420	105,675	30,222	1,398,375
Net exposure	(\$9,244)	(\$474)	\$731	(\$641)	\$586	(\$9,042)

*Other currencies include GBP, HKD, AUD, CNY and NZD.

The Parent Company's positions in other currencies are not individually significant.

The tables below indicate the sensitivity of the currencies which the Parent Company had significant exposures as of December 31, 2021 and 2020:

Foreign currency appreciates (depreciates)	2021			
	USD	CNY	EUR	JPY
10.00%	(₱71,610)	(₱16,628)	(₱12,175)	(₱5,993)
-10.00%	₱71,610	₱16,628	₱12,175	₱5,993
Foreign currency appreciates (depreciates)	2020			
	USD	SGD	JPY	EUR
+10.00%	(₱44,391)	(₱2,278)	₱3,509	(₱3,077)
-10.00%	₱44,391	₱2,278	(₱3,509)	₱3,077

The analysis calculates the effect of a reasonably possible movement of the foreign currency rate against Peso, with all other variables held constant, on the statements of income and equity. A negative amount reflects a potential net reduction in statements of income and equity while a positive amount reflects a net potential increase. The Parent Company manages FX exposures that both impact the statements of income and equity.

Market Risk in the Banking Book

Interest rate risk

Interest rate risk in the banking book (IRRBB) is inherent in the Groups' traditional banking activities that include taking deposits to invest or grant loans. The future cash flows from these activities are exposed to variations in interest rates, largely from mismatch in tenors and prices. The Bank employs two perspectives in measuring IRRBB a) through economic perspective with Change in Economic Value of Equity (EVE) and b) through earnings perspective with Earnings-at-Risk (EaR) and VaR specifically for fixed income instruments categorized as fair value through other comprehensive income (FVOCI). EVE is an economic measure or indicator of net cash flow calculated by taking the present value of all asset cash flows and subtracts the present value of all liability cash flows. It is the

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net present value (NPV) or prevailing value of the Bank's balance sheet cash flows. With the use of EVE, impact to equity may be determined by subjecting the Bank's balance sheet cashflows to shocked rates. Such measure can be used for asset-liability management and in determining the impact of interest rate risk relative to equity. Respectively, EaR measures the net interest income movement due to changes in prevailing interest rates and the balance sheet re-pricing profile of the Group. The EaR limit is set as a function of the Group's net interest margin (NIM). The EaR limit preserves the Group's capital and competitive position by restricting the impact of interest rate sensitivities to NIM within the corridor of above average and within the first quartile of its peer banks. In measuring EaR, the Group's interest re-pricing assets and liabilities are matched by re-pricing (or maturity if non-repricing) buckets covering tenors within a one-year horizon, and corresponding gaps determined. If positive gap is noted, it implies that an increase in interest rates will positively affect the net interest income. Conversely, a negative gap implies that an increase in interest rates will negatively affect the net interest income. The estimated nominal impact to the Bank's earnings is derived by multiplying the volatility of benchmark yields for each tenor bucket to the repricing gap profile. The result is compared vs EaR limit to monitor the compliance with the limit and is reported to the RMC on a monthly basis. Additionally, EaR limit is reviewed and updated annually to ensure its continued relevance and alignment with the Group's financial targets, strategies, and overall risk appetite.

To complement EaR and provide Management a more holistic view, the Group performs forward looking scenario and sensitivity analysis as well as stress testing activities to identify any vulnerabilities. The Bank employs three (3) methodologies in the conduct of stress testing a) economic/historical stress test which assumes a parallel shift in interest yield curves of 660.00 basis points for PhP-denominated assets and liabilities and 270.00 basis points for USD-denominated, b) uniform stress test, a regulatory-prescribed stress test, has three (3) scenarios with assumed parallel shift in interest rates for both PhP (from 300.00 bps to 500.00 bps) and USD (from 100.00 bps to 300.00 bps), c) reverse stress test, which primarily measures the highest swing in interest rates that can potentially wipe out the Banks targeted net income and net interest income.

In April 2021, the Bank employs the Value-at-Risk (VaR) measurement for debt instruments categorized as fair value through other comprehensive income (FVOCI) to manage the potential threat of market fluctuation to its earnings and capital. Fixed income instruments at FVOCI are assets whose objective fall under both to collect contractual cash flows and/or sell the assets. Since fair value changes from items booked at FVOCI directly impact the equity, it is prudent to monitor and manage said risk where capital stability is sustained.

All IRRBB reports are also presented to the ALCO. The ALCO deliberates on matters pertaining to the management of the Bank's assets and liabilities, such as achieving optimum asset and liability mix, pricing, liquidity levels, repricing gap positions, and asset quality. The Bank's ALCO meets on a weekly basis.

The Bank manages its IRRBB through effective diversification of funding sources. By offering various deposit, investment and loan products with differing maturities, the Bank is able to meet its short, medium and long-term obligations, optimize returns, and provide options that cater to differing preferences of its target market. The Bank's target funding mix is aligned with the Bank's overall growth plans. While the Bank mainly manages IRRBB through careful planning of its cashflows, it also has access to various derivative products that provide flexibility in responding to more abrupt market developments.

The following tables provide the average interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Group as of December 31, 2021 and 2020:

	2021				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBUC					
<i>Financial assets:</i>					
Cash and cash equivalents*	1.83%	—	—	—	—
Investment securities**	1.13%	—	—	—	4.91%
Loans and receivables	5.21%	6.17%	7.30%	8.58%	11.54%
<i>Financial liabilities:</i>					
Deposit liabilities	0.45%	0.66%	0.71%	3.86%	0.89%
Bills payable and SSURA	—	—	—	—	—
Bonds payable	—	—	—	—	4.50%
Subordinated debt	—	—	—	—	5.50%
FCDU					
<i>Financial assets:</i>					
Cash and cash equivalents*	0.01%	—	—	—	—
Investment securities**	0.93%	—	5.76%	5.13%	2.97%
Loans and receivables	2.78%	2.41%	3.79%	—	7.52%
<i>Financial liabilities:</i>					
Deposit liabilities	0.49%	0.63%	0.53%	0.72%	2.67%
Bills payable and SSURA	—	—	—	—	—

*Pertain to Due from BSP, Due from other banks, Interbank loans receivables and SPURA

**Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost

	2020				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBUC					
<i>Financial assets:</i>					
Cash and cash equivalents*	1.73%	—	—	—	—
Investment securities**	4.09%	—	4.88%	—	6.49%
Loans and receivables	5.92%	7.40%	11.00%	12.50%	12.47%
<i>Financial liabilities:</i>					
Deposit liabilities	0.84%	0.95%	1.38%	2.16%	1.35%
Bills payable and SSURA	—	—	—	—	—
Bonds payable	—	—	—	—	4.50%
Subordinated debt	—	—	—	—	5.50%
FCDU					
<i>Financial assets:</i>					
Cash and cash equivalents*	0.05%	—	—	—	—
Investment securities**	0.51%	—	4.88%	2.88%	4.42%
Loans and receivables	2.54%	4.17%	3.75%	4.00%	7.52%
<i>Financial liabilities:</i>					
Deposit liabilities	0.93%	1.12%	1.07%	1.34%	2.42%
Bills payable and SSURA	0.30%	—	—	—	—

*Pertain to Due from BSP, Due from other banks, Interbank loans receivables and SPURA

**Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost

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The following tables provide the average interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Parent Company as of December 31, 2021 and 2020:

	2021				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
<i>Financial assets:</i>					
Cash and cash equivalents*	1.90%	—	—	—	—
Investment securities**	1.13%	—	—	—	4.91%
Loans and receivables	5.21%	6.16%	7.30%	8.72%	12.75%
<i>Financial liabilities:</i>					
Deposit liabilities	0.51%	0.64%	0.71%	3.86%	4.44%
Bills payable and SSURA	—	—	—	—	—
Bonds payable	—	—	—	—	4.50%
Subordinated debt	—	—	—	—	—
FCDU					
<i>Financial assets:</i>					
Cash and cash equivalents*	0.01%	—	—	—	—
Investment securities**	0.93%	—	5.76%	5.13%	2.97%
Loans and receivables	2.78%	2.41%	3.79%	—	7.52%
<i>Financial liabilities:</i>					
Deposit liabilities	0.49%	0.63%	0.53%	0.72%	2.67%
Bills payable and SSURA	—	—	—	—	—

*Pertain to Due from BSP, Due from other banks, Interbank loans receivables and SPURA

**Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost

	2020				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
<i>Financial assets:</i>					
Cash and cash equivalents*	1.73%	—	—	—	—
Investment securities**	4.09%	—	4.88%	—	6.41%
Loans and receivables	5.93%	7.56%	11.16%	12.76%	13.52%
<i>Financial liabilities:</i>					
Deposit liabilities	0.71%	0.88%	1.37%	1.67%	1.40%
Bills payable and SSURA	—	—	—	—	—
Bonds payable	—	—	—	—	4.50%
Subordinated debt	—	—	—	—	—
FCDU					
<i>Financial assets:</i>					
Cash and cash equivalents*	0.05%	—	—	—	—
Investment securities**	0.51%	—	4.88%	2.88%	4.42%
Loans and receivables	2.54%	4.17%	3.75%	4.00%	7.52%
<i>Financial liabilities:</i>					
Deposit liabilities	0.93%	1.12%	1.07%	1.34%	2.42%
Bills payable and SSURA	0.30%	—	—	—	—

*Pertain to Due from BSP, Due from other banks, Interbank loans receivables and SPURA

**Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost

The following tables set forth the interest rate re-pricing gap of the Group as of December 31, 2021 and 2020:

	2021					Total
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	
Financial assets:						
Cash and cash equivalents	P41,518,984	—	—	—	—	P41,518,984
Investment securities	31,481,040	—	798,375	—	34,382,282	66,661,697
Loans and receivables	21,893,935	16,775,720	16,844,549	24,194,730	75,842,360	155,551,294
Contingent assets*	163,670	31,767	—	—	—	195,437
Total financial assets	95,057,629	16,807,487	17,642,924	24,194,730	110,224,642	263,927,412
Financial liabilities:						
Deposit liabilities	96,011,514	13,989,685	5,431,343	91,688,660	8,133,027	215,254,229
Bills payable and SSURA	—	—	—	—	—	—
Bonds Payable	—	—	—	—	3,687,686	3,687,686
Subordinated debt	—	—	—	—	1,250,000	1,250,000
Other Liabilities	—	—	—	—	14,602	14,602
Contingent liabilities**	—	—	—	—	—	—
Total financial liabilities	96,011,514	13,989,685	5,431,343	91,688,660	13,085,315	220,206,517
Asset-liability gap	(P953,885)	P2,817,802	P12,211,581	(P67,493,930)	P97,139,327	P43,720,895

*** Consist of Foreign Currency Swap and Forward Exchange

****Consist of Foreign Currency Swap and Forward Exchange

	2020					Total
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	
Financial assets:						
Cash and cash equivalents	P35,811,092	P—	P—	P—	P—	P35,811,092
Investment securities	22,507,107	4,482,697	1,414,036	637,596	27,685,678	56,727,114
Loans and receivables	31,574,160	11,652,638	12,893,252	24,033,418	104,597,587	184,751,055
Contingent assets*	—	960,460	—	—	—	960,460
Total financial assets	89,892,359	17,095,795	14,307,288	24,671,014	132,283,265	278,249,721
Financial liabilities:						
Deposit liabilities	108,749,784	20,405,711	5,520,432	1,157,895	18,189,523	154,023,345
Bills payable and SSURA	3,491,024	—	—	—	—	3,491,024
Bonds Payable	—	—	—	—	3,677,434	3,677,434
Subordinated debt	—	—	—	—	1,250,000	1,250,000
Other Liabilities	—	—	—	—	14,589	14,589
Contingent liabilities**	—	—	—	—	960,460	960,460
Total financial liabilities	112,240,808	20,405,711	5,520,432	1,157,895	24,092,006	163,416,852
Asset-liability gap	(P22,348,449)	(P3,309,916)	P8,786,856	P23,513,119	P108,191,259	P114,832,869

*** Consist of Foreign Currency Swap and Forward Exchange

****Consist of Foreign Currency Swap and Forward Exchange

The following tables set forth the interest rate re-pricing gap of the Parent Company as of December 31, 2021 and 2020:

	2021					Total
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	
Financial assets:						
Cash and cash equivalents	P41,518,984	P—	P—	P—	P—	P41,518,984
Investment securities	31,481,040	—	798,375	—	32,704,074	64,983,489
Loans and receivables	20,988,464	14,976,673	14,175,989	19,043,082	62,515,573	131,699,781
Contingent assets*	163,670	31,767	—	—	—	195,437
Total financial assets	94,152,158	15,008,440	14,974,364	19,043,082	95,219,647	238,397,691
Financial liabilities:						
Deposit liabilities	79,029,895	13,409,736	5,420,998	91,684,875	8,133,027	197,678,531
Bills payable and SSURA	—	—	—	—	—	—
Bonds payable	—	—	—	—	3,687,686	3,687,686
Subordinated debt	—	—	—	—	—	—
Other Liabilities	—	—	—	—	14,602	14,602
Contingent liabilities**	—	—	—	—	—	—
Total financial liabilities	79,029,895	13,409,736	5,420,998	91,684,875	11,835,315	201,380,819
Asset-liability gap	P15,122,263	P1,598,704	P9,553,366	(P72,641,793)	P83,384,332	P37,016,872

*** Consist of Foreign Currency Swap and Forward Exchange

****Consist of Foreign Currency Swap and Forward Exchange

NOTES TO FINANCIAL STATEMENTS

	2020					Total
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	
Financial assets:						
Cash and cash equivalents	₱35,811,092	₱-	₱-	₱-	₱-	₱35,811,092
Investment securities	22,507,106	4,482,697	1,414,037	637,596	26,068,868	55,110,304
Loans and receivables	30,617,975	9,931,470	10,411,083	19,057,523	90,944,913	160,962,964
Contingent assets*	-	960,460	-	-	-	960,460
Total financial assets	88,936,173	15,374,627	11,825,120	19,695,119	117,013,781	252,844,820
Financial liabilities:						
Deposit liabilities	91,556,737	18,846,206	5,478,373	1,156,910	18,189,523	135,227,749
Bills payable and SSURA	3,491,024	-	-	-	-	3,491,024
Bonds payable	-	-	-	-	3,677,434	3,677,434
Subordinated debt	-	-	-	-	-	-
Other Liabilities	-	-	-	-	14,589	14,589
Contingent liabilities**	-	-	-	-	960,460	960,460
Total financial liabilities	95,047,761	18,846,206	5,478,373	1,156,910	22,842,006	143,371,256
Asset-liability gap	(₱6,111,588)	(₱3,471,579)	₱6,346,747	₱18,538,209	₱94,171,775	₱109,473,564

*** Consist of Foreign Currency Swap and Forward Exchange

****Consist of Foreign Currency Swap and Forward Exchange

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses of different parallel changes in the interest rate curve, assuming the parallel change only occurs once and the interest rate curve after the parallel change does not change again for the next twelve months.

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Group's non-trading net interest income. There is no other impact on the Group's equity other than those already affecting the statements of income.

Change in basis points	2021	2020
+100.00 bps	(₱78,072)	(₱128,055)
-100.00 bps	78,072	128,055

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Parent Company's non-trading net interest income. There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Change in basis points	2021	2020
+100.00 bps	₱36,348	(₱1,487)
-100.00 bps	(36,348)	1,487

Change in Economic Value of Equity (Δ EVE)

In April 2021, the Bank employs change in EVE Model to measure the net present value (NPV) or prevailing value of the Bank's balance sheet cash flows at different interest rate shocks and stress scenarios. Δ EVE is calculated by deducting the Base EVE which is the NPV of the Bank's balance sheet cashflows using the effective yield per contract from Shock EVE which is calculated using the BSP prescribed parallel shift in interest rates and the existing economic stress scenario as well as scenarios internally developed by the Parent Company.

The Δ EVE of the Group ranges from (₱3.9 billion) to (₱21.79 billion) in 2021. The Group's Δ EVE stood at (₱19.09 billion) or 29% of the total capital as of December 31, 2021.

Market Risk Weighting as of December 31, 2021 and 2020

The table below shows the different market risk-weighted assets of the Parent Company using the standardized approach which is based on the standard weight per segment or asset class:

Type of Market Risk Exposure	2021	2020
Interest rate exposures	₱3,834,493	₱8,228,142
Foreign exchange exposures	1,166,421	513,712
	₱5,000,914	₱8,741,854

Only the Parent Company has a trading book portfolio.

Operational Risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, compliance and reputational risks but excludes strategic risk.

Adopting the Basic Indicator Approach below, where computation is based on a percentage (in accordance with BSP-prescribed capital charge) of the average gross income for the past three years, it shows the total operational risk-weighted assets of the Group and Parent Company.

	2021	2020
Group	₱70,435,381	₱48,685,454
Parent Company	₱65,769,543	₱44,976,695

Other Risk Exposures

Group risk exposures other than credit, market, liquidity and operational, while existent, are deemed insignificant relative to the mentioned risks and if taken in isolation. Hence, management of these risks are instead collectively performed and made an integral part of the Group's internal capital adequacy assessment process (ICAAP) and enterprise risk management initiatives.

5. Fair Value Measurement

The Group has assets and liabilities in the consolidated and Parent Company statements of financial position that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized on the statements of financial position at the end of the year. These include financial assets and liabilities at FVTPL and Financial assets at FVTOCI.

The methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

Cash and other cash items, due from BSP and other banks, Interbank loans receivables and SPURA and accrued interest receivables – The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using the discounted cash flow methodology.

NOTES TO FINANCIAL STATEMENTS

Equity securities - Fair values of quoted equity securities are based on quoted market prices.

Derivative instruments (presented as other financial assets and liabilities in 'Other assets' and 'Other liabilities') - Fair values of derivative instruments, mainly currency forwards and swaps and interest rate swaps, are valued using a valuation technique using market observable inputs. The valuation technique applied includes forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies and interest rate curves prevailing at the statement of financial position date. For futures, these are valued considering the prevailing futures prices on the exchange as of the statement of financial position date.

Receivable from customers and unquoted debt securities classified as loans - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

Accounts receivable, sales contract receivable and other financial assets included in other assets - quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities

Investment properties - Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made, and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining 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 located along a main road are superior to properties located along a secondary road.
- **Size:** Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the 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 data is superior to historic data.
- **Discount:** Generally, asking prices in advertisements 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 (demand, savings and time) - For demand and savings deposit, carrying amounts approximate fair values considering that these are due and demandable. Fair value of time deposit liabilities is estimated using the discounted cash flow methodology using the Group's incremental borrowing rates for similar borrowing with maturities consistent with those for the liabilities being valued.

LTNCDs and subordinated debt - Fair values of LTNCD and subordinated debt are estimated using adjusted quoted market prices of comparable investments. The adjustments on market quoted prices are unobservable inputs.

Bonds Payable - Fair value of Bonds Payable are measured using the Present Value (PV) of the computed cash flows by the PV factor.

Lease Liabilities - Fair value of lease liabilities are measured using the Bloomberg valuation (Bval) rate as of the reporting period plus the spread which is the derived difference between the actual market rate and the Bval rate.

Bills and acceptances payable, cashier's checks and demand draft payable - Carrying amounts approximate fair values due to the short-term nature of the accounts.

Other financial liabilities included in 'Other liabilities' - Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

The following tables provide the fair value hierarchy of the Group's and of the Parent Company's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	Consolidated				
	2021				
	Carrying Value	Total Fair Value	Fair Value		
Quoted Prices in active market (Level 1)			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	P4,006,261	P4,006,261	P4,006,261	P-	P-
Private bonds	40,257	40,257	40,257	-	-
Equity securities	10,333	10,333	10,333	-	-
	4,056,851	4,056,851	4,056,851	-	-
Derivative assets*	15,407	15,407	-	15,407	-
Financial assets at FVTOCI:					
Government securities	33,771,291	33,771,291	33,771,291	-	-
Private bonds	7,889,276	7,889,276	7,889,276	-	-
Equity Securities	1	1	1	-	-
	41,660,568	41,660,568	41,660,568	-	-
	45,732,826	45,732,826	45,717,419	15,407	-
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	P18,976,453	P18,987,980	P18,987,980	P-	P-
Private bonds	1,838,929	1,839,022	1,839,022	-	-
	20,815,382	20,827,002	20,827,002	-	-
Loans and receivables					
Receivable from customers:					
Corporate lending	58,846,591	61,776,194	-	-	61,776,194
Consumer lending	145,922,140	176,353,593	-	-	176,353,593
Unquoted debt securities	258,218	332,115	-	-	332,115
Other receivables	8,535,637	10,039,729	-	-	10,039,729
	213,562,586	248,501,631	-	-	248,501,631
Other financial assets*	486,322	486,322	-	-	486,322
Non-financial assets					
Investment properties	927,988	2,051,873	-	-	2,051,873
	P281,525,104	P317,599,654	P66,544,421	P15,407	P251,039,826
Financial liabilities					
Derivative liabilities**	P212,691	P212,691	P-	P212,691	P-
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	120,321,094	120,321,094	-	-	120,321,094
Savings	124,667,522	124,667,522	-	-	124,667,522
Time	69,420,051	69,538,087	-	-	69,538,087
LTNCD	12,436,238	15,203,855	-	-	15,203,855
	326,844,905	329,730,558	-	-	329,730,558
Lease liability	3,106,320	3,225,162	-	-	3,225,162
Bills and acceptances payable and SSURA	98,150	98,150	-	-	98,150
Bonds payable	3,687,686	3,687,686	-	-	3,687,686
Subordinated debt	1,241,964	1,322,667	-	-	1,322,667
	P335,191,716	P338,276,914	P-	P212,691	P338,064,223

*Presented under 'Other Assets'

**Presented under 'Other Liabilities'

NOTES TO FINANCIAL STATEMENTS

	Consolidated 2020				
	Fair Value				
	Carrying Value	Total Fair Value	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	₱7,475,347	₱7,475,347	₱7,475,347	₱-	₱-
Private bonds	37,907	37,907	37,907	-	-
Equity securities	10,338	10,338	10,338	-	-
	7,523,592	7,523,592	7,523,592	-	-
Derivative assets*	30,037	30,037	-	30,037	-
Financial assets at FVTOCI:					
Government securities	29,021,536	29,021,536	29,021,536	-	-
Private bonds	450,170	450,170	450,170	-	-
Equity Securities	1	1	1	-	-
	29,471,707	29,471,707	29,471,707	-	-
	37,025,336	37,025,336	36,995,299	30,037	-
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	₱14,842,794	₱17,504,706	₱17,504,706	₱-	₱-
Private bonds	6,056,905	6,882,745	6,882,745	-	-
	20,899,699	24,387,451	24,387,451	-	-
Loans and receivables					
Receivable from customers:					
Corporate lending	57,753,293	62,098,219	-	-	62,098,219
Consumer lending	176,062,128	229,498,619	-	-	229,498,619
Unquoted debt securities	258,617	335,668	-	-	335,668
Other receivables	9,642,391	11,145,731	-	-	11,145,731
	243,716,429	303,078,237	-	-	303,078,237
Other financial assets	458,603	458,603	-	-	458,603
Non-financial assets					
Investment properties	981,147	2,011,997	-	-	2,011,997
	₱303,081,214	₱366,961,624	₱61,382,750	₱30,037	₱305,548,837
Financial liabilities					
Derivative liabilities**	₱97,042	₱97,042	₱-	₱97,042	₱-
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	106,938,343	106,938,343	-	-	106,938,343
Savings	121,848,341	121,848,341	-	-	121,848,341
Time	87,846,290	88,107,593	-	-	88,107,593
LTNCD	12,422,976	15,507,275	-	-	15,507,275
	329,055,950	332,401,552	-	-	332,401,552
Lease liability	3,466,742	3,565,459	-	-	3,565,459
Bills and acceptances payable and SSURA	3,568,803	3,568,803	-	-	3,568,803
Bonds payable	3,677,434	3,705,248	-	-	3,705,248
Subordinated debt	1,240,785	1,465,592	-	-	1,465,592
	₱341,106,756	₱344,803,696	₱-	₱97,042	₱344,706,654

*Presented under 'Other Assets'
**Presented under 'Other Liabilities'

	Parent Company 2021				
	Fair Value				
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	₱4,006,261	₱4,006,261	₱4,006,261	₱-	₱-
Private bonds	40,257	40,257	40,257	-	-
Equity securities	10,333	10,333	10,333	-	-
	4,056,851	4,056,851	4,056,851	-	-
Derivative assets*	15,407	15,407	-	15,407	-
Financial assets at FVTOCI:					
Government securities	33,771,291	33,771,291	33,771,291	-	-
Private bonds	7,889,276	7,889,276	7,889,276	-	-
Equity securities	1	1	1	-	-
	41,660,568	41,660,568	41,660,568	-	-
	₱45,732,826	₱45,732,826	₱45,717,419	₱15,407	₱-
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	₱17,298,245	₱17,309,772	₱17,309,772	₱-	₱-
Private bonds	1,838,929	1,839,022	1,839,022	-	-
	19,137,174	19,148,794	19,148,794	-	-
Loans and receivables					
Receivable from customers:					
Corporate lending	58,827,504	61,701,770	-	-	61,701,770
Consumer lending	121,506,837	147,209,595	-	-	147,209,595
Unquoted debt securities	258,218	322,115	-	-	322,115
Other receivables	8,208,041	9,676,449	-	-	9,676,449
	188,800,600	218,909,929	-	-	218,909,929
Other financial assets*	479,591	479,591	-	-	479,591
Non-financial assets					
Investment properties	927,291	2,050,959	-	-	2,050,959
	₱255,077,482	₱286,322,099	₱64,866,213	₱15,407	₱221,440,479
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities**	₱212,691	₱212,691	₱-	₱212,691	₱-
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	120,746,901	120,746,901	-	-	120,746,901
Savings	104,766,430	104,766,430	-	-	104,766,430
Time	69,420,051	69,538,087	-	-	69,538,087
LTNCD	12,436,238	15,203,855	-	-	15,203,855
	307,369,620	310,255,273	-	-	310,255,273
Lease liability	2,791,079	2,900,961	-	-	2,900,961
Bills and acceptances payable and SSURA	98,150	98,150	-	-	98,150
Bonds payable	3,687,686	3,687,686	-	-	3,687,686
	₱314,159,226	₱317,154,761	₱-	₱212,691	₱316,942,070

*Presented under 'Other Assets'
**Presented under 'Other Liabilities'

NOTES TO FINANCIAL STATEMENTS

	Parent Company				
	2020				
	Carrying Value	Fair Value			
Total		Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	₱7,475,347	₱7,475,347	₱7,475,347	₱-	₱-
Private bonds	37,907	37,907	37,907	-	-
Equity securities	10,338	10,338	10,338	-	-
	7,523,592	7,523,592	7,523,592	-	-
Derivative assets*	30,037	30,037	-	30,037	-
Financial assets at FVTOCI:					
Government securities	29,021,536	29,021,536	29,021,536	-	-
Private bonds	450,170	450,170	450,170	-	-
Equity securities	1	1	1	-	-
	29,471,707	29,471,707	29,471,707	-	-
	37,025,336	37,025,336	36,995,299	30,037	-
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	₱13,225,984	₱15,854,248	₱15,854,248	₱-	₱-
Private bonds	6,056,905	6,882,745	6,882,745	-	-
	19,282,889	22,736,993	22,736,993	-	-
Loans and receivables					
Receivable from customers:					
Corporate lending	57,681,160	62,021,565	-	-	62,021,565
Consumer lending	152,722,282	200,459,462	-	-	200,459,462
Unquoted debt securities	258,617	325,668	-	-	325,668
Other receivables	9,256,455	10,722,716	-	-	10,722,716
	219,918,514	273,529,411	-	-	273,529,411
Other financial assets	453,044	453,044	-	-	453,044
Non-financial assets					
Investment properties	979,914	2,008,762	-	-	2,008,762
	₱277,659,697	₱335,753,546	₱59,732,292	₱30,037	₱275,991,217
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities**	₱97,042	₱97,042	₱-	₱97,042	₱-
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	107,609,113	107,609,113	-	-	107,609,113
Savings	101,302,860	101,302,860	-	-	101,302,860
Time	87,846,290	88,107,593	-	-	88,107,593
LTNCD	12,422,976	15,507,275	-	-	15,507,275
	309,181,239	312,526,841	-	-	312,526,841
Lease liability	3,105,100	3,193,172	-	-	3,193,172
Bills and acceptances payable and SSURA	3,568,803	3,568,803	-	-	3,568,803
Bonds payable	3,677,434	3,705,248	-	-	3,705,248
	₱319,629,618	₱323,091,106	₱-	₱97,042	₱322,994,064

*Presented under 'Other Assets'

**Presented under 'Other Liabilities'

In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments

The Parent Company's freestanding derivative financial instruments, which mainly consist of foreign currency forwards, foreign currency swaps, US Treasury futures and interest rate swaps, are transactions not designated as accounting hedges. The tables below set out information about the Parent Company's derivative financial instruments and their related fair values as of December 31, 2021 and 2020:

	2021	2020
Interest Rate Swaps		
Notional amount	\$-	\$20,000
Derivative assets	₱-	₱21,930
Derivative liabilities	-	92,147
Futures		
Notional amount	\$-	\$16,993
Derivative assets	₱-	₱1,874
Derivative liabilities	-	-
Foreign Currency Forwards and Swaps		
Notional amount	\$736,385	\$165,191
Derivative assets	₱15,407	₱6,232
Derivative liabilities	212,691	4,895

The net movements in fair values of all derivative instruments are as follows:

	2021	2020
Derivative liabilities) - net at beginning of year	(₱67,006)	(₱23,691)
Changes in fair value of derivatives	(1,872)	(49,110)
Fair value of settled instruments	(128,406)	5,795
Derivative liabilities - net at end of year	(₱197,284)	(₱67,006)

Fair value changes of foreign currency forwards and swaps are recognized as 'foreign exchange gain' in the statements of income while fair value changes of interest rate swaps and futures are recognized as part of 'trading and securities gain (loss)' in the statements of income (Note 8).

In 2021 and 2020, the Parent Company recognized total foreign exchange gain from foreign currency forwards and swaps amounting to ₱152.6 million and ₱47.04 million, respectively, with corresponding notional amounts of US\$13.21 billion and US\$10.28 billion, respectively.

6. Segment Reporting

The Group's main operating businesses are organized and managed primarily according to the current organizational structure. Each segment represents a strategic business unit that caters to the Group's identified markets. The Group's business segments are:

- (a) *Retail banking* - this segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter (OTC) transactions. It likewise caters to the needs of high net-worth clients for alternative investment channels. It includes entire transaction processing, service delivery and infrastructure consisting of the Group's network of branches, automated teller machines as well as its internet banking platform;

NOTES TO FINANCIAL STATEMENTS

(b) *Corporate banking* - this segment handles lending and trade financing for both large corporations and middle market clients;

(c) *Consumer banking* - this segment primarily caters to loans for individuals; and

(d) *Treasury and Trust* - this segment consists of Treasury and Trust operations of the Group. Treasury focuses on providing money market, trading and treasury services, as well as the management of the Group's funding operations through debt securities, placements and acceptances with other banks. Trust includes fund management, investment management services, custodianship, administration and collateral agency services, and stock and transfer agency services. In addition, the Parent Company through Trust, provides retail customers with alternative investment opportunities through its unit investment fund products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information of the Group as of and for the years ended December 31, 2021, 2020 and 2019 follow:

	2021					Total
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	
Statement of Income						
Net Interest Income:						
Third Party	₱6,663	₱1,451	₱11,363	₱5	₱1,544	₱21,027
Intersegment	—	745	—	355	(1,100)	—
Non-interest Income	6,663	2,197	11,363	360	444	21,027
Revenue - Net of Interest Expense	1,179	190	2,700	153	1,526	5,748
Non-interest Expense	7,843	2,387	14,063	513	1,970	26,774
Income Before Income Tax	(6,796)	(1,264)	(11,173)	(740)	(697)	(20,669)
Provision for Income Tax	1,047	1,123	2,890	(228)	1,273	6,105
Net Income for the Year	(436)	(281)	(113)	71	(832)	(1,590)
Net Income for the Year	611	842	2,778	(156)	441	4,515
Statement of Financial Position						
Total Assets	41,396	65,353	134,788	115,233	47,992	404,762
Total Liabilities	297,689	53,306	5,028	36,257	(46,869)	345,412
Statement of Income						
Depreciation and Amortization	1,046	22	1,090	52	187	2,397
Provision for Impairment and Credit Losses	31	655	3,411	14	39	4,149

	2020					Total
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	
Statement of Income						
Net Interest Income:						
Third Party	₱6,349	₱1,134	₱14,166	(₱106)	₱4,960	₱26,503
Intersegment	—	987	—	506	(1,493)	—
Non-interest Income	6,349	2,121	14,166	400	3,467	26,503
Revenue - Net of Interest Expense	1,462	25	(84)	5,570	(393)	6,580
Non-interest Expense	7,811	2,146	14,082	5,970	3,074	33,083
Income Before Income Tax	(6,843)	(1,119)	(15,812)	(980)	(1,311)	(26,065)
Provision for Income Tax	968	1,027	(1,730)	4,990	1,763	7,018
Net Income for the Year	(470)	(264)	1,039	(323)	(492)	(510)
Net Income for the Year	₱498	₱763	(₱691)	₱4,667	₱1,271	₱6,508

Statement of Financial Position						
Total Assets	₱43,722	₱63,468	₱166,817	₱88,436	₱45,759	₱408,202
Total Liabilities	299,993	45,389	5,254	41,069	(38,986)	352,719
Statement of Income						
Depreciation and Amortization	1,088	21	779	61	195	2,144
Provision for Impairment and Credit Losses	82	519	8,770	29	434	9,834

	2019					Total
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	
Statement of Income						
Net Interest Income:						
Third Party	₱5,131	₱895	₱13,740	(₱109)	₱1,810	₱21,467
Intersegment	—	1,215	—	360	(1,575)	—
Non-interest Income	5,131	2,110	13,740	251	235	21,467
Revenue - Net of Interest Expense	1,865	309	3,370	1,368	(20)	6,892
Non-interest Expense	6,996	2,419	17,110	1,619	215	28,359
Income Before Income Tax	(7,339)	(837)	(10,405)	(857)	(1,010)	(20,448)
Provision for Income Tax	(343)	1,582	6,705	762	(795)	7,911
Net Income for the Year	(276)	(396)	(1,175)	(192)	370	(1,669)
Net Income for the Year	(₱619)	₱1,186	₱5,530	₱570	(₱425)	₱6,242

Statement of Financial Position						
Total Assets	₱50,200	₱77,356	₱173,388	₱28,226	₱77,154	₱406,324
Total Liabilities	270,377	47,087	4,845	66,981	(32,033)	357,257
Statement of Income						
Depreciation and Amortization	1,105	22	647	52	58	1,884
Provision for Impairment and Credit Losses	299	93	3,375	—	275	4,042

The 'Elimination Items' includes the Group's executive office and elimination items related to the Group's segment reporting framework.

Non-interest income consists of service charges, fees and commissions, gain on sale of assets, gain (loss) on asset foreclosure and dacion transactions, trading and securities gain (loss), gain on sale of investment securities at amortized cost, foreign exchange gain, trust income, share in net loss of a joint venture and miscellaneous income. The share in net loss of a joint venture has been presented as part of the elimination items in the Group's segment reporting framework. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, depreciation and amortization, rent, amortization of intangible assets, provision for impairment and credit losses, and miscellaneous expenses.

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7. Due from BSP, Due from Other Banks and Interbank Loans Receivables and SPURA

Due from BSP

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Demand deposit account	₱34,736,750	₱30,034,208	₱34,319,861	₱29,611,023
Term deposit auction facility Account	24,000,000	–	24,000,000	–
Overnight deposit facility account	–	18,700,000	–	18,700,000
Special deposit account	105,616	158,498	105,616	158,498
	₱58,842,366	₱48,892,706	₱58,425,477	₱48,469,521

The annual interest rates of due from BSP range from 1.50% to 2.05% in 2021, from 1.50% to 4.50% in 2020 and from 3.50% to 5.25% in 2019.

Due from Other Banks

This comprises of deposit accounts with:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Foreign banks	₱17,765,624	₱10,305,464	₱17,765,624	₱10,305,464
Local banks	1,574,107	1,086,734	1,531,667	1,048,255
	19,339,731	11,392,198	19,297,291	11,353,719
Allowance for credit losses (Note 15)	(4,549)	(110)	(4,549)	(110)
	₱19,335,182	₱11,392,088	₱19,292,742	₱11,353,609

The annual interest rates of due from other banks range from 0.01% to 0.75% in 2021, from 0.05% to 0.25% in 2020 and from 0.10% to 0.25% in 2019.

Interbank Loans Receivables and SPURA

This accounts consist of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
SPURA	₱15,800,317	₱15,819,273	₱15,800,317	₱15,819,273
Interbank loans receivables	1,718,667	1,291,819	1,718,667	1,291,819
	₱17,518,984	₱17,111,092	₱17,518,984	₱17,111,092

SPURA are lending to counterparties collateralized by government securities ranging from one to six days. These government securities, with fair value amounting to ₱15.80 billion and ₱15.82 billion as of December 31, 2021 and 2020, respectively were pledged in favor of the Bank as collateral for SPURA equivalent to the fair value of government securities. The Bank is not permitted to sell or repledge the related collateral in the absence of default by counterparty.

SPURA of the Bank bears annual interest rate of 2.00% in 2021, from 2.00% to 4.00% in 2020, and from 4.00% to 4.75% in 2019. The annual interest rates of interbank call loans receivables range from 1.00% to 2.00% in 2021, from 1.88% to 3.88% in 2020 and from 4.25% to 5.25% in 2019.

Interest Income on Due from BSP, Due from Other Banks, Interbank Loans Receivables and SPURA

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
SPURA	₱15,800,317	₱15,819,273	₱15,800,317	₱15,819,273
Interbank loans receivables	1,718,667	1,291,819	1,718,667	1,291,819
	₱17,518,984	₱17,111,092	₱17,518,984	₱17,111,092

SPURA are lending to counterparties collateralized by government securities ranging from one to six days. These government securities, with fair value amounting to ₱15.80 billion and ₱15.82 billion as of December 31, 2021 and 2020, respectively were pledged in favor of the Bank as collateral for SPURA equivalent to the fair value of government securities. The Bank is not permitted to sell or repledge the related collateral in the absence of default by counterparty.

SPURA of the Bank bears annual interest rate of 2.00% in 2021, from 2.00% to 4.00% in 2020, and from 4.00% to 4.75% in 2019. The annual interest rates of interbank call loans receivables range from 1.00% to 2.00% in 2021, from 1.88% to 3.88% in 2020 and from 4.25% to 5.25% in 2019.

Interest Income on Due from BSP, Due from Other Banks, Interbank Loans Receivables and SPURA

This account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Due from BSP	₱293,426	₱119,325	₱713	₱293,426	₱119,325	₱713
Due from other banks	10,942	14,501	16,227	8,924	11,145	12,936
Interbank loans receivables and SPURA	287,432	173,268	45,181	287,466	175,212	45,181
	₱591,800	₱307,094	₱62,121	₱589,816	₱305,682	₱58,830

8. Trading and Investment Securities

The Group and the Parent Company have the following trading and investment securities:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Financial assets at FVTPL	₱4,056,851	₱7,523,592	₱4,056,851	₱7,523,592
Financial assets at FVTOCI	41,660,568	29,471,707	41,660,568	29,471,707
Investment securities at amortized cost	20,815,382	20,899,699	19,137,174	19,282,889
	₱66,532,801	₱57,894,998	₱64,854,593	₱56,278,188

Financial assets at FVTPL

Financial assets at FVTPL of the Group and of the Parent Company consist of:

	2021	2020
Government securities	₱4,006,261	₱7,475,347
Private bonds	40,257	37,907
Equity securities	10,333	10,338
	₱4,056,851	₱7,523,592

As of December 31, 2021 and 2020, financial assets at FVTPL include net unrealized losses of ₱174.57 million and net unrealized losses of ₱99.61 million, respectively.

In 2021, 2020 and 2019, the yield rates ranges from 0.55% to 7.16%, 1.45% to 7.16% and 2.75% to 5.35%, respectively.

Financial assets at FVTOCI

Financial assets at FVTOCI of the Group and of the Parent Company consists of:

	2021	2020
Government debt securities	₱33,771,291	₱29,021,536
Private bonds	7,889,276	450,170
Private equity securities	1	1

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Financial assets at FVTOCI

Financial assets at FVTOCI of the Group and of the Parent Company consists of:

	2021	2020
Government debt securities	₱33,771,291	₱29,021,536
Private bonds	7,889,276	450,170
Private equity securities	1	1
	₱41,660,568	₱29,471,707

In 2021, 2020 and 2019, the interest rates of financial assets at FVTOCI range from 0.03% to 8.32%, 0.07% to 8.32% and 5.08% to 7.37%, respectively.

As of December 31, 2021 and 2020, the ECL on financial assets at FVTOCI of the Group and the Parent Company (included in 'Fair value reserves on financial assets at FVTOCI') amounted to ₱33.81 million and nil (Note 15), respectively.

Movements in the fair value reserves on financial assets at FVTOCI investments of the Group and the Parent Company follow:

	2021	2020
Balance at beginning of year	₱189,936	₱28,328
Loss (gain) from sale of financial assets at FVTOCI realized in profit or loss	100,098	(504,280)
Changes in allowance for ECL (Note 15)	33,813	–
Changes in fair values of debt securities	(446,120)	644,066
Share in changes in fair value reserves on equity securities at FVTOCI of a joint venture (Note 10)	(16,548)	21,822
Balance at end of year	(₱138,821)	₱189,936

The private equity securities were designated as at FVTOCI on the basis that these are not held for trading. These include shares in a real estate company and a golf club. No dividend income was recognized in 2021 and 2020 for these securities.

As of December 31, 2021, the Group and Parent Company's change in fair value reserves on financial assets at FVTOCI debt and equity securities amounting to (₱446.12) million and (₱16.55) million, respectively.

As of December 31, 2020, the Group and Parent Company's change in fair value reserves on financial assets at FVTOCI debt and equity securities amounting to ₱644.07 million and ₱21.82 million, respectively.

Investment securities at amortized cost

Investment securities at amortized cost of the Group and of the Parent Company consist of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Government securities	₱18,987,980	₱14,863,467	₱17,309,772	₱13,246,657
Private bonds	1,839,021	6,067,164	1,839,021	6,067,164
Carrying value, gross of allowance for impairment losses	20,827,001	20,930,631	19,148,793	19,313,821
Allowance for impairment losses (Note 15)	(11,619)	(30,932)	(11,619)	(30,932)
	₱20,815,382	₱20,899,699	₱19,137,174	₱19,282,889

Peso-denominated government bonds have effective interest rates ranging from 4.96% to 8.11% in 2021 and from 4.94% to 8.11% in 2020 and 4.45% to 8.11% in 2019. Foreign currency-denominated government and private bonds have effective interest rates ranging from 2.76% to 6.66% in 2021, from 2.76% to 7.82% in 2020, and from 2.12% to 7.82% in 2019.

On May 14, 2020, EWRB purchased government securities and classified it as investment securities at amortized cost. These government securities were purchased to satisfy the Bank's desired portfolio tenor that intends to comply with BSP's regulatory ratios. The balance of these investment securities at amortized cost purchased by EWRB as of December 31, 2021 amounted to ₱1.62 billion.

On March 2, 2020, the Asset and Liability Management Committee (ALCO) of the Parent Company approved the planned sale of all of its HTC portfolio with total face value of ₱45.19 billion (with carrying amount of ₱48.96 billion at the date of ALCO approval) to support the Parent Company's capital raising requirements. In 2020, the Parent Company sold investment securities managed under the HTC business model with aggregate carrying amount of ₱27.89 billion resulting in net gain on sale of investment securities at amortized cost totaling to ₱3.68 billion. In January to May 2021, the Parent Company sold investment securities managed under the HTC business model with aggregate carrying amount of ₱11.26 billion resulting in net gain on sale from investment securities at amortized cost totaling to ₱1.85 billion. The sales in 2021 and 2020 are considered to be more than insignificant but not more than infrequent as this is part of the Parent Company's risk management procedures. Further, the Parent Company assessed that the sales do not reflect a change in the Group's objectives for the hold-to-collect business model. Accordingly, the remaining investment securities in the affected hold-to-collect portfolio are continued to be measured at amortized cost.

In October to December 2021, the Bank purchased investment securities at amortized cost amounting to ₱12.81 billion. The Bank intends to purchase investment securities at amortized cost for the purpose of capital growth and to support the Bank's business with no intention to sell these securities in the future.

The fair value of the remaining investments at amortized cost is disclosed in Note 5.

Interest Income on Trading and Investment Securities

This account consists of:

	Consolidated			Parent		
	2021	2020	2019	2021	2020	2019
Financial assets at FVTPL	₱345,017	₱497,556	₱414,970	₱345,017	₱497,556	₱414,970
Financial assets at FVTOCI	589,980	225,317	74,820	589,980	225,317	74,820
Investment securities at amortized cost	623,885	1,675,766	1,963,161	573,159	1,645,631	1,963,161
	₱1,558,882	₱2,398,639	₱2,452,951	₱1,508,156	₱2,368,504	₱2,452,951

Trading and Securities Gains (Losses)

Trading and securities gains (losses) of the Group and of the Parent Company consists of:

	2021	2020	2019
Financial assets at FVTPL	(₱665,014)	₱1,145,860	₱1,085,670
Financial assets at FVTOCI	(100,098)	504,280	21,674
US Treasury futures (Note 5)	(88,618)	(116,509)	(90,243)
Interest rate swaps (Note 5)	12,315	(69,600)	(51,371)
	(₱841,415)	₱1,464,031	₱965,730

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9. Loans and Receivables

Loans and receivables consist of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Receivables from customers*:				
Corporate lending				
Corporate loans	₱59,602,979	₱57,725,667	₱59,530,851	₱57,653,000
Other corporate loans**	1,153,301	1,440,060	1,153,301	1,440,060
	60,756,280	59,165,727	60,684,152	59,093,060
Consumer lending				
Auto loans	65,226,612	89,407,561	65,226,612	89,407,561
Credit cards	33,206,027	31,479,419	33,206,027	31,479,419
Mortgage loans	19,899,535	21,941,572	19,899,535	21,941,572
Other consumer loans***	34,102,510	37,271,329	7,772,084	12,185,633
	152,434,684	180,099,881	126,104,258	155,014,185
Receivable from customers – gross	213,190,964	239,265,608	186,788,410	214,107,244
Unamortized premium	2,675,102	6,261,342	4,052,870	7,437,288
	215,866,066	245,526,950	190,841,280	221,544,532
Unquoted debt securities:				
Private bonds	332,115	335,668	322,115	325,668
	332,115	335,668	322,115	325,668
Other receivables:				
Accrued interest receivable	7,316,431	8,730,407	7,078,063	8,314,218
Accounts receivable	2,590,402	2,262,869	2,465,582	2,256,043
Sales contracts receivable	132,896	152,455	132,805	152,455
	10,039,729	11,145,731	9,676,450	10,722,716
	226,237,910	257,008,349	200,839,845	232,592,916
Allowance for credit and impairment losses (Note 15)	(12,675,324)	(13,291,920)	(12,039,245)	(12,674,402)
	₱213,562,586	₱243,716,429	₱188,800,600	₱219,918,514

*Net of unamortized modification loss

**Include emerging enterprise loans and branch loans

***Include DepEd loans, employee loans, salary loans and personal loans

Receivable from customers consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Loans and discounts	₱208,985,345	₱234,887,936	₱182,582,791	₱209,729,572
Unamortized premium	2,675,102	6,261,342	4,052,870	7,437,288
	211,660,447	241,149,278	186,635,661	217,166,860
Customer liabilities under acceptances and trust receipts	3,632,500	3,736,680	3,632,500	3,736,680
Bills purchased (Note 21)	573,119	640,992	573,119	640,992
	₱215,866,066	₱245,526,950	₱190,841,280	₱221,544,532

In 2016, the Parent Company entered into a sale of receivables agreement with EWRB, whereby the Parent Company will sell to EWRB, on a without recourse basis, certain employee loans of the Parent Company. In 2021 and 2020, the total employee loans sold by the Parent Company have an aggregate carrying amount of ₱230.80 million and ₱189.30 million, respectively. The selling price of the employee loans approximates the fair value at the date of sale. As of December 31, 2021 and 2020, outstanding principal balance of employee loans purchased from the Parent Company, included in 'Other consumer loans' of EWRB, amounted to ₱437.12 million and ₱418.22 million, respectively. In connection with the sale of receivables agreement, the Parent Company and EWRB also entered into an account servicing and collection agreement whereby EWRB agreed to pay equivalent to 0.37% of the loan amounts collected by the Parent Company on behalf of EWRB. The service fees received by the Parent Company (included under 'Service charges, fees and commission income' in the statements of income) amounted to ₱0.88 million, ₱0.65 million, and ₱0.78 million in 2021, 2020, and 2019 respectively (Note 28).

In 2013, the Parent Company entered into a purchase of receivables agreement with EWRB, whereby the Parent Company will purchase, on a without recourse basis, certain salary loans of EWRB. In 2021 and 2020, the total salary loans purchased by the Parent Company have an aggregate amount of ₱2.44 billion and ₱5.60 billion, respectively. The Parent Company's acquisition cost of the salary loans approximates the fair value at the acquisition date. As of December 31, 2021 and 2020, outstanding principal balance of salary loans purchased from EWRB, included in 'Other consumer loans' of the Parent Company, amounted to ₱3.05 billion and ₱4.98 billion, respectively. In connection with the purchase of receivables agreement, the Parent Company and EWRB also entered into an account servicing and collection agreement whereby the Parent Company agreed to pay service fees equivalent to 0.37% of the loan amounts collected by EWRB on behalf of the Parent Company. The service fees paid by the Parent Company to EWRB (included under 'Miscellaneous expense' in the statements of income) amounted to ₱17.33 million, ₱9.96 million and ₱30.43 million in 2021, 2020 and 2019, respectively (Note 28).

The Group took possession of various properties previously held as collateral with carrying amounts of ₱7.19 billion, ₱2.38 billion, and ₱3.03 billion in 2021, 2020 and 2019, respectively (Notes 12 and 14).

Modification

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (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 interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest, and other charges.

'Modification gain (loss)' in 2020 pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. The Parent Company, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included special payment deferral programs and loan restructuring.

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the payment moratorium above are not significant and therefore do not result in the derecognition of the affected loans. In 2021 and 2020, the Group and the Parent Company recognized modification gain (loss) from loans and receivables amounting to ₱0.35 billion and ₱2.72 billion, respectively (see Note 24). The accretion of modification loss is recognized as part of interest income. As of December 31, 2021 and 2020, the unamortized modification loss from loans and receivables of the Group and the Parent Company amounted to ₱1.12 billion and ₱2.45 billion, respectively.

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Interest income on loans and receivables consist of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Receivables from customers	₱21,100,676	₱28,003,248	₱27,241,257	₱18,255,307	₱25,309,012	₱25,177,569
Unquoted debt securities	859	1,223	1,607	859	1,223	1,607
	₱21,101,535	₱28,004,471	₱27,242,864	₱18,256,166	₱25,310,235	₱25,179,176

As of December 31, 2021 and 2020, 9.07% and 8.97% respectively of the total receivables from customers of the Group and the Parent Company were subject to interest repricing.

Remaining receivables carry annual fixed interest rates ranging from 0.75% to 45.00% in 2021, 0.75% to 45.00% in 2020 and 1.34% to 45.00% in 2019 for peso-denominated receivables and from 2.00% to 10.00% in 2021, 3.75% to 10.00% in 2020 and 2.45% to 10.00% in 2019 for foreign currency-denominated receivables.

In 2019, the Parent Company sold its credit card NPL portfolio which was previously written off in prior years amounting to ₱9.95 billion and recognized ₱247.74 million gain on sale in its statement of income. No subsequent sale occurred in 2020 and 2021.

Provision for credit losses on loans and receivables of the Group amounted to ₱4.40 billion, ₱9.84 billion and ₱3.50 billion in 2021, 2020 and 2019, respectively. Provision for credit losses on loans and receivables of the Parent Company amounted to ₱4.40 billion, ₱9.59 billion and ₱3.27 billion in 2021, 2020 and 2019, respectively.

10. Investments in Subsidiaries and Joint Venture

The movements in the investments in subsidiaries of the Parent Company and investment in a joint venture of the Group and the Parent Company follow:

	Investment in Subsidiaries		Investment in a Joint Venture	
	2021	2020	2021	2020
Acquisition Cost				
<u>Subsidiaries</u>				
EWLB	₱521,000	₱521,000	₱-	₱-
EWLFC	100,000	100,000	-	-
EWIB	30,000	30,000	-	-
QMIS	19,927	19,927	-	-
ASIA	10,305	10,305	-	-
	681,232	681,232	-	-
<u>Joint Venture</u>				
EWAL				
Cost at beginning of the year	-	-	1,855,000	1,605,000
Additional investments made during the year	-	-	200,000	250,000
Balance at end of year	681,232	681,232	2,055,000	1,855,000
Share in capital infusion from Ageas	-	-	665,000	665,000
Accumulated share in net income (loss)				
Balance at beginning of year	4,073,093	3,317,568	(1,870,638)	(1,570,015)
Share in net income (loss)	1,160,738	783,241	(236,077)	(300,623)
Dividends	-	(27,716)	-	-
Balance at end of year	5,233,831	4,073,093	(2,106,715)	(1,870,638)
Accumulated share in other comprehensive income				
Balance at beginning of year	(15,114)	(6,351)	15,951	(5,871)
Share in changes in remeasurement gain (loss) of retirement liabilities of subsidiaries and joint venture	19,146	(8,763)	1,806	-
Share in changes in fair value reserves on equity securities of a joint venture	-	-	(16,548)	21,822
Balance at end of year	4,032	(15,114)	1,209	15,951
	₱5,919,095	₱4,739,211	₱614,494	₱665,313

Investments in Subsidiaries

EWLB

The Parent Company's investment cost in EWLB amounted to ₱521.00 million as of December 31, 2021 and 2020. EWLB was incorporated and registered with Philippine SEC on November 5, 1997. It was granted authority by the BSP to operate as a rural bank and commenced operations in March 1998. As a subsidiary of EWBC, its primary mandate is to grant loans to its chosen market –Teacher, SSS Pensioners and Small-scale Entrepreneurs. It also offers a limited list of deposit products with competitive interest rates. Its principal office is located at 3rd and 4th Floors, East West Bank Building, J.P. Laurel Avenue corner Iñigo Street, Bajada, Davao City.

EWIB

In 2015, the BSP approved the Parent Company's initial equity investment in EWIB of ₱30.00 million. EWIB was incorporated and registered with the SEC on July 6, 2015 primarily to act as an insurance broker in soliciting, negotiating, and forwarding applications for fire insurance, motor car insurance, engineering insurance, personal accident insurance, travel insurance, bonds & surety, directors and officer's liability insurance, aviation insurance, marine cargo insurance and other non-life insurance services. On September 23, 2015, EWIB received its license to act as an insurance broker from the Insurance Commission ("IC"). It started its commercial operations in September 24, 2015. Its principal place of business is located at The Beaufort, 5th avenue corner 23rd Street, Bonifacio Global City, Taguig City.

EWLFC

In 2016, the BSP approved and confirmed the initial equity investment in EWLFC of ₱100.00 million. It was registered with the SEC in October 2016 with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. The principal place of business of EWLFC is at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

QMIS

In 2016, the Parent Company acquired 100.00% voting shares of QMIS as part of the asset and share transfer agreement for a consideration amounting to ₱19.93 million. On November 25, 2016, SCMB Overseas Ltd., a wholly-owned subsidiary of Standard Chartered Bank (SCB), completed the transfer of its 100.00% ownership of the Company's capital stock to the Parent Company. Consequently, the Group obtained control and ownership of the QMIS on that date.

The principal place of business of the Company is at 7th Floor, Global Trade Center, 1024 EDSA, Quezon City.

ASIA

In 2016, the Parent Company acquired 100.00% voting shares of ASIA as part of the asset and share transfer agreement for a consideration amounting to ₱10.31 million. ASIA was registered with the SEC in 2012 primarily to engage in general insurance agency business. The principal place of business is at 5th Floor, 6788 Sky Plaza Building, Ayala Avenue, Makati City.

Investment in a Joint Venture

On May 28, 2015, the Parent Company and Ageas Insurance International N.V. ("Ageas") entered into a joint venture agreement to form EW Ageas Life. EW Ageas Life, which is primarily engaged in the life insurance business, was incorporated with a capitalization of ₱2.01 billion and with ultimate ownership interest of the Parent Company of 50.00% less 1 share. The Parent Company's initial investment amounted to ₱500.00 million. The joint venture agreement provided certain conditions that should be satisfied for the consummation of the agreement, which include among others, obtaining all the required regulatory approvals. EW Ageas Life was incorporated and registered with the SEC on October 20, 2015. Its primary purpose is to undertake and write insurance upon the life of individuals, and every insurance appertaining thereto or connected therewith; to make

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contracts of insurance providing for all risks, hazards, guarantees and contingencies to which life, accident, or health insurance is applicable; to indemnify against legal liability; to compute endowments and grant, purchase or dispose of annuities; to procure re-insurance of its risks; to issue policies stipulated to be with or without participation in profits; and to purchase for its own benefit any policy of insurance or other obligation as well as claims of policyholders.

On December 22, 2015, EW Ageas Life obtained from the Insurance Commission (IC) a license to operate as a life insurance business. The Certificate of Authority was granted effective from January 1, 2016 to December 31, 2018 and renewed every two years. The latest renewal happened on December 16, 2021 with certificate No. 22/19-R effective from January 1, 2022 to December 31, 2024.

EW Ageas Life started its commercial operations on February 1, 2016. On March 28, 2016, the Parent Company and Ageas entered into a Deed of Sale for the transfer of 1,666,655 shares from Parent Company to Ageas. The resulting shareholder structure became 50% less one share for Parent Company and 50% plus one share for Ageas. The Parent Company and Ageas control EW Ageas Life through a Joint Venture Agreement. Its registered office is at One World Place, 32nd Street, Bonifacio Global City, Taguig City.

In 2017, additional capital aggregating to ₱1.33 billion was solely contributed by Ageas to EW Ageas Life. This increased the Parent Company's investment in the joint venture by ₱665.00 million in 2017 which was recognized as gain on capital transaction. Under the joint venture agreement, within a period of seven (7) years from consummation, the joint venture entity may at any time request for additional funding from the Parent Company and Ageas. Parent Company and Ageas each infused additional capital to EW Ageas Life amounting to ₱200.00 million in 2021 and ₱250.00 million in 2020.

There were no dividends received from EW Ageas Life as of December 31, 2021. The joint venture has no contingent liabilities or capital commitments as of December 31, 2021 and 2020.

11. Property, Equipment and Right-of-Use Assets

The composition of and movements in the Group's property, equipment and ROU assets follow:

	2021					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Asset	
Cost						
Balance at beginning of year	₱54,635	₱1,074,539	₱2,922,497	₱3,777,503	₱4,615,046	₱12,444,220
Additions	–	591	128,537	139,448	520,917	789,493
Disposals/terminations and other adjustments	–	(3,365)	(63,595)	(1,726)	(202,714)	(271,400)
Balance at end of year	54,635	1,071,765	2,987,439	3,915,225	4,933,249	12,962,313
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	267,983	2,646,314	2,917,127	1,523,267	7,354,691
Depreciation and amortization	–	30,882	174,130	285,239	946,401	1,436,652
Disposals/terminations and other adjustments	–	(7,244)	(55,375)	(276)	(188,490)	(251,385)
Balance at end of year	–	291,621	2,765,069	3,202,090	2,281,178	8,539,958
Net Book Value	₱54,635	₱780,144	₱222,370	₱713,135	₱2,652,071	₱4,422,355

	2020					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Asset	
Cost						
Balance at beginning of year	₱54,635	₱1,073,675	₱2,816,976	₱3,757,648	₱3,987,088	₱11,690,022
Additions	–	864	113,593	61,491	990,048	1,165,996
Disposals/terminations and other adjustments	–	–	(8,072)	(41,636)	(362,090)	(411,798)
Balance at end of year	54,635	1,074,539	2,922,497	3,777,503	4,615,046	12,444,220
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	234,833	2,450,820	2,670,912	896,696	6,253,261
Depreciation and amortization	–	33,150	200,962	285,794	981,044	1,500,950
Disposals/terminations and other adjustments	–	–	(5,468)	(39,579)	(354,473)	(399,520)
Balance at end of year	–	267,983	2,646,314	2,917,127	1,523,267	7,354,691
Net Book Value	₱54,635	₱806,556	₱276,183	₱860,376	₱3,091,779	₱5,089,529

The composition of and movements in the Parent Company's property, equipment and ROU assets follow:

	2021					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Asset	
Cost						
Balance at beginning of year	₱33,298	₱997,832	₱2,461,575	₱3,615,933	₱4,170,613	₱11,279,251
Additions	–	–	119,841	133,954	470,389	724,184
Disposals/terminations and other adjustments	–	–	(58,292)	(635)	(183,940)	(242,867)
Balance at end of year	33,298	997,832	2,523,124	3,749,252	4,457,062	11,760,568
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	237,289	2,234,418	2,788,580	1,417,873	6,678,160
Depreciation and amortization	–	27,157	147,897	274,016	840,440	1,289,510
Disposals/terminations and other adjustments	–	–	(50,289)	–	(173,142)	(223,431)
Balance at end of year	–	264,446	2,332,026	3,062,596	2,085,171	7,744,239
Net Book Value	₱33,298	₱733,385	₱191,098	₱686,658	₱2,371,891	₱4,016,329

	2020					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Asset	
Cost						
Balance at beginning of year	₱33,298	₱997,160	₱2,370,364	₱3,557,663	₱3,748,975	₱10,707,460
Additions	–	672	97,580	60,088	731,327	889,667
Disposals/terminations and other adjustments	–	–	(6,369)	(1,818)	(309,689)	(317,876)
Balance at end of year	33,298	997,832	2,461,575	3,615,933	4,170,613	11,279,251
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	210,141	2,072,772	2,527,365	829,818	5,640,096
Depreciation and amortization	–	27,148	165,583	260,978	890,177	1,343,886
Disposals/terminations and other adjustments	–	–	(3,937)	237	(302,122)	(305,822)
Balance at end of year	–	237,289	2,234,418	2,788,580	1,417,873	6,678,160
Net Book Value	₱33,298	₱760,543	₱227,157	₱827,353	₱2,752,740	₱4,601,091

The Group has lease contracts for office branches, warehouses, spaces for Automated Teller Machines (ATMs) and office equipment. With the exception of short-term leases of low-value underlying assets, each lease is reflected on the statement of financial position as ROU asset and a lease liability.

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The net gain on sale recognized by the Group for the disposal of certain property and equipment amounted to ₱3.64 million, ₱0.33 million and ₱1.91 million in 2021, 2020 and 2019, respectively. The net gain on sale recognized by the Parent Company for the disposal of certain property and equipment amounted to ₱2.87 million, ₱0.33 million, and ₱1.46 million in 2021, 2020, and 2019 respectively.

In 2014, the Parent Company sold a parcel of land previously intended for an office site with a carrying value of ₱169.13 million to Filinvest Alabang, Inc. (FAI), an entity under common control of FDC, that resulted in a gain amounting to ₱264.13 million. Under the terms of the sale, the selling price of ₱433.26 million is payable annually for five (5) years until 2020 with a fixed interest rate of 6.00% per annum. As of December 31, 2020, the accounts receivable outstanding (included under 'Loans and receivable' in the statements of financial position) amounted to ₱0.11 million. (Note 28). As of December 31, 2021, this has been fully collected.

As of December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use by the Group amounted to ₱2.37 billion and ₱2.06 billion, respectively.

As of December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use by the Parent Company amounted to ₱1.76 billion and ₱1.61 billion, respectively.

12. Investment Properties

The composition of and movements in the Group's investment properties follow:

	2021		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱672,753	₱759,574	₱1,432,327
Additions	36,704	24,524	61,228
Disposals	(44,591)	(41,005)	(85,596)
Balance at end of year	664,866	743,093	1,407,959
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	354,794	354,794
Depreciation and amortization	–	64,769	64,769
Disposals	–	(21,822)	(21,822)
Balance at end of year	–	397,741	397,741
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	79,194	17,192	96,386
Provision during the year	5,659	2,817	8,476
Disposals	(15,272)	(7,360)	(22,632)
Balance at end of year	69,581	12,649	82,230
Net Book Value	₱595,285	₱332,703	₱927,988

	2020		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱644,192	₱700,622	₱1,344,814
Additions	60,647	99,554	160,201
Disposals	(32,086)	(40,602)	(72,688)
Balance at end of year	672,753	759,574	1,432,327
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	312,726	312,726
Depreciation and amortization	–	67,470	67,470
Disposals	–	(25,402)	(25,402)
Balance at end of year	–	354,794	354,794
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	62,722	20,228	82,950

	2020		
	Land	Buildings and Improvements	Total
Provision during the year	17,038	73	17,111
Disposals	(566)	(3,109)	(3,675)
Balance at end of year	79,194	17,192	96,386
Net Book Value	₱593,559	₱387,588	₱981,147

The composition of and movements in the Parent Company's investment properties follow:

	2021		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱671,674	₱759,208	₱1,430,882
Additions	36,704	24,524	61,228
Disposals	(44,280)	(40,574)	(84,854)
Balance at end of year	664,098	743,158	1,407,256
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	354,583	354,583
Depreciation and amortization	–	64,895	64,895
Disposals	–	(21,743)	(21,743)
Balance at end of year	–	397,735	397,735
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	79,194	17,192	96,386
Provision during the year	5,659	2,817	8,476
Disposals	(15,272)	(7,360)	(22,632)
Balance at end of year	69,581	12,649	82,230
Net Book Value	₱594,517	₱332,774	₱927,291

	2020		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱643,113	₱700,256	₱1,343,369
Additions	60,647	99,554	160,201
Disposals	(32,086)	(40,602)	(72,688)
Balance at end of year	671,674	759,208	1,430,882
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	312,583	312,583
Depreciation and amortization	–	67,400	67,400
Disposals	–	(25,401)	(25,401)
Balance at end of year	–	354,582	354,582
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	62,722	20,228	82,950
Provision during the year	17,038	73	17,111
Disposals	(566)	(3,109)	(3,675)
Balance at end of year	79,194	17,192	96,386
Net Book Value	₱592,480	₱387,434	₱979,914

The Group's and the Parent Company's investment properties consist entirely of real estate properties and land improvements acquired in settlement of loans and receivables.

The aggregate fair value of the investment properties of the Group and the Parent Company amounted to ₱2.05 billion as of December 31, 2021, and ₱2.01 billion as of December 31, 2020. Fair value has been determined based on valuations made by independent and/or in-house appraisers. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2021 and 2020, the carrying values of foreclosed investment properties of the Group and of the Parent Company still subject to redemption period by the borrower amounted to

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₱51.85 million and ₱74.82 million, respectively.

Gain on sale recognized by the Group for the disposal of its foreclosed assets amounted to ₱58.50 million, ₱40.51 million, and ₱71.40 million in 2021, 2020 and 2019, respectively.

Gain on sale recognized by the Parent Company for the disposal of its foreclosed assets amounted to ₱56.17 million, ₱40.51 million, and ₱71.40 million in 2021, 2020 and 2019, respectively.

Direct operating expenses from investment properties that did not generate rent income amounted to ₱88.97 million, ₱80.96 million and ₱80.33 million for the Group and the Parent Company in 2021, 2020 and 2019, respectively. The Group and the Parent Company have no investment properties that generated rent income in 2021, 2020 and 2019.

13. Goodwill and Other Intangible Assets

As of December 31, 2021 and 2020, the intangible assets of the Group consist of:

	2021					Total
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	
Cost						
Balance at beginning of year	₱3,877,241	₱2,167,600	₱154,626	₱105,128	₱2,390,495	₱8,695,090
Additions	–	–	–	–	171,212	171,212
Others/Disposals	–	–	–	–	(422,908)	(422,908)
Balance at end of year	3,877,241	2,167,600	154,626	105,128	2,138,799	8,443,394
Accumulated Amortization						
Balance at beginning of year	–	–	55,328	66,848	1,780,021	1,902,197
Amortization	–	–	4,311	6,469	157,518	168,298
Others/Disposals	–	–	–	–	(422,475)	(422,475)
Balance at end of year	–	–	59,639	73,317	1,515,064	1,648,020
Net Book Value	₱3,877,241	₱2,167,600	₱94,987	₱31,811	₱623,735	₱6,795,374

	2020					Total
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	
Cost						
Balance at beginning of year	₱3,877,241	₱2,167,600	₱154,626	₱105,128	₱2,308,827	₱8,613,422
Additions	–	–	–	–	81,668	81,668
Balance at end of year	3,877,241	2,167,600	154,626	105,128	2,390,495	8,695,090
Accumulated Amortization						
Balance at beginning of year	–	–	51,017	60,379	1,604,526	1,715,922
Amortization	–	–	4,311	6,469	175,495	186,275
Balance at end of year	–	–	55,328	66,848	1,780,021	1,902,197
Net Book Value	₱3,877,241	₱2,167,600	₱99,298	₱38,280	₱610,474	₱6,792,893

As of December 31, 2021 and 2020, the intangible assets of the Parent Company consist of:

	2021					Total
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	
Cost						
Balance at beginning of year	₱3,853,763	₱2,167,600	₱154,626	₱105,128	₱2,281,105	₱8,562,222
Additions	–	–	–	–	171,727	171,727
Others/Disposals	–	–	–	–	(422,907)	(422,907)
Balance at end of year	3,853,763	2,167,600	154,626	105,128	2,029,925	8,311,042
Accumulated Amortization						
Balance at beginning of year	–	–	55,328	66,848	1,697,817	1,819,993
Amortization	–	–	4,311	6,469	146,965	157,745
Others/Disposals	–	–	–	–	(422,907)	(422,907)
Balance at end of year	–	–	59,639	73,317	1,421,875	1,554,831
Net Book Value	₱3,853,763	₱2,167,600	₱94,987	₱31,811	₱608,050	₱6,756,211

	2020					Total
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	
Cost						
Balance at beginning of year	₱3,853,763	₱2,167,600	₱154,626	₱105,128	₱2,216,000	₱8,497,117
Additions	–	–	–	–	65,105	65,105
Balance at end of year	3,853,763	2,167,600	154,626	105,128	2,281,105	8,562,222
Accumulated Amortization						
Balance at beginning of year	–	–	51,017	60,379	1,528,930	1,640,326
Amortization	–	–	4,311	6,469	168,887	179,667
Balance at end of year	–	–	55,328	66,848	1,697,817	1,819,993
Net Book Value	₱3,853,763	₱2,167,600	₱99,298	₱38,280	₱583,288	₱6,742,229

Goodwill

Goodwill represents the excess of the acquisitions cost over the fair value arising from acquisition of (a) Ecology Savings Bank, Inc. (“ESBI”) in 2002; (b) American International Group, Inc. Philam Savings Bank (AIGPASB) Group in 2009; (c) EWRB in 2012; (d) Green Bank, Inc. (“GBI”) in 2014; and (e) Standard Chartered Bank (“SCB”) in 2016.

The carrying amounts of the resulting goodwill in the acquisitions above in the books of the Parent Company are as follows:

Acquisitions	CGU	Consolidated	Parent Company
SCB	Treasury and Trust; Consumer banking	₱2,560,513	₱2,560,513
AIG	Consumer Banking	769,042	769,042
GBI	Consumer Banking	373,996	373,996
ESBI	Retail Banking	173,690	150,212
		₱3,877,241	₱3,853,763

The goodwill of the Parent Company acquired through the business combination has been allocated to the following CGUs:

- 1) SCB – ₱1.46 billion has been allocated to the wealth management business (Treasury and Trust) and ₱1.10 billion has been allocated to the credit card operations (Consumer lending) acquired from SCB.
- 2) AIGPASB – goodwill has been allocated to the auto loans and credit card operations (consumer banking) acquired from AIGPASB Group.
- 3) GBI – goodwill has been allocated to the branch operations (Consumer banking) of the Parent Company.
- 4) ESBI – ₱150.21 million has been allocated to the Parent Company’s 30 branches (Retail banking) acquired from ESBI, while ₱23.48 million has been allocated to the lending business (Retail banking) of EWRB.

Key assumptions used in VIU calculations

The recoverable amount of the CGUs has been determined based on VIU calculations using cash flow projections based on financial budgets approved by the management covering a five-year period. The VIU calculation for the CGUs is most sensitive to the following assumptions: a) interest margin; b) discount rates; c) market share during the budget period; and d) projected growth rates used to extrapolate cash flows beyond the budget period. Future cash flows were based on historical experience, strategies developed and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities.

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Discount rate and growth rate

The following discount rates were applied to the cash flow projections:

	2021			2020			2019		
	Retail banking	Consumer Banking	Treasury and Trust	Retail banking	Consumer Banking	Treasury and Trust	Retail banking	Consumer Banking	Treasury and Trust
Pre-tax discount rate	12.30%	12.30%	12.30%	12.30%	12.30%	12.30%	12.00%	12.00%	12.00%
Projected growth rate	6.25%	6.25%	6.25%	9.70%	9.70%	9.70%	5.00%	5.00%	5.00%

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

Branch Licenses

Branch licenses of the Group and the Parent Company amounting to ₱2.17 billion represents: one branch license acquired by the Parent Company from the BSP amounting to ₱0.20 million in 2015, 25 branch licenses acquired by the Parent Company from the BSP amounting to ₱505.20 million in 2014, 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013, 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012, and 46 branch licenses acquired by the Parent Company from the acquisition of GBI amounting to ₱625.40 million in 2011.

Customer Relationship and Core Deposits

The business combination between the Parent Company and AIGPASB Group in 2009 resulted in the acquisition of customer relationship and core deposits amounting to ₱154.63 million and ₱40.43 million, respectively.

The business combination between the Parent Company and SCB in 2016 resulted in the acquisition of core deposits amounting to ₱64.70 million.

Capitalized Software

Capitalized software pertains to computer software licenses and programs acquired by the Group and the Parent Company for its banking operations. Included in the 2021 and 2020 acquisitions are software licenses acquired by the Group and the Parent Company for the upgrade of its core banking systems amounting to ₱185.5 million and ₱171.7 million, respectively in 2021 and ₱81.67 million and ₱65.11 million, respectively in 2020.

14. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Financial assets				
Security deposits	₱315,210	₱281,159	₱309,242	₱276,153
Downpayment/advance payments to suppliers	104,050	103,955	104,050	103,955
Margin account	63,364	64,793	63,364	64,793
Derivative assets (Note 5)	15,407	30,037	15,407	30,037
Returned cash and other cash items	1,031	6,544	1,031	6,544
Other asset – petty cash fund	2,667	2,152	1,904	1,599
	501,729	488,640	494,998	483,081

(Forward)

	Consolidated		Parent Company	
	2021	2020	2021	2020
Non-financial assets				
Other repossessed assets – net of accumulated depreciation	2,606,451	717,932	2,606,451	717,932
Prepaid taxes and expenses	664,965	383,267	623,296	339,438
Equity on car plan	154,830	153,261	154,830	153,251
Card acquisition costs	100,417	220,854	100,417	220,854
Documentary stamps	82,377	92,115	82,377	92,115
Stationery and supplies on hand	64,417	77,601	57,796	72,496
Interoffice items	16,792	3,996	16,792	3,996
Other miscellaneous asset	276,453	246,401	236,250	209,193
	3,966,702	1,895,427	3,878,209	1,809,275
	4,468,431	2,384,067	4,373,207	2,292,356
Allowance for impairment losses (Note 15)	(124,594)	(36,836)	(98,461)	(17,058)
	₱4,343,837	₱2,347,231	₱4,274,746	₱2,275,298

The allowance for impairment losses on other assets pertains to the allowances for impairment losses of other repossessed assets and of the Bank's long outstanding floats.

The movements in the allowance for impairment losses on other assets excluding other repossessed assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at beginning of year	₱35,132	₱334,386	₱15,354	₱315,285
Provisions during the year	210,762	25,179	204,407	24,502
Write-off and others	(121,300)	(324,433)	(121,300)	(324,433)
Balance at end of year	₱124,594	₱35,132	₱98,461	₱15,354

The movements in other repossessed assets of the Group and the Parent Company follow:

	2021	2020
Cost		
Balance at beginning of year	₱945,000	₱1,157,507
Additions	7,114,210	1,625,938
Disposals	(4,974,357)	(1,838,445)
Balance at end of year	3,084,853	945,000
Accumulated depreciation		
Balance at beginning of year	227,068	158,692
Depreciation	727,345	389,079
Disposals	(476,011)	(320,703)
Balance at end of year	478,402	227,068
Net book value, gross of allowance for impairment losses	2,606,451	717,932
Allowance for impairment losses		
Balance at beginning of year	1,704	200
Provision during the year	382	1,704
Disposals	(2,086)	(200)
Balance at end of year	-	1,704
Net book value, net of allowance for impairment losses	₱2,606,451	₱716,228

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The Group and Parent Company recognized net gain (loss) from the disposal of its repossessed assets amounting to (₱285.77 million), (₱9.26 million) and (₱226.21 million) in 2021, 2020 and 2019, respectively.

15. Allowance for Credit and Impairment Losses

Details of and changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balances at the beginning of year:				
Loans and receivables (Note 9)	₱13,291,920	₱7,389,216	₱12,674,402	₱6,888,762
Investment securities at amortized cost (Note 8)	30,932	2,265	30,932	2,265
Financial assets at FVTOCI (Note 8)	–	–	–	–
Due from other banks	110	93	110	93
Investment properties (Note 12)	96,386	82,950	96,386	82,950
Other assets (Note 14)	36,836	334,386	17,058	315,285
Provision for unused credit lines (Note 21)	603,599	683,425	603,599	683,425
	₱14,059,783	8,492,335	₱13,422,487	7,972,780
Provisions charged to current operations – loans and receivables (Note 9)	4,397,360	9,841,566	4,353,690	9,591,472
Provisions charged to (recoveries credited to) current operations – due from other banks and investment securities at amortized cost	(15,933)	28,683	(15,933)	28,683
Provisions charged to current operations – financial assets at FVTOCI (Notes 8)	33,813	–	33,813	–
Provisions charged to current operations – investment properties and other assets (Notes 12 and 14)	204,225	43,995	197,871	43,317
Provisions charged to (recoveries credited to) current operations – unused credit lines (Note 20)	(478,894)	(79,826)	(478,894)	(79,826)
Write-off and others (Notes 9 and 14)	(5,137,184)	(4,260,672)	(5,112,077)	(4,127,642)
Revaluation due to change in foreign currency rates	2,988	(2,623)	2,988	(2,623)
Reversal of allowance on disposals of investment properties and other repossessed assets (Notes 12 and 14)	(9,323)	(3,875)	(9,323)	(3,875)
Balances at the end of year:				
Loans and receivables (Note 9)	12,675,324	13,291,920	12,039,245	12,674,402
Investment securities at amortized cost (Note 8)	11,619	30,932	11,619	30,932
Financial assets at FVTOCI (Note 8)	33,813	–	33,813	–
Due from other banks	4,549	110	4,549	110
Investment properties (Note 12)	82,230	96,386	82,230	96,386
Other assets (Note 14)	124,976	36,836	98,844	17,058
Provision for unused credit lines	124,705	603,599	124,705	603,599
	₱13,056,834	₱14,059,783	₱12,394,622	₱13,422,487

With the foregoing level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance for any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

The reconciliation of allowance for the receivables from customers follows:

Total Loans and Receivables - Consolidated

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱2,765,377	₱5,153,691	₱5,372,852	₱13,291,920
Newly originated assets that remained in Stage 1 as at December 31, 2021	884,209	–	–	884,209
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	555,225	874,544	1,429,768
Effect of collections and other movements in receivable balance (excluding write-offs)	(798,251)	(1,700,445)	1,049,755	(1,448,940)
Write-offs (Note 9)	(52,782)	(35,543)	(4,291,852)	(4,380,176)
Transfers from Stage 1	(2,992,904)	593,575	2,631,671	232,342
Transfers from Stage 2	235,303	(2,841,176)	2,616,240	10,367
Transfers from Stage 3	31,319	9,543	(40,724)	138
Impact on ECL of exposures transferred between stages of exposures transferred	1,629,646	116,822	909,228	2,655,696
Others	–	–	–	–
Balance at end of year	₱1,701,917	₱1,851,692	₱9,121,715	₱12,675,324

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱1,303,243	₱1,984,768	₱4,101,205	₱7,389,216
Newly originated assets that remained in Stage 1 as at December 31, 2020	639,443	–	–	639,443
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	22	579,373	287,316	866,711
Effect of collections and other movements in receivable balance (excluding write-offs)	(309,576)	(398,768)	(375,018)	(1,083,362)
Write-offs (Note 9)	(288,895)	(196,227)	(3,451,118)	(3,936,240)
Transfers from Stage 1	(361,912)	252,950	108,962	–
Transfers from Stage 2	230,514	(772,575)	542,061	–
Transfers from Stage 3	29,775	21,419	(51,194)	–
Impact on ECL of exposures transferred between stages of exposures transferred	1,295,441	3,499,383	4,621,329	9,416,153
Others	–	–	–	–
Balance at end of year	₱2,765,377	₱5,153,691	₱5,372,852	₱13,291,920

Reconciliation of the allowance for impairment and credit losses by class in 2021 and 2020 follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱2,671	₱406,876	₱793,136	₱1,202,683
Newly originated assets that remained in Stage 1 as at December 31, 2021	2,593	–	–	2,593
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	429,569	530,792	960,361
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,514)	(351,105)	(310,412)	(663,031)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(22,484)	181	22,303	–
Transfers from Stage 2	60	(311,298)	311,237	–
Transfers from Stage 3	2	810	(812)	–
Impact on ECL of exposures transferred between stages	23,669	296,079	(10,711)	309,038
Balance at end of year	4,998	471,112	1,335,533	1,811,643

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2021			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at beginning of year	₱480,461	₱1,974,116	₱1,326,868	₱3,781,445
Newly originated assets that remained in Stage 1 as at December 31, 2021	45,627	–	–	45,627
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	6,812	49,527	56,339
Effect of collections and other movements in receivable balance (excluding write-offs)	(138,825)	(679,188)	(265,795)	(1,083,808)
Write-offs (Note 9)	–	–	(177,286)	(177,286)
Transfers from Stage 1	(187,249)	32,362	154,887	–
Transfers from Stage 2	15,312	(432,177)	416,865	–
Transfers from Stage 3	889	3,230	(4,118)	–
Impact on ECL of exposures transferred between stages	(126,565)	(820,180)	833,528	(113,216)
Balance at end of year	89,650	84,974	2,334,475	2,509,100
Credit cards				
Balance at beginning of year	782,657	2,265,711	1,200,740	4,249,108
Newly originated assets that remained in Stage 1 as at December 31, 2021	43,742	–	–	43,742
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	13,883	21,350	35,233
Effect of collections and other movements in receivable balance (excluding write-offs)	444,334	992,840	271,582	1,708,756
Write-offs (Note 9)	(475,549)	(1,471,762)	(1,478,237)	(3,425,549)
Transfers from Stage 1	(1,516,682)	475,178	1,041,504	–
Transfers from Stage 2	203,586	(1,957,104)	1,753,518	–
Transfers from Stage 3	28,387	3,960	(32,347)	–
Impact on ECL of exposures transferred between stages	1,145,437	743,769	73,913	1,963,119
Balance at end of year	655,912	1,066,475	2,852,022	4,574,409
Mortgage loans				
Balance at beginning of year	24,309	203,865	48,759	276,933
Newly originated assets that remained in Stage 1 as at December 31, 2021	2,046	–	–	2,046
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	47	290	337
Effect of collections and other movements in receivable balance (excluding write-offs)	(3,848)	(24,497)	(11,393)	(39,738)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(10,686)	6,352	4,333	–
Transfers from Stage 2	7,799	(41,032)	33,234	–
Transfers from Stage 3	93	384	(477)	–
Impact on ECL of exposures transferred between stages	(5,365)	(117,890)	53,134	(70,121)
Balance at end of year	14,348	27,229	127,880	169,457
Other consumer loans**				
Balance at beginning of year	1,358,096	88,902	754,361	2,201,359
Newly originated assets that remained in Stage 1 as at December 31, 2021	427,690	–	–	427,690
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	5,964	45,338	51,302
Effect of collections and other movements in receivable balance (excluding write-offs)	(633,104)	(43,330)	34,210	(642,223)

(Forward)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Write-offs (Note 9)	(₱2,305)	(₱2,106)	(₱684,040)	(₱688,451)
Transfers from Stage 1	(1,226,387)	58,268	1,168,119	–
Transfers from Stage 2	4,845	(73,579)	68,735	–
Transfers from Stage 3	1,474	510	(1,985)	–
Impact on ECL of exposures transferred between stages	608,787	34,657	37,381	680,824
Balance at end of year	539,096	69,286	1,422,119	2,030,502
Unquoted debt securities classified as loans				
Balance at beginning of year	–	–	77,051	77,051
Newly originated assets that remained in Stage 1 as at December 31, 2021	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	–	–
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	–	–	77,051	77,051
Other receivables***				
Balance at beginning of year	117,183	214,221	1,171,937	1,503,341
Newly originated assets that remained in Stage 1 as at December 31, 2021	362,512	–	–	362,512
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	98,950	227,247	326,196
Effect of collections and other movements in receivable balance (excluding write-offs)	(56,540)	(176,452)	(606,697)	(839,689)
Write-offs (Note 9)	–	–	(88,891)	(88,891)
Transfers from Stage 1	(29,416)	21,235	240,524	232,342
Transfers from Stage 2	3,702	(25,986)	32,651	10,367
Transfers from Stage 3	474	649	(985)	138
Impact on ECL of exposures transferred between stages	–	–	–	–
Others	–	–	–	–
Balance at end of year	397,914	132,616	975,787	1,506,316
Total	1,701,917	1,851,692	9,121,715	12,675,324

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

	2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱11,216	₱198,437	₱543,914	₱753,567
Newly originated assets that remained in Stage 1 as at December 31, 2020	2,905	–	–	2,905
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	307,560	62,892	370,452
Effect of collections and other movements in receivable balance (excluding write-offs)	(10,744)	(137,380)	(56,707)	(204,831)
Write-offs (Note 9)	–	–	(137,861)	(137,861)
Transfers from Stage 1	(1,096)	909	187	–

(Forward)

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	2020			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 2	₱16,931	(₱23,796)	₱6,865	₱-
Transfers from Stage 3	7,286	-	(7,286)	-
Impact on ECL of exposures transferred between stages	(23,827)	61,146	381,132	418,451
Balance at end of year	2,671	406,876	793,136	1,202,683
Auto loans				
Balance at beginning of year	369,299	462,506	780,915	1,612,720
Newly originated assets that remained in Stage 1 as at December 31, 2020	152,461	-	-	152,461
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	200,630	106,613	307,243
Effect of collections and other movements in receivable balance (excluding write-offs)	(69,100)	(108,418)	(15,713)	(193,231)
Write-offs (Note 9)	-	-	(226,733)	(226,733)
Transfers from Stage 1	(153,955)	122,620	31,335	-
Transfers from Stage 2	31,085	(157,929)	126,844	-
Transfers from Stage 3	2,523	7,242	(9,765)	-
Impact on ECL of exposures transferred between stages	148,148	1,447,465	533,372	2,128,985
Balance at end of year	480,461	1,974,116	1,326,868	3,781,445
Credit cards				
Balance at beginning of year	₱435,400	₱1,219,879	₱951,132	₱2,606,411
Newly originated assets that remained in Stage 1 as at December 31, 2020	75,877	-	-	75,877
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	6,390	16,874	23,264
Effect of collections and other movements in receivable balance (excluding write-offs)	(41,468)	(127,423)	(27,492)	(196,383)
Write-offs (Note 9)	(61,573)	(12,859)	(2,510,878)	(2,585,310)
Transfers from Stage 1	(164,232)	103,890	60,342	-
Transfers from Stage 2	176,631	(569,274)	392,643	-
Transfers from Stage 3	11,760	8,221	(19,981)	-
Impact on ECL of exposures transferred between stages	350,262	1,636,887	2,338,100	4,325,249
Balance at end of year	782,657	2,265,711	1,200,740	4,249,108
Mortgage loans				
Balance at beginning of year	27,584	26,556	21,579	75,719
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	8,825	848	9,673
Effect of collections and other movements in receivable balance (excluding write-offs)	(2,299)	(1,974)	(5,428)	(9,701)
Write-offs (Note 9)	-	-	-	-
Transfers from Stage 1	(14,034)	13,578	456	-
Transfers from Stage 2	2,903	(5,262)	2,359	-
Transfers from Stage 3	182	986	(1,168)	-
Impact on ECL of exposures transferred between stages	9,973	161,156	30,113	201,242
Balance at end of year	24,309	203,865	48,759	276,933
Other consumer loans**				
Balance at beginning of year	435,149	26,186	731,554	1,192,889
Newly originated assets that remained in Stage 1 as at December 31, 2020	385,206	-	-	385,206

(Forward)

	2020			
	Stage 1	Stage 2	Stage 3	Total
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	₱22	₱34,511	₱90,994	₱125,527
Effect of collections and other movements in receivable balance (excluding write-offs)	(184,962)	(20,268)	(262,499)	(467,729)
Write-offs (Note 9)	(227,322)	(183,368)	(503,277)	(913,967)
Transfers from Stage 1	(26,714)	10,391	16,323	-
Transfers from Stage 2	2,329	(9,295)	6,966	-
Transfers from Stage 3	7,863	4,838	(12,701)	-
Impact on ECL of exposures transferred between stages	966,525	225,907	687,001	1,879,433
Balance at end of year	1,358,096	88,902	754,361	2,201,359
Unquoted debt securities classified as loans				
Balance at beginning of year	-	-	79,673	79,673
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	-	-	-
Effect of collections and other movements in receivable balance (excluding write-offs)	-	-	(2,622)	(2,622)
Write-offs (Note 9)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages	-	-	-	-
Balance at end of year	-	-	77,051	77,051
Other receivables***				
Balance at beginning of year	24,595	51,204	992,438	1,068,237
Newly originated assets that remained in Stage 1 as at December 31, 2020	22,994	-	-	22,994
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	21,457	9,094	30,551
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,003)	(3,305)	(4,557)	(8,865)
Write-offs (Note 9)	-	-	(72,369)	(72,369)
Transfers from Stage 1	(1,881)	1,562	319	-
Transfers from Stage 2	635	(7,019)	6,384	-
Transfers from Stage 3	161	132	(293)	-
Impact on ECL of exposures transferred between stages	71,682	150,190	240,921	462,793
Others	-	-	-	-
Balance at end of year	117,183	214,221	1,171,937	1,503,341
Total	₱2,765,377	₱5,153,691	₱5,372,852	₱13,291,920

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

NOTES TO FINANCIAL STATEMENTS

Total Allowance on Credit Losses– Parent Company

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	2,561,234	5,135,162	4,978,005	12,674,401
Newly originated assets that remained in Stage 1 as at December 31, 2021	442,031	–	–	442,031
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	553,313	849,846	1,403,159
Effect of collections and other movements in receivable balance (excluding write-offs)	(643,726)	(1,680,989)	1,407,767	(916,947)
Write-offs (Note 9)	(52,782)	(35,543)	(4,266,744)	(4,355,068)
Transfers from Stage 1	(2,966,433)	592,440	2,606,336	232,342
Transfers from Stage 2	235,207	(2,834,654)	2,609,814	10,367
Transfers from Stage 3	31,224	9,452	(40,538)	138
Impact on ECL of exposures transferred between stages	1,646,544	109,167	793,112	2,548,823
Others	–	–	–	–
Balance at end of year	1,253,299	1,848,348	8,937,598	12,039,245

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱1,242,612	₱1,950,011	₱3,696,139	₱6,888,762
Newly originated assets that remained in Stage 1 as at December 31, 2020	477,667	–	–	477,667
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	23	565,306	225,519	790,848
Effect of collections and other movements in receivable balance (excluding write-offs)	(241,010)	(391,396)	(230,368)	(862,774)
Write-offs (Note 9)	(288,895)	(196,227)	(3,318,088)	(3,803,210)
Transfers from Stage 1	(356,760)	251,436	105,324	–
Transfers from Stage 2	229,210	(768,581)	539,371	–
Transfers from Stage 3	26,240	21,150	(47,390)	–
Impact on ECL of exposures transferred between stages	1,244,825	3,520,095	4,418,188	9,183,108
Others	–	–	–	–
Balance at end of year	₱2,561,234	₱5,135,162	₱4,978,005	₱12,674,401

Reconciliation of the allowance for impairment and credit losses by class in 2021 and 2020 follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱2,470	₱406,868	₱740,686	₱1,150,024
Newly originated assets that remained in Stage 1 as at December 31, 2021	2,449	–	–	2,449
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	429,569	530,792	960,361
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,366)	(351,097)	(257,962)	(610,425)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(22,416)	113	22,303	–
Transfers from Stage 2	60	(311,298)	311,237	–
Transfers from Stage 3	2	810	(812)	–
Impact on ECL of exposures transferred between stages	23,604	296,079	(63,160)	256,524
Balance at end of year	4,804	471,044	1,283,084	1,758,932
Auto loans				
Balance at beginning of year	480,461	1,974,116	1,326,868	3,781,445
Newly originated assets that remained in Stage 1 as at December 31, 2021	45,627	–	–	45,627

(Forward)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	₱–	₱6,812	₱49,527	₱56,339
Effect of collections and other movements in receivable balance (excluding write-offs)	(138,825)	(679,188)	(265,795)	(1,083,808)
Write-offs (Note 9)	–	–	(177,286)	(177,286)
Transfers from Stage 1	(187,249)	32,362	154,887	–
Transfers from Stage 2	15,312	(432,177)	416,865	–
Transfers from Stage 3	889	3,230	(4,118)	–
Impact on ECL of exposures transferred between stages	(126,565)	(820,180)	833,528	(113,216)
Balance at end of year	89,650	84,974	2,334,475	2,509,100
Credit cards				
Balance at beginning of year	782,657	2,265,711	1,200,740	4,249,108
Newly originated assets that remained in Stage 1 as at December 31, 2021	43,742	–	–	43,742
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	13,883	21,350	35,233
Effect of collections and other movements in receivable balance (excluding write-offs)	444,334	992,840	271,582	1,708,756
Write-offs (Note 9)	(475,549)	(1,471,762)	(1,478,237)	(3,425,549)
Transfers from Stage 1	(1,516,682)	475,178	1,041,504	–
Transfers from Stage 2	203,586	(1,957,104)	1,753,518	–
Transfers from Stage 3	28,387	3,960	(32,347)	–
Impact on ECL of exposures transferred between stages	1,145,437	743,769	73,913	1,963,119
Balance at end of year	655,912	1,066,475	2,852,022	4,574,409
Mortgage loans				
Balance at beginning of year	24,309	203,865	48,759	276,933
Newly originated assets that remained in Stage 1 as at December 31, 2021	2,046	–	–	2,046
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	47	290	337
Effect of collections and other movements in receivable balance (excluding write-offs)	(3,848)	(24,497)	(11,393)	(39,738)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(10,686)	6,352	4,333	–
Transfers from Stage 2	7,799	(41,032)	33,234	–
Transfers from Stage 3	93	384	(477)	–
Impact on ECL of exposures transferred between stages	(5,365)	(117,890)	53,134	(70,121)
Balance at end of year	14,348	27,229	127,880	169,457
Other consumer loans**				
Balance at beginning of year	1,156,155	72,566	454,858	1,683,579
Newly originated assets that remained in Stage 1 as at December 31, 2021	26,414	–	–	26,414
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	1,694	16,558	18,252
Effect of collections and other movements in receivable balance (excluding write-offs)	(480,162)	(26,994)	310,037	(197,118)
Write-offs (Note 9)	(2,305)	(2,106)	(660,363)	(664,774)
Transfers from Stage 1	(1,200,384)	57,234	1,143,149	–
Transfers from Stage 2	4,752	(66,125)	61,373	–

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2021			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 3	₱1,383	₱421	(₱1,804)	₱-
Impact on ECL of exposures transferred between stages	625,749	27,001	(26,285)	626,465
Balance at end of year	131,602	63,692	1,297,523	1,492,817
Unquoted debt securities classified as loans				
Balance at beginning of year	-	-	67,051	67,051
Newly originated assets that remained in Stage 1 as at December 31, 2021	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	-	-	-
Effect of collections and other movements in receivable balance (excluding write-offs)	-	-	(3,153)	(3,153)
Write-offs (Note 9)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages	-	-	-	370
Balance at end of year	-	-	63,898	63,898
Other receivables***				
Balance at beginning of year	117,183	214,221	1,171,937	1,466,261
Newly originated assets that remained in Stage 1 as at December 31, 2021	362,512	-	-	362,512
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	98,950	227,247	326,197
Effect of collections and other movements in receivable balance (excluding write-offs)	(56,540)	(176,452)	(606,697)	(839,689)
Write-offs (Note 9)	-	-	(87,460)	(87,460)
Transfers from Stage 1	(261,759)	21,235	240,524	-
Transfers from Stage 2	3,702	(36,353)	32,651	-
Transfers from Stage 3	474	649	(1,123)	-
Impact on ECL of exposures transferred between stages	191,412	12,683	3,067	207,162
Balance at end of year	356,984	134,933	978,715	1,470,633
Total	1,253,299	1,848,348	8,937,598	12,039,245

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

	2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱9,296	₱198,437	₱491,029	₱698,762
Newly originated assets that remained in Stage 1 as at December 31, 2020	2,861	-	-	2,861
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	307,560	62,892	370,452
Effect of collections and other movements in receivable balance (excluding write-offs)	(8,983)	(137,378)	(56,272)	(202,633)
Write-offs (Note 9)	-	-	(137,861)	(137,861)
Transfers from Stage 1	(1,094)	907	187	-
Transfers from Stage 2	16,931	(23,797)	6,866	-
Transfers from Stage 3	7,286	-	(7,286)	-
Impact on ECL of exposures transferred between stages	(23,827)	61,139	381,131	418,443
Balance at end of year	2,470	406,868	740,686	1,150,024

(Forward)

	2020			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at beginning of year	₱369,299	₱462,506	₱780,915	₱1,612,720
Newly originated assets that remained in Stage 1 as at December 31, 2020	152,461	-	-	152,461
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	200,630	106,613	307,243
Effect of collections and other movements in receivable balance (excluding write-offs)	(69,100)	(108,418)	(15,713)	(193,231)
Write-offs (Note 9)	-	-	(226,733)	(226,733)
Transfers from Stage 1	(153,955)	122,620	31,335	-
Transfers from Stage 2	31,085	(157,929)	126,844	-
Transfers from Stage 3	2,523	7,242	(9,765)	-
Impact on ECL of exposures transferred between stages	148,148	1,447,465	533,372	2,128,985
Balance at end of year	480,461	1,974,116	1,326,868	3,781,445
Credit cards				
Balance at beginning of year	435,400	1,219,879	951,132	2,606,411
Newly originated assets that remained in Stage 1 as at December 31, 2020	75,877	-	-	75,877
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	6,390	16,874	23,264
Effect of collections and other movements in receivable balance (excluding write-offs)	(41,468)	(127,423)	(27,492)	(196,383)
Write-offs (Note 9)	(61,573)	(12,859)	(2,510,878)	(2,585,310)
Transfers from Stage 1	(164,232)	103,890	60,342	-
Transfers from Stage 2	176,631	(569,274)	392,643	-
Transfers from Stage 3	11,760	8,221	(19,981)	-
Impact on ECL of exposures transferred between stages	350,262	1,636,887	2,338,100	4,325,249
Balance at end of year	782,657	2,265,711	1,200,740	4,249,108
Mortgage loans				
Balance at beginning of year	27,584	26,556	21,579	75,719
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	8,825	848	9,673
Effect of collections and other movements in receivable balance (excluding write-offs)	(2,299)	(1,974)	(5,428)	(9,701)
Write-offs (Note 9)	-	-	-	-
Transfers from Stage 1	(14,034)	13,578	456	-
Transfers from Stage 2	2,903	(5,262)	2,359	-
Transfers from Stage 3	182	986	(1,168)	-
Impact on ECL of exposures transferred between stages	9,973	161,156	30,113	201,242
Balance at end of year	24,309	203,865	48,759	276,933
Other consumer loans**				
Balance at beginning of year	383,506	19,399	392,220	795,125
Newly originated assets that remained in Stage 1 as at December 31, 2020	225,068	-	-	225,068
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	23	22,651	34,542	57,216
Effect of collections and other movements in receivable balance (excluding write-offs)	(118,515)	(13,318)	(116,839)	(248,672)
Write-offs (Note 9)	(227,322)	(183,368)	(381,874)	(792,564)
Transfers from Stage 1	(21,669)	8,892	12,777	-

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2020			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 2	₱1,042	(₱5,349)	₱4,307	₱-
Transfers from Stage 3	4,413	4,571	(8,984)	-
Impact on ECL of exposures transferred between stages	909,609	219,088	518,709	1,647,406
Balance at end of year	1,156,155	72,566	454,858	1,683,579
Unquoted debt securities classified as loans				
Balance at beginning of year	-	-	69,673	69,673
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	-	-	-
Effect of collections and other movements in receivable balance (excluding write-offs)	-	-	(2,622)	(2,622)
Write-offs (Note 9)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages	-	-	-	-
Balance at end of year	-	-	67,051	67,051
Other receivables***				
Balance at beginning of year	₱17,527	₱23,234	₱989,591	₱1,030,352
Newly originated assets that remained in Stage 1 as at December 31, 2020	21,400	-	-	21,400
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	19,250	3,750	23,000
Effect of collections and other movements in receivable balance (excluding write-offs)	(645)	(2,885)	(6,002)	(9,532)
Write-offs (Note 9)	-	-	(60,742)	(60,742)
Transfers from Stage 1	(1,776)	1,549	227	-
Transfers from Stage 2	618	(6,970)	6,352	-
Transfers from Stage 3	76	130	(206)	-
Impact on ECL of exposures transferred between stages	77,982	177,728	206,073	461,783
Others	-	-	-	-
Balance at end of year	115,182	212,036	1,139,043	1,466,261
Total	₱2,561,234	₱5,135,162	₱4,978,005	₱12,674,401

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

Investments and placements – Group and Parent Company

	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortized cost				
Balance at beginning of year	₱2,456	₱28,476	₱-	₱30,932
Newly originated assets that remained in Stage 1 as at December 31, 2021	-	443	-	443
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	-	-	-
Effect of collections and other movements in receivable balance (excluding write-offs)	(2,341)	(15,246)	-	(17,586)
Write-offs (Note 9)	-	-	-	-

(Forward)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 1	₱-	₱-	₱-	₱-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	(22)	(2,147)	-	(2,169)
Impact on ECL of exposures transferred between stages	-	-	-	-
Balance at end of year	₱93	₱11,527	₱-	₱11,620
Due from other banks				
Balance at beginning of year	81	29	-	110
Newly originated assets that remained in Stage 1 as at December 31, 2021	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	-	-	-
Effect of collections and other movements in receivable balance (excluding write-offs)	670	(7)	-	664
Write-offs (Note 9)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages	3,683	92	-	3,775
Balance at end of year	4,435	115	-	4,549
Total	₱4,528	₱11,642	₱-	₱16,169

	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortized cost				
Balance at beginning of year	₱2,380	(₱115)	-	₱2,265
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	17,858	-	17,858
Effect of collections and other movements in receivable balance (excluding write-offs)	(2,108)	-	-	(2,108)
Write-offs (Note 9)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages	2,184	10,733	-	12,917
Balance at end of year	2,456	28,476	-	30,932
Due from other banks				
Balance at beginning of year	81	12	-	93
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	-	-	-
Effect of collections and other movements in receivable balance (excluding write-offs)	(33)	(3)	-	(36)
Write-offs (Note 9)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages	40	13	-	53
Balance at end of year	88	22	-	110
Total	₱2,544	₱28,498	₱-	₱31,042

NOTES TO FINANCIAL STATEMENTS

Provision for unused credit lines – Group and Parent Company

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱371,938	₱231,661	₱-	₱603,599
New credit lines that remained in Stage 1 as at December 31, 2021	44,633	-	-	44,633
Newly credit lines that moved to Stage 2 and Stage 3 as at December 31, 2021	-	838	-	838
Effect of collections and other movements	(132,183)	(46,062)	-	(178,245)
Write-offs	-	-	-	-
Transfers from Stage 1	(13,836)	13,836	-	-
Transfers from Stage 2	9,574	(9,574)	-	-
Transfers from Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages	(179,829)	(166,291)	-	(346,120)
Balance at end of year	₱100,298	₱24,408	₱-	₱124,705

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱432,079	₱251,346	₱-	₱683,425
New credit lines that remained in Stage 1 as at December 31, 2020	81,038	-	-	81,038
Newly credit lines that moved to Stage 2 and Stage 3 as at December 31, 2020	-	1,959	-	1,959
Effect of collections and other movements	(207,445)	(165,325)	-	(372,770)
Write-offs	-	-	-	-
Transfers from Stage 1	(19,082)	15,837	3,245	-
Transfers from Stage 2	29,934	(33,925)	3,991	-
Transfers from Stage 3	-	-	-	-
Impact on ECL of exposures transferred between stages	55,414	161,769	(7,236)	209,947
Balance at end of year	₱371,938	₱231,661	₱-	₱603,599

Analysis of Movements of Gross Carrying Amounts

The movements in the Group's total loans and receivables (excluding unamortized premium and allowance for credit and impairment losses) in 2021 and 2020 follow:

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱117,671,832	₱110,768,259	₱22,306,916	₱250,747,007
Newly originated assets that remained in Stage 1 as at December 31, 2021	47,932,158	-	-	47,932,158
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	31,447,179	2,107,888	33,555,067
Movements in receivable balance	(40,261,496)	(54,459,056)	(9,443,884)	(104,164,436)
Write-offs (Note 15)	(52,782)	(35,543)	(4,418,662)	(4,506,987)
Transfers from Stage 1	(18,668,535)	10,486,850	8,181,685	-
Transfers from Stage 2	26,847,633	(35,730,911)	8,883,278	-
Transfers from Stage 3	1,090,725	1,126,264	(2,216,989)	-
Balance at end of year	134,559,422	63,603,042	25,400,344	₱223,562,808

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱161,253,816	₱89,626,177	₱15,765,294	₱266,645,287
Newly originated assets that remained in Stage 1 as at December 31, 2020	48,947,432	-	-	48,947,432
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	35,325,434	5,556,329	40,881,763
Movements in receivable balance	(51,474,499)	(47,703,478)	(2,613,258)	(101,791,235)
Write-offs (Note 15)	(288,895)	(196,227)	(3,451,118)	(3,936,240)
Transfers from Stage 1	(56,290,478)	50,145,679	6,144,799	-
Transfers from Stage 2	10,736,104	(17,015,462)	6,279,358	-
Transfers from Stage 3	4,788,352	586,136	(5,374,488)	-
Others	-	-	-	-
Balance at end of year	₱117,671,832	₱110,768,259	₱22,306,916	₱250,747,007

The breakdown of the total gross carrying amounts of the Group's loans and receivables (before taking into account any allowance for credit and impairment losses, and unamortized premium) in 2021 and 2020 is as follows:

	2021			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱21,685,114	₱35,341,196	₱2,139,417	₱59,165,727
Newly originated assets that remained in Stage 1 as at December 31, 2021	11,737,888	-	-	11,737,888
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	27,501,083	1,189,653	28,690,737
Movements in receivable balance	(5,952,278)	(30,960,094)	(1,925,699)	(38,838,071)
Write-offs (Note 15)	-	-	-	-
Transfers from Stage 1	(126,782)	19,545	107,237	-
Transfers from Stage 2	349,330	(1,118,766)	769,436	-
Transfers from Stage 3	6,567	125,305	(131,872)	-
	27,699,839	30,908,269	2,148,172	60,756,280
Auto loans				
Balance at beginning of year	33,879,848	43,905,394	11,622,319	89,407,561
Newly originated assets that remained in Stage 1 as at December 31, 2021	6,125,468	-	-	6,125,468
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	340,625	210,503	551,128
Movements in receivable balance	(11,005,986)	(15,257,749)	(4,416,524)	(30,680,259)
Write-offs (Note 15)	-	-	(177,286)	(177,286)
Transfers from Stage 1	(6,270,713)	4,905,775	1,364,938	-
Transfers from Stage 2	13,373,014	(17,950,811)	4,577,797	-
Transfers from Stage 3	706,297	855,679	(1,561,976)	-
	36,807,928	16,798,913	11,619,771	65,226,612
Credit cards				
Balance at beginning of year	18,666,373	11,038,747	1,774,299	31,479,419
Newly originated assets that remained in Stage 1 as at December 31, 2021	9,071,779	-	-	9,071,779
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	2,044,948	98,336	2,143,284
Movements in receivable balance	(1,037,164)	(3,187,884)	(1,711,048)	(5,936,096)
Write-offs (Note 15)	(50,477)	(33,437)	(3,468,445)	(3,552,359)
Transfers from Stage 1	(7,890,101)	3,149,991	4,740,110	-
Transfers from Stage 2	4,387,123	(6,424,167)	2,037,044	-
Transfers from Stage 3	84,127	12,291	(96,418)	-
	23,231,660	6,600,489	3,373,878	33,206,027
Mortgage loans				
Balance at beginning of year	6,648,927	14,128,168	1,164,477	21,941,572
Newly originated assets that remained in Stage 1 as at December 31, 2021	1,483,681	-	-	1,483,681

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	2021			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	₱–	₱9,016	₱14,171	₱23,187
Movements in receivable balance	(1,083,123)	(2,193,490)	(272,292)	(3,548,905)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(1,057,080)	874,826	182,254	–
Transfers from Stage 2	7,258,804	(8,614,837)	1,356,033	–
Transfers from Stage 3	69,997	48,959	(118,956)	–
	13,321,206	4,252,642	2,325,687	19,899,535
Other consumer loans**				
Balance at beginning of year	32,204,748	1,909,519	3,157,062	37,271,329
Newly originated assets that remained in Stage 1 as at December 31, 2021	19,007,079	–	–	19,007,079
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	1,454,009	548,530	2,002,539
Movements in receivable balance	(21,070,377)	(1,330,877)	(1,088,732)	(23,489,986)
Write-offs (Note 15)	(2,305)	(2,106)	(684,040)	(688,451)
Transfers from Stage 1	(2,441,178)	784,151	1,657,027	–
Transfers from Stage 2	101,633	(217,309)	115,676	–
Transfers from Stage 3	107,510	(73,180)	(34,330)	–
	27,907,110	2,524,207	3,671,193	34,102,510
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	–	–	335,668	335,668
Newly originated assets that remained in Stage 1 as at December 31, 2021	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	–	–	–
Movements in receivable balance	–	–	(3,553)	(3,553)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
	–	–	332,115	332,115
Other receivables***				
Balance at beginning of year	4,586,822	4,445,235	2,113,674	11,145,731
Newly originated assets that remained in Stage 1 as at December 31, 2021	506,262	–	–	506,262
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	97,498	46,695	144,193
Movements in receivable balance	(112,680)	(1,528,962)	(25,924)	(1,667,566)
Write-offs (Note 15)	–	–	(88,891)	(88,891)
Transfers from Stage 1	(882,681)	752,562	130,119	–
Transfers from Stage 2	1,377,729	(1,405,021)	27,292	–
Transfers from Stage 3	116,227	157,210	(273,437)	–
	5,591,679	2,518,522	1,929,528	10,039,729
	₱134,559,534	₱63,603,042	₱25,400,232	₱223,562,808

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱11,782,742	₱54,874,194	₱4,002,312	₱70,659,248
Newly originated assets that remained in Stage 1 as at December 31, 2020	12,595,968	–	–	12,595,968
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	25,917,276	229,658	26,146,934
Movements in receivable balance	(10,890,538)	(38,366,708)	(841,316)	(50,098,562)
Write-offs (Note 15)	–	–	(137,861)	(137,861)

(Forward)

	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 1	(₱1,171,170)	₱1,000,205	₱170,965	₱–
Transfers from Stage 2	7,164,902	(8,083,771)	918,869	–
Transfers from Stage 3	2,203,210	–	(2,203,210)	–
	21,685,114	35,341,196	2,139,417	59,165,727
Auto loans				
Balance at beginning of year	71,640,010	18,014,919	4,340,568	93,995,497
Newly originated assets that remained in Stage 1 as at December 31, 2020	10,229,471	–	–	10,229,471
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	4,735,486	1,936,908	6,672,394
Movements in receivable balance	(15,718,927)	(4,676,959)	(867,182)	(21,263,068)
Write-offs (Note 15)	–	–	(226,733)	(226,733)
Transfers from Stage 1	(33,401,050)	29,720,943	3,680,107	–
Transfers from Stage 2	1,082,696	(4,019,012)	2,936,316	–
Transfers from Stage 3	47,648	130,017	(177,665)	–
	33,879,848	43,905,394	11,622,319	89,407,561
Credit cards				
Balance at beginning of year	25,114,585	8,759,738	1,389,553	35,263,876
Newly originated assets that remained in Stage 1 as at December 31, 2020	698,834	–	–	698,834
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	215,981	51,032	267,013
Movements in receivable balance	(2,012,194)	(141,634)	(11,166)	(2,164,994)
Write-offs (Note 15)	(61,573)	(12,859)	(2,510,878)	(2,585,310)
Transfers from Stage 1	(6,917,446)	5,634,233	1,283,213	–
Transfers from Stage 2	1,820,204	(3,434,665)	1,614,461	–
Transfers from Stage 3	23,963	17,953	(41,916)	–
	18,666,373	11,038,747	1,774,299	31,479,419
Mortgage loans				
Balance at beginning of year	17,430,632	3,872,918	970,893	22,274,443
Newly originated assets that remained in Stage 1 as at December 31, 2020	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	1,636,399	20,257	1,656,656
Movements in receivable balance	(1,499,371)	(311,079)	(179,077)	(1,989,527)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(9,709,299)	9,477,209	232,090	–
Transfers from Stage 2	387,040	(683,760)	296,720	–
Transfers from Stage 3	39,925	136,481	(176,406)	–
	6,648,927	14,128,168	1,164,477	21,941,572
Other consumer loans**				
Balance at beginning of year	33,612,640	2,080,076	2,827,848	38,520,564
Newly originated assets that remained in Stage 1 as at December 31, 2020	19,762,400	–	–	19,762,400
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	1,229,003	3,072,276	4,301,279
Movements in receivable balance	(21,303,945)	(2,452,068)	(642,934)	(24,398,947)
Write-offs (Note 15)	(227,322)	(183,368)	(503,277)	(913,967)
Transfers from Stage 1	(2,236,991)	1,543,475	693,516	–
Transfers from Stage 2	145,928	(587,266)	441,338	–
Transfers from Stage 3	2,452,038	279,667	(2,731,705)	–
	32,204,748	1,909,519	3,157,062	37,271,329
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	–	–	344,188	344,188
Newly originated assets that remained in Stage 1 as at December 31, 2020	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	–	–	–
Movements in receivable balance	–	–	(8,520)	(8,520)
Write-offs (Note 15)	–	–	–	–

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2020			
	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3	
Transfers from Stage 1	₱-	₱-	₱-	₱-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
	-	-	335,668	335,668
Other receivables***				
Balance at beginning of year	1,673,207	2,024,332	1,889,932	5,587,471
Newly originated assets that remained in Stage 1 as at December 31, 2020	5,660,759	-	-	5,660,759
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	1,591,289	246,198	1,837,487
Movements in receivable balance	(49,524)	(1,755,030)	(63,063)	(1,867,617)
Write-offs (Note 15)	-	-	(72,369)	(72,369)
Transfers from Stage 1	(2,854,522)	2,769,614	84,908	-
Transfers from Stage 2	135,334	(206,988)	71,654	-
Transfers from Stage 3	21,568	22,018	(43,586)	-
Others	-	-	-	-
	4,586,822	4,445,235	2,113,674	11,145,731
	₱117,671,832	₱110,768,259	₱22,306,916	₱250,747,007

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

The movements in the Parent Company's total loans and receivables (excluding unamortized premium and allowance for credit and impairment losses) in 2021 and 2020 follow:

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱95,613,342	₱109,261,133	₱20,281,153	₱225,155,628
Newly originated assets that remained in Stage 1 as at December 31, 2021	31,099,970	-	-	31,099,970
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	30,069,831	1,578,596	31,648,427
Movements in receivable balance	(24,672,084)	(53,321,473)	(8,640,184)	(86,633,741)
Write-offs (Note 15)	(52,781)	(35,543)	(4,394,984)	(4,483,308)
Transfers from Stage 1	(18,034,603)	9,860,347	8,174,256	-
Transfers from Stage 2	26,754,102	(35,530,182)	8,776,080	-
Transfers from Stage 3	1,078,779	1,324,875	(2,403,654)	-
Balance at end of year	₱111,786,724	₱61,628,988	₱23,371,263	₱196,786,975

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱137,638,117	₱87,722,275	₱13,797,976	₱239,158,368
Newly originated assets that remained in Stage 1 as at December 31, 2020	34,323,875	-	-	34,323,875
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	34,335,669	2,887,187	37,222,856
Movements in receivable balance	(34,458,874)	(45,192,505)	(2,094,882)	(81,746,261)
Write-offs (Note 15)	(288,895)	(196,227)	(3,318,088)	(3,803,210)
Transfers from Stage 1	(54,546,830)	48,798,883	5,747,947	-
Transfers from Stage 2	10,605,217	(16,519,727)	5,914,510	-
Transfers from Stage 3	2,340,732	312,765	(2,653,497)	-
Others	-	-	-	-
Balance at end of year	₱95,613,342	₱109,261,133	₱20,281,153	₱225,155,628

The breakdown of the total gross carrying amounts of the Parent Company's loans and receivables (before taking into account any allowance for credit and impairment losses and unamortized premium) in 2021 and 2020 is as follows:

	2021			
	Gross carrying amount			Total
	Stage 1	Stage 2	Stage 3	
Corporate loans*				
Balance at beginning of year	₱21,664,982	₱35,341,110	₱2,086,968	₱59,093,060
Newly originated assets that remained in Stage 1 as at December 31, 2021	11,723,489	-	-	11,723,489
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	27,501,083	1,189,653	28,690,737
Movements in receivable balance	(5,937,425)	(30,960,009)	(1,925,699)	(38,823,133)
Write-offs (Note 15)	-	-	-	-
Transfers from Stage 1	(126,512)	19,275	107,237	-
Transfers from Stage 2	349,330	(1,118,766)	769,436	-
Transfers from Stage 3	6,567	125,305	(131,872)	-
	27,680,431	30,907,998	2,095,723	60,684,152
Auto loans				
Balance at beginning of year	33,879,848	43,905,394	11,622,319	89,407,561
Newly originated assets that remained in Stage 1 as at December 31, 2021	6,125,468	-	-	6,125,468
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	340,625	210,503	551,128
Movements in receivable balance	(11,005,986)	(15,257,749)	(4,416,524)	(30,680,259)
Write-offs (Note 15)	-	-	(177,286)	(177,286)
Transfers from Stage 1	(6,270,713)	4,905,775	1,364,938	-
Transfers from Stage 2	13,373,014	(17,950,811)	4,577,797	-
Transfers from Stage 3	706,297	855,679	(1,561,976)	-
	36,807,928	16,798,913	11,619,771	65,226,612
Credit cards				
Balance at beginning of year	18,666,373	11,038,747	1,774,299	31,479,419
Newly originated assets that remained in Stage 1 as at December 31, 2021	9,071,779	-	-	9,071,779
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	2,044,948	98,336	2,143,284
Movements in receivable balance	(1,037,052)	(3,187,884)	(1,711,160)	(5,936,096)
Write-offs (Note 15)	(50,477)	(33,437)	(3,468,445)	(3,552,359)
Transfers from Stage 1	(7,890,101)	3,149,991	4,740,110	-
Transfers from Stage 2	4,387,123	(6,424,167)	2,037,044	-
Transfers from Stage 3	84,127	12,291	(96,418)	-
	23,231,772	6,600,489	3,373,766	33,206,027
Mortgage loans				
Balance at beginning of year	6,648,927	14,128,168	1,164,477	21,941,572
Newly originated assets that remained in Stage 1 as at December 31, 2021	1,483,681	-	-	1,483,681
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	9,016	14,171	23,187
Movements in receivable balance	(1,083,123)	(2,193,490)	(272,292)	(3,548,904)
Write-offs (Note 15)	-	-	-	-
Transfers from Stage 1	(1,057,080)	874,826	182,254	-
Transfers from Stage 2	7,258,804	(8,614,837)	1,356,033	-
Transfers from Stage 3	69,997	48,959	(118,956)	-
	13,321,206	4,252,642	2,325,687	19,899,535
Other consumer loans**				
Balance at beginning of year	10,523,361	467,719	1,194,552	12,185,632
Newly originated assets that remained in Stage 1 as at December 31, 2021	2,124,756	-	-	2,124,756
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	91,480	24,691	116,171
Movements in receivable balance	(5,608,498)	(254,158)	(127,047)	(5,989,703)
Write-offs (Note 15)	(2,305)	(2,106)	(660,363)	(664,772)
Transfers from Stage 1	(1,681,387)	161,206	1,520,181	-
Transfers from Stage 2	8,719	(18,089)	9,370	-
Transfers from Stage 3	95,794	125,590	(221,384)	-
	5,460,441	571,642	1,740,001	7,772,084

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2021			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	₱-	₱-	₱325,668	₱325,668
Newly originated assets that remained in Stage 1 as at December 31, 2021	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	-	-	-
Movements in receivable balance	-	-	(3,553)	(3,553)
Write-offs (Note 15)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
	-	-	322,115	322,115
Other receivables***				
Balance at beginning of year	4,229,851	4,379,995	2,112,870	10,722,716
Newly originated assets that remained in Stage 1 as at December 31, 2021	570,796	-	-	570,796
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	-	82,679	41,242	123,921
Movements in receivable balance	-	(1,468,183)	(183,909)	(1,652,092)
Write-offs (Note 15)	-	-	(88,891)	(88,891)
Transfers from Stage 1	(1,008,810)	749,274	259,536	-
Transfers from Stage 2	1,377,112	(1,403,512)	26,400	-
Transfers from Stage 3	115,997	157,051	(273,048)	-
	5,284,946	2,497,304	1,894,200	9,676,450
	₱111,786,724	₱61,628,988	₱23,371,263	₱196,786,975

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱11,782,742	₱54,874,194	₱3,923,176	₱70,580,112
Newly originated assets that remained in Stage 1 as at December 31, 2020	12,591,649	-	-	12,591,649
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	25,917,276	229,658	26,146,934
Movements in receivable balance	(10,906,664)	(38,366,480)	(814,630)	(50,087,774)
Write-offs (Note 15)	-	-	(137,861)	(137,861)
Transfers from Stage 1	(1,170,856)	999,891	170,965	-
Transfers from Stage 2	7,164,901	(8,083,771)	918,870	-
Transfers from Stage 3	2,203,210	-	(2,203,210)	-
	21,664,982	35,341,110	2,086,968	59,093,060
Auto loans				
Balance at beginning of year	71,640,010	18,014,919	4,340,568	93,995,497
Newly originated assets that remained in Stage 1 as at December 31, 2020	10,229,472	-	-	10,229,472
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	4,735,486	1,936,907	6,672,393
Movements in receivable balance	(15,718,927)	(4,676,959)	(867,182)	(21,263,068)
Write-offs (Note 15)	-	-	(226,733)	(226,733)
Transfers from Stage 1	(33,401,050)	29,720,943	3,680,107	-
Transfers from Stage 2	1,082,696	(4,019,012)	2,936,316	-
Transfers from Stage 3	47,647	130,017	(177,664)	-
	33,879,848	43,905,394	11,622,319	89,407,561
Credit cards				
Balance at beginning of year	25,114,585	8,759,738	1,389,553	35,263,876
Newly originated assets that remained in Stage 1 as at December 31, 2020	698,834	-	-	698,834
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	215,981	51,032	267,013
Movements in receivable balance	(2,012,194)	(141,634)	(11,166)	(2,164,994)
Write-offs (Note 15)	(61,573)	(12,859)	(2,510,878)	(2,585,310)

(Forward)

	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 1	(₱6,917,446)	₱5,634,233	₱1,283,213	₱-
Transfers from Stage 2	1,820,204	(3,434,665)	1,614,461	-
Transfers from Stage 3	23,963	17,953	(41,916)	-
	18,666,373	11,038,747	1,774,299	31,479,419
Mortgage loans				
Balance at beginning of year	17,430,632	3,872,918	970,893	22,274,443
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	1,636,399	20,257	1,656,656
Movements in receivable balance	(1,499,371)	(311,079)	(179,077)	(1,989,527)
Write-offs (Note 15)	-	-	-	-
Transfers from Stage 1	(9,709,299)	9,477,209	232,090	-
Transfers from Stage 2	387,040	(683,760)	296,720	-
Transfers from Stage 3	39,925	136,481	(176,406)	-
	6,648,927	14,128,168	1,164,477	21,941,572
Other consumer loans**				
Balance at beginning of year	10,032,385	340,364	1,052,051	11,424,800
Newly originated assets that remained in Stage 1 as at December 31, 2020	5,384,689	-	-	5,384,689
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	251,433	353,810	605,243
Movements in receivable balance	(4,188,720)	(51,836)	(195,980)	(4,436,536)
Write-offs (Note 15)	(227,322)	(183,368)	(381,874)	(792,564)
Transfers from Stage 1	(499,428)	198,655	300,773	-
Transfers from Stage 2	16,414	(93,853)	77,439	-
Transfers from Stage 3	5,343	6,324	(11,667)	-
	10,523,361	467,719	1,194,552	12,185,632
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	-	-	334,188	334,188
Newly originated assets that remained in Stage 1 as at December 31, 2020	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	-	-	-
Movements in receivable balance	-	-	(8,520)	(8,520)
Write-offs (Note 15)	-	-	-	-
Transfers from Stage 1	-	-	-	-
Transfers from Stage 2	-	-	-	-
Transfers from Stage 3	-	-	-	-
	-	-	325,668	325,668
Other receivables***				
Balance at beginning of year	1,637,763	1,860,142	1,787,547	5,285,452
Newly originated assets that remained in Stage 1 as at December 31, 2020	5,419,231	-	-	5,419,231
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	1,579,094	295,523	1,874,617
Movements in receivable balance	(132,998)	(1,644,517)	(18,327)	(1,795,842)
Write-offs (Note 15)	-	-	(60,742)	(60,742)
Transfers from Stage 1	(2,848,751)	2,767,952	80,799	-
Transfers from Stage 2	133,962	(204,666)	70,704	-
Transfers from Stage 3	20,644	21,990	(42,634)	-
Others				
	4,229,851	4,379,995	2,112,870	10,722,716
	₱95,613,342	₱109,261,133	₱20,281,153	₱225,155,628

*Include Corporate loans and emerging enterprise loans

**Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans

***Include Accrued interest receivables, Accounts receivables and Sales contract receivables.

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16. Deposit Liabilities

Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company are subject to unified reserve requirements equivalent to 12% (under BSP Circulars 1082 and 1092) as at December 31, 2021.

LTNCDs are subject to required reserves of 4.00% if issued under BSP Circular No. 304, and 7.00% if issued under BSP Circular No. 842.

On the other hand, EWRB is required to maintain regular reserves equivalent to 2.00% and 2.00% demand and savings deposits in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Parent Company and EWRB are in compliance with such regulations. As of December 31, 2021 and 2020, Due from BSP of the Parent Company and EWRB below has been set aside as reserves for deposit liabilities, as reported to the BSP:

	2021	2020
Parent Company	₱34,417,853	₱29,794,181
EWRB	416,889	423,185
Total reserves for deposit liabilities	34,834,742	₱30,217,366

As of December 31, 2021 and 2020, 20.97% and 26.44% respectively, of the total liabilities of the Group and 22.30% and 28.14% respectively of the Parent Company are subject to periodic interest repricing.

The remaining deposit liabilities earn annual fixed interest rates ranging from 0.01% to 2.5% in 2021, 0.01% to 5.63% in 2020 and 0.50% to 5.88% in 2019.

Long-Term Negotiable Certificate of Deposits (LTNCDs)

LTNCDs issued by the Parent Company include the following (amounts in millions):

Series	Issue Date	Maturity Date	Face Value	Coupon Rate	Average Effective Interest Rate	Repayment Terms	Carrying Value	
							2021	2020
2	12/5/2013	6/5/2020	2,484	3.250%	3.48%	Quarterly	-	-
3	10/23/2014	4/24/2021	925	4.500%	4.42%	Quarterly	-	-
4	3/21/2017	9/21/2022	10,000	4.000%	4.10%	Quarterly	9,992,598	9,982,703
5	6/7/2019	12/7/2023	2,451	4.625%	4.78%	Quarterly	2,443,640	2,440,273
Total							12,436,238	12,422,976

Long-Term Negotiable Certificates of Deposits due 2020 (LTNCD Series 2)

In 2013, the Parent Company issued unsecured LTNCD maturing on June 5, 2020. The first to third tranches of the LTNCD Series 2 aggregating to ₱0.75 billion were issued in December 2013. The discount, including debt issue costs, related to the issuance of the LTNCD Series 2 in 2013 amounted to ₱9.44 million. The fourth and fifth tranches of the LTNCD Series 2 aggregating to ₱1.74 billion were issued in February and April 2014, respectively. The discount, including debt issue costs, related to the issuance of the LTNCD Series 2 in 2014 amounted to ₱85.05 million. The LTNCD Series 2 matured on June 5, 2020.

Long-Term Negotiable Certificates of Deposits due 2021 (LTNCD Series 3)

In 2014, the Parent Company issued unsecured LTNCD maturing on April 24, 2021. The first tranche of the LTNCD Series 3 amounting to ₱0.93 billion was issued in October 2014. The discount related to the issuance of the LTNCD Series 3 in 2014 amounted to ₱4.63 million. The LTNCD Series 3 matured on April 24, 2021.

Long-Term Negotiable Certificates of Deposits due 2022 (LTNCD Series 4)

In 2017, the Parent Company issued unsecured LTNCD maturing on September 21, 2022. The first tranche of the LTNCD amounting to ₱2.70 billion was issued in March 2017. The second to fifth tranches of the LTNCD aggregating to ₱7.30 billion were issued in April to August 2017. The debt issue costs related to the issuance of the LTNCD in 2017 amounted to ₱49.94 million. As of December 31, 2021 and 2020, the related unamortized debt issue cost amounted to ₱7.41 million and ₱17.30 million, respectively.

Long-Term Negotiable Certificates of Deposits due 2023 (LTNCD Series 5)

In 2018, the Parent Company issued unsecured LTNCD maturing on December 7, 2023. The first tranche of the LTNCD amounting to ₱2.45 billion was issued in June 7, 2018. The debt issue costs related to the issuance of the LTNCD in 2018 amounted to ₱18.38 million. As of December 31, 2021 and 2020, the outstanding unamortized debt issue cost amounted to ₱7.02 million and ₱10.40 million, respectively.

The movements in unamortized net discount of LTNCDs of the Group and Parent Company as of December 31, 2021 and 2020 are as follows:

	2021	2020
Beginning balance	₱27,694	₱40,639
Amortization during the year	(13,262)	(12,945)
Ending balance	₱14,432	₱27,694

The Group and the Parent Company's interest expense on deposit liabilities consists:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Time deposits	595,654	₱1,706,586	₱4,858,431	595,654	₱1,706,586	₱4,858,431
LTNCDs	513,343	526,525	597,634	513,343	526,525	597,634
Savings deposits	508,746	1,198,852	1,238,106	282,277	757,886	303,294
Demand deposits	150,199	128,916	104,380	150,743	129,468	105,364
Total	1,767,942	₱3,560,879	₱6,798,551	1,542,017	₱3,120,465	₱5,864,723

17. Bills and Acceptances Payable and SSURA

This account of the Group and of the Parent Company consists of:

	2021	2020
Outstanding acceptances	₱98,150	₱77,779
SSURA	-	3,491,024
Total	₱98,150	₱3,568,803

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The following are the fair value of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	2021		2020	
	Face value	Fair value	Face value	Fair value
Financial assets at FVTOCI	₱-	₱-	₱3,879,645	₱3,889,607
Financial assets at FVTPL	-	-	-	-
Investment securities at amortized cost	-	-	-	-
	₱-	₱-	₱3,879,645	₱3,889,607

The Group's and the Parent Company's borrowings are subject to annual interest rates ranging from 0.33% to 3.50% in 2020 and 1.90% to 4.44% in 2019.

The Group's and the Parent Company's interest expense on bills and acceptances payable amounted to ₱0.57 million in 2021, ₱182.94 million in 2020 and ₱878.89 million in 2019. In 2021, the Bank did not enter into repos to fund its operations because of its excess liquidity. This excess liquidity is currently deployed in very liquid short term assets. The Group's and the Parent Company's interest expense on SSURA amounted to nil in 2021, ₱95.25 million in 2020 and ₱408.83 million in 2019.

18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Accrued other expenses	₱2,542,633	₱2,357,999	₱2,244,987	₱2,114,528
Accrued taxes	294,040	399,041	251,374	357,736
Accrued interest payable	138,592	190,210	126,679	170,335
	₱2,975,265	₱2,947,250	₱2,623,040	₱2,642,599

Accrued other expenses pertain to accruals of various operating expenses such as rent, utilities, management and professional fees, employee bonus and other expenses.

19. Bonds Payable

This account consists of bonds payable due in 2023 with a face value of ₱3.70 billion and carrying value of ₱3.69 billion and ₱3.68 billion as of December 31, 2021 and 2020, respectively.

On February 10, 2020, the Parent Company issued 4.50% fixed-rate bonds with issue price at 100.00% face value. The bonds will bear interest at the rate of 4.50% per annum from and including February 21, 2020 to but excluding: (a) February 21, 2023, such date being the maturity date (if the pre-termination option is not exercised); or (b) the pre-termination date (if the pre-termination option is exercised), and the interest will be payable quarterly in arrears at the end of each interest period on February 21, August 21 and November 21 of each year commencing on 2020.

Unless the 2023 Bonds are previously redeemed, the Bonds are repayable to the Bond Holders at 100.00% of their face value on the maturity date or February 21, 2023.

As of December 31, 2021 and 2020, bonds issuance cost amounted to ₱12.31 million and ₱22.57 million, respectively. For the period ended December 31, 2021 and 2020, the Group and the Parent Company recognized interest expense on bonds payable amounting to ₱167.57 million and ₱143.79 million, respectively.

Reserve requirement

Peso-denominated bonds are subject to reserves equivalent to 3.00% in 2021 and 2020. The Parent Company was in compliance with such requirements as of December 31, 2021.

20. Subordinated Debt

This account consists of:

	Face value	Consolidated		Parent Company	
		2021	2020	2021	2020
Lower Tier 2 unsecured subordinated notes due 2025	₱5,000,000	₱-	₱-	₱-	₱-
Lower Tier 2 unsecured subordinated notes due 2027	1,250,000	1,241,964	1,240,785	-	-
	₱6,250,000	1,241,964	₱1,240,785	₱-	₱-

Lower Tier 2 unsecured subordinated notes due 2025

On July 4, 2014, the Parent Company issued 5.50% coupon rate Lower Tier 2 unsecured subordinated notes (the 2025 Notes) with par value of ₱5.00 billion, maturing on January 4, 2025, but callable on January 4, 2020. The 2025 Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 4, 2025.

From and including the issue date to, but excluding the optional redemption date of January 4, 2020, the 2025 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on January 4, April 4, July 4, and October 4 of each year, which commenced on October 4, 2014. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on January 4, 2020.

The 2025 Notes are redeemable at the option of the Parent Company, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

- the Parent Company has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2025 Notes;
- the 2025 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Parent Company or the Parent Company demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
- the Parent Company is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
- the Parent Company is solvent at the time of redemption of the 2025 Notes and immediately thereafter.

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Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2025 Notes have a loss absorption feature which means that the 2025 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, the Parent Company shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

- a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of the Parent Company (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down");
- b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
- c. the Parent Company giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the 2025 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

On January 4, 2020, the Parent Company exercised its redemption option to pre-terminate the 2025 Notes.

Lower Tier 2 unsecured subordinated notes due 2027

On February 20, 2017, EWRB issued 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of ₱1.25 billion, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

The 2027 Notes are redeemable at the option of EWRB, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

- a. EWRB has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2027 Notes;
- b. the 2027 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of EWRB, or EWRB demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
- c. EWRB is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
- d. EWRB is solvent at the time of redemption of the 2027 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the EWRB may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2027 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2027 Notes have a loss absorption feature which means that the 2027 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the EWRB to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when EWRB is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, EWRB shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event EWRB does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

- a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of EWRB (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down");
- b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
- c. EWRB giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

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Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by EWRB arising under or in connection with the

2027 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

The Group's interest expense on the subordinated debt due 2025 and 2027 amounted to ₱69.93 million, ₱79.83 million and ₱345.97 million in 2021, 2020 and 2019, respectively.

The Parent Company's interest expense on the subordinated debt due 2025 amounted to ₱9.97 million and ₱276.17 million in 2020 and 2019, respectively.

21. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Financial liabilities				
Accounts payable	₱3,854,909	₱3,925,676	₱3,426,192	₱3,611,010
Bills purchased-contra	304,785	490,125	304,785	490,125
Derivative liabilities (Note 5)	212,691	97,042	212,691	97,042
Provision on unused credit lines (Notes 15 and 30)	124,705	603,599	124,705	603,599
Retention payable	41,029	40,794	41,029	40,794
Payment orders payable	29,078	26,786	29,078	26,786
	4,567,197	5,184,022	4,138,480	4,869,356
Non-financial liabilities				
Deferred revenue	1,442,139	1,605,887	1,441,902	1,595,432
Net retirement obligation (Note 26)	223,232	549,111	215,193	514,120
Withholding tax payable	88,449	65,881	80,173	53,000
Miscellaneous	264,932	276,472	203,872	212,625
	2,018,752	2,497,351	1,941,140	2,375,177
	₱6,585,949	₱7,681,373	₱6,079,620	₱7,244,533

Deferred revenue of the Group and the Parent Company includes deferred revenue on credit card loyalty points, membership fees and dues as well as the deferred exclusive bancassurance access fee (Note 10).

22. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Consolidated					
	2021			2020		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	₱7,705,729	₱-	₱7,705,729	₱8,148,882	₱-	₱8,148,882
Due from BSP (Note 7)	58,842,366	-	58,842,366	48,892,706	-	48,892,706
Due from other banks - gross (Note 7)	19,339,732	-	19,339,732	11,392,198	-	11,392,198
Interbank loans receivables and SPURA (Note 7)	17,518,984	-	17,518,984	17,111,092	-	17,111,092
Financial assets at FVTPL (Note 8)	4,056,851	-	4,056,851	7,523,592	-	7,523,592
Financial assets at FVTOCI (Note 8)	41,660,568	-	41,660,568	29,471,707	-	29,471,707
Investment securities at amortized cost - gross (Notes 8 and 15)	102,573	20,724,428	20,827,001	567,413	20,363,218	20,930,631
Loans and receivables - gross (Notes 9 and 15)	59,629,823	163,932,985	223,562,808	92,753,482	157,993,525	250,747,007
Other assets - gross (Notes 14 and 15)	186,519	315,210	501,729	207,481	281,159	488,640
	209,043,145	184,972,623	394,015,768	216,068,553	178,637,902	394,706,455
Nonfinancial assets:						
Investment in a joint venture (Note 10)	-	614,494	614,494	-	665,313	665,313
Property and equipment - gross (Note 11)	-	9,760,223	9,760,223	-	12,444,220	12,444,220
Investment properties - gross (Notes 12 and 15)	-	1,407,959	1,407,959	-	1,432,327	1,432,327
Deferred tax assets (Note 25)	-	4,160,134	4,160,134	-	5,169,692	5,169,692
Goodwill and other intangible assets - gross (Note 13)	-	8,439,087	8,439,087	-	8,695,090	8,695,090
Other assets - gross (Notes 14 and 15)	927,525	3,517,579	4,445,104	738,587	1,383,908	2,122,495
	927,525	27,899,476	28,827,001	738,587	29,790,550	30,529,137
	209,970,670	212,872,099	422,842,769	216,807,140	208,428,452	425,235,592
Allowances for impairment and credit losses (Note 15)	-	(12,898,316)	(12,898,316)	-	(13,456,184)	(13,456,184)
Unamortized premium/discount (Note 9)	(223,379)	2,898,481	2,675,102	(570,816)	6,832,158	6,261,342
Accumulated depreciation and amortization (Notes 11, 12, 13 and 14)	-	(7,857,725)	(7,857,725)	-	(9,838,750)	(9,838,750)
	₱209,747,291	₱195,014,539	₱404,761,830	₱216,236,324	₱191,965,676	₱408,202,000
Financial liabilities:						
Deposit liabilities (Note 16)	₱313,635,009	₱13,209,896	₱326,844,905	₱310,991,010	₱18,064,940	₱329,055,950
Bills and acceptances payable (Note 17)	98,150	-	98,150	3,568,803	-	3,568,803
Cashiers' checks and demand drafts payable	730,702	-	730,702	678,795	-	678,795
Subordinated debt (Note 20)	-	1,241,964	1,241,964	-	1,240,785	1,240,785
Bonds Payable (Note 19)	-	3,687,686	3,687,686	-	3,677,434	3,677,434
Accrued interest, taxes and other expenses (Note 18)	2,681,226	-	2,681,226	2,548,209	-	2,548,209
Lease liability (Note 27)	876,739	2,229,581	3,106,320	827,605	2,639,137	3,466,742
Other liabilities (Note 21)	4,526,168	41,029	4,567,197	5,143,228	40,794	5,184,022
	322,547,994	20,410,156	342,958,150	323,757,650	25,663,090	349,420,740
Nonfinancial liabilities:						
Income tax payable	141,255	-	141,255	402,325	-	402,325
Accrued interest, taxes and other expenses (Note 18)	294,039	-	294,039	399,041	-	399,041
Other liabilities (Note 21)	754,336	1,264,416	2,018,752	1,101,261	1,396,090	2,497,351
	1,189,630	1,264,416	2,454,046	1,902,627	1,396,090	3,298,717
	₱323,737,624	₱21,674,572	₱345,412,196	₱325,660,277	₱27,059,180	₱352,719,457

NOTES TO FINANCIAL STATEMENTS

	Parent Company					
	2021			2020		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	P7,641,626	P-	P7,641,626	P8,076,124	P-	P8,076,124
Due from BSP (Note 7)	58,425,477	-	58,425,477	48,469,521	-	48,469,521
Due from other banks - gross (Note 7)	19,297,291	-	19,297,291	11,353,719	-	11,353,719
Interbank loans receivables and SPURA (Note 7)	17,518,984	-	17,518,984	-	-	-
Financial assets at FVTPL (Note 8)	4,056,851	-	4,056,851	17,111,092	-	17,111,092
Financial assets at FVTOCI (Note 8)	41,660,568	-	41,660,568	7,523,592	-	7,523,592
Investment securities at amortized cost - gross (Notes 8 and 15)	102,573	19,046,220	19,148,793	29,471,707	-	29,471,707
Loans and receivables - gross (Notes 9 and 15)	57,135,308	139,651,667	196,786,975	567,413	18,746,408	19,313,821
Other assets - gross (Notes 14 and 15)	185,756	309,242	494,998	91,190,637	133,964,991	225,155,628
	206,024,434	159,007,129	365,031,563	206,928	276,153	483,081
				213,970,733	152,987,552	366,958,285
Nonfinancial assets:						
Investment in subsidiaries (Note 10)	-	5,919,095	5,919,095	-	4,739,211	4,739,211
Investment in a joint venture (Note 10)	-	614,494	614,494	-	665,313	665,313
Property and equipment - gross (Note 11)	-	8,697,973	8,697,973	-	11,279,251	11,279,251
Investment properties - gross (Notes 12 and 15)	-	1,407,256	1,407,256	-	-	-
Deferred tax assets (Note 25)	-	3,719,088	3,719,088	-	1,430,882	1,430,882
Goodwill and other intangible assets - gross (Note 13)	-	8,309,403	8,309,403	-	4,677,278	4,677,278
Other assets - gross (Notes 14 and 15)	851,377	3,505,234	4,356,611	-	8,562,222	8,562,222
	851,377	32,172,543	33,023,920	652,445	1,383,898	2,036,343
	206,875,811	191,179,672	398,055,483	214,623,178	185,725,607	400,348,785
Allowances for impairment and credit losses (Note 15)	-	(12,236,105)	(12,236,105)	-	(12,818,888)	(12,818,888)
Unamortized premium/discount (Note 9)	(166,284)	4,219,154	4,052,870	72,899	7,364,389	7,437,288
Accumulated depreciation and amortization (Notes 11, 12, 13 and 14)	-	(7,110,972)	(7,110,972)	-	(9,079,803)	(9,079,803)
	206,709,527	176,051,749	382,761,276	P214,696,077	P171,191,305	P385,887,382
Financial liabilities:						
Deposit liabilities (Note 16)	P294,159,725	P13,209,895	P307,369,620	P291,116,299	P18,064,940	P309,181,239
Bills and acceptances payable (Note 17)	98,150	-	98,150	3,568,803	-	3,568,803
Cashiers' checks and demand drafts payable	730,702	-	730,702	678,795	-	678,795
Subordinated debt (Note 20)	-	-	-	-	-	-
Bonds payable (Note 19)	-	3,687,686	3,687,686	-	3,677,434	3,677,434
Accrued interest, taxes and other expenses (Note 18)	2,371,666	-	2,371,666	2,284,863	-	2,284,863
Lease liability (Note 27)	807,763	1,983,316	2,791,079	750,315	2,354,785	3,105,100
Other liabilities (Note 21)	4,097,451	41,029	4,138,480	4,828,562	40,794	4,869,356
	302,265,457	18,921,926	321,187,383	303,227,637	24,137,953	327,365,590
Nonfinancial liabilities:						
Income tax payable	31,745	-	31,745	306,336	-	306,336
Accrued interest, taxes and other expenses (Note 18)	251,374	-	251,374	357,736	-	357,736
Other liabilities (Note 21)	681,039	1,260,101	1,941,140	991,443	1,383,734	2,375,177
	964,158	1,260,101	2,224,259	1,655,515	1,383,734	3,039,249
	P303,229,615	P20,182,027	P323,411,642	P304,883,152	P25,521,687	P330,404,839

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Effective January 1, 2014, the Group complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Group should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Group's real estate exposures. These shall be complied with at all times.

The capital-to-risk assets ratio reported to the BSP as of December 31, 2021 and 2020 are shown in the table below:

	Consolidated		Parent Company	
	2021	2020	2021	2020
CET1 capital ratio	14.49%	12.62%	14.23%	12.54%
Tier 1 capital ratio	14.49%	12.62%	14.23%	12.54%
Total capital ratio	15.55%	13.81%	14.84%	13.35%

The composition of the qualifying capital is shown below:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Qualifying capital:				
Tier 1 capital	P58,065,319	P54,690,481	P58,065,387	P54,698,856
CET1 capital	58,065,319	54,690,481	58,065,387	54,698,856
Less: Required deductions	11,832,469	12,769,756	17,090,420	16,833,594
Net Tier 1 capital	46,232,850	41,920,725	40,974,967	37,865,262
Tier 2 capital	3,410,345	3,962,777	1,760,692	2,455,351
Total qualifying capital	P49,643,195	P45,883,502	P42,735,659	P40,320,613

23. Equity

Capital Management

The Parent Company actively manages its capital to comply with regulatory requirements, enable growth targets, withstand plausible stress events and be at par with the Parent Company's peers. The primary objective of the Parent Company's capital management is to ensure that it maintains adequate capital to cover risks inherent to its banking activities without prejudice to optimizing shareholders' value.

NOTES TO FINANCIAL STATEMENTS

The capital requirements as of December 31, 2021 and 2020 are shown below:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Capital requirements:				
Credit risk	₱243,730,822	₱274,837,744	₱217,272,765	₱248,305,947
Market risk	5,000,915	8,741,854	5,000,915	8,741,854
Operational risk	70,435,381	48,685,454	65,769,543	44,976,695
Total capital requirements	₱319,167,118	₱332,265,052	₱288,043,223	₱302,024,496

Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Under Basel III, the regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 comprises share capital, surplus (including current year profit), and other comprehensive income (cumulative foreign currency translation and net unrealized gains on financial assets at FVTOCI). Required deductions include goodwill, intangible assets, investments in equity, deferred tax assets, defined benefit pension assets and unsecured credit accommodations to DOSRI and subsidiaries.

Tier 2 capital comprise of unsecured subordinated debts and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the statement of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors. Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	Cash and other cash items, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

* Not all inclusive

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the balance sheet at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

The Group has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

Leverage Ratio and Total Exposure Measure

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirement. The leverage ratio intends to restrict the buildup of leverage in the Bank and reinforce the risk-based requirements with a simple, non-risk based "backstop" measure. It is defined as a capital measure over its total exposure measure with a minimum requirement of 5.00% on both Group and Parent Company.

	Consolidated		Parent	
	2021	2020	2021	2020
Capital Measure	₱46,232,850	₱41,920,724	₱40,974,967	₱37,865,262
Divided by: Exposure measure	422,803,776	422,026,281	395,054,510	395,212,088
Leverage ratio	10.93%	9.93%	10.37%	9.58%

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The NSFR seeks to limit the overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts. It complements the LCR, which promotes short term resilience of a Bank's liquidity profile. The minimum LCR and NSFR requirement should be no lower than 100% at all times on both Group and Parent Company.

	Consolidated		Parent	
	2021	2020	2021	2020
Total Stock of High-Quality Liquid Assets	₱122,761,191	₱101,128,828	₱120,602,052	₱99,016,098
Divided by: Total Net Cash Flows	24,763,900	26,691,247	21,803,281	32,528,359
Liquidity Coverage ratio	495.73%	378.88%	553.14%	304.40%

NOTES TO FINANCIAL STATEMENTS

	Consolidated		Parent	
	2021	2020	2021	2020
Available Stable Funding Ratio	₱305,506,068	₱304,206,769	₱286,996,062	₱285,595,362
Divided by: Required Stable Funding	206,610,354	221,353,274	189,934,184	210,055,216
Net Stable Funding Ratio	147.87%	137.43%	151.10%	135.96%

Capital Stock

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares			Amount		
	2021	2020	2019	2021	2020	2019
Authorized:						
Common stock - ₱10.00 par value	4,500,000,000	4,500,000,000	4,500,000,000			
Preferred stock - ₱10.00 par value	500,000,000	500,000,000	500,000,000			
Common stock issued and outstanding:						
Balance at the beginning of the year	2,249,975,411	2,249,975,411	2,249,975,411	₱22,499,754	₱22,499,754	₱22,499,754
Issuance of stock dividends	—	—	—	—	—	—
Balance at the end of the year	2,249,975,411	2,249,975,411	2,249,975,411	₱22,499,754	₱22,499,754	₱22,499,754

With the approvals by the PSE of the Parent Company's application for listing and by the SEC for the Registration Statement both on March 14, 2012, a total of 245,316,200 common shares, with ₱10.00 par value per share, representing 21.70% of outstanding capital stock, were offered and subscribed through an initial public offering at ₱18.50 per share on April 20 to 26, 2012. The common shares comprise of (a) 141,056,800 new shares issued by the Parent Company by way of a primary offer, and (b) 104,259,400 existing shares offered by FDC, the selling shareholder, pursuant to a secondary offer. Subsequently, on September 5, 2012, 36,715,300 shares under the over-allotment option were exercised at a price of ₱18.50 per share that brought the subscriptions to 25.00% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading in the PSE on May 7, 2012.

The preferred shares are perpetual non-voting and non-convertible to common shares. The dividends of the preferred shares shall be non-cumulative and to be fixed by the BOD at an annual dividend rate prior to the date of issue.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to ₱2.61 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱2.39 billion.

On February 1, 2019, the BSP approved the following amendments to the Parent Company's Articles of Incorporation, which were approved and confirmed by the Parent Company's BOD at its special meeting on July 13, 2017, to provide flexibility for future capital requirements:

- Increase of the Parent Company's authorized capital stock from ₱20.00 billion to ₱50.00 billion consisting of 4.50 billion common shares with par value of ₱10.00 per share or a total par value of ₱45.00 billion and ₱0.50 billion preferred shares with par value of ₱10.00 per share or a total par value of ₱5.00 billion.
- Declaration of 50.00% stock dividends equivalent to ₱7.50 billion from the Parent Company's unrestricted retained earnings as of December 31, 2016 to meet the required subscribed and paid amount of capital stock per Corporation Code after the increase in the authorized capital of the Parent Company. The increase in the Parent Company's authorized capital stock and stock dividend declaration were subsequently approved by BSP on September 29, 2017 and by SEC on February 28, 2019.

On April 16, 2018, a total of 749,991,801 common shares were listed at the PSE.

The portion of the Parent Company's retained earnings pertaining to the accumulated earnings of the subsidiaries amounting to ₱5.89 billion and ₱4.06 billion as of December 31, 2021 and December 31, 2020, respectively, are not available for dividend declaration until declared as dividends by subsidiaries.

In 2019, upon the full adoption of PFRS 9, the BSP through BSP Circular No. 1011 has required the appropriation for the difference of the 1.00% general loan loss provision over the computed ECL related to Stage 1 accounts. As of December 31, 2021, the amount of appropriation made in 2020 is still sufficient to cover the difference of the required BSP provision over the computed ECL related to Stage 1 accounts.

Dividend

As approved by the Parent Company's BOD in its special meeting on July 13, 2017, 50.00% stock dividend equivalent to ₱7.50 billion was declared to stockholders on record as of March 30, 2019, to cover the required 25.00% minimum subscription and payment for the increase of authorized capital of the Parent Company. The stock dividends were issued on April 16, 2019. Direct issuance costs amounting to ₱144.00 million were paid in 2019.

24. Income and Expenses

Service charges, fees and commissions

Service charges include late payment charges, pre-termination fees on loans and service charges on deposit taking-related transactions. Fees and commissions include credit card membership fees, bancassurance fees, interchange fees, merchant discounts and other commissions.

For the periods ended December 31, 2021, 2020 and 2019, this account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Credit cards	₱1,410,555	₱1,653,513	₱2,172,012	₱1,410,555	₱1,653,513	₱2,172,012
Loans	997,014	841,432	1,709,685	885,969	568,356	1,119,558
Deposits	639,643	684,733	785,595	634,762	680,711	781,751
Bancassurance fees	90,682	72,138	87,919	90,682	72,138	87,919
Remittances	77,561	64,421	73,748	77,561	64,421	73,748
Others	510,283	394,555	407,484	217,654	205,934	95,964
	₱3,725,738	₱3,710,792	₱5,236,443	₱3,317,183	₱3,245,073	₱4,330,952

Others consist of income from securities brokering and certificate fees.

Miscellaneous income (loss)

For the periods ended December 31, 2021, 2020 and 2019, this account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Recoveries and credit adjustments	₱506,339	₱291,757	₱430,150	₱476,619	₱261,603	₱416,502
Rental income	47,610	45,618	41,208	47,610	45,618	41,208
Dividend income	662	8,834	2,208	662	8,834	2,208
Others	413,350	(2,610,040)	162,564	409,399	(2,611,865)	157,279
	₱967,961	(₱2,263,831)	₱636,130	₱934,290	(₱2,295,810)	₱617,197

Others include modification gain (loss) from loans and receivables (Note 9), referral income earned on insurance premiums charged through credit cards and revenue from credit card loyalty rewards.

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Miscellaneous expense

For the periods ended December 31, 2021, 2020 and 2019, this account consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Brokerage fees	P1,411,000	P591,706	P683,167	P1,391,868	P572,029	P706,524
Insurance	754,199	706,927	714,434	709,322	661,983	667,592
Security, messengerial and janitorial services	631,701	535,860	569,263	573,691	482,089	509,117
Technological fees	557,368	586,066	492,652	556,827	585,877	492,545
Service charges, fees and commissions	470,116	602,317	707,180	470,116	602,317	707,180
Postage, telephone, cables and telegram	428,461	402,060	432,738	386,266	358,983	392,080
Advertising	364,464	634,623	708,158	349,348	627,089	695,992
Fines, penalties and other charges	304,444	256,905	241,074	267,423	229,859	209,565
Repairs and maintenance	200,005	160,634	155,909	161,857	130,990	129,404
Power, light and water	188,993	176,497	214,164	163,290	153,114	187,241
Transportation and travel	158,106	227,694	204,156	124,434	184,719	160,358
Management and other professional fees	156,341	256,427	290,646	152,140	250,382	287,065
Stationery and supplies	140,447	138,646	136,361	114,374	107,160	107,655
Supervision fees	135,092	130,027	106,785	128,063	121,410	98,963
Litigation expenses	73,712	48,223	75,776	73,712	48,223	75,776
Entertainment, amusement and recreation	35,000	36,007	42,621	29,075	31,705	36,288
Others	278,211	211,193	212,443	230,880	202,105	194,098
	P6,287,660	P5,701,812	P5,987,527	P5,882,686	P5,350,034	P5,657,443

Others include payments for subscriptions, membership fees, trainings, donations and contributions, delivery and freight expenses, and clearing fees.

25. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include corporate income tax, as discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9397, *An Act Amending National Internal Revenue Code*, provides that the Regular Corporate Income Tax (RCIT) rate shall be 30.00% and the interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue..

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units is taxed at 15.00%. RA No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, Offshore Banking Units (OBUs), local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Relevant Tax Updates

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Bill to attract more investments and maintain fiscal prudence and stability in the Philippines. The CREATE Bill introduces reforms to corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Bill which have an impact on the Bank.

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improper accumulated earnings tax (IAET) is repealed.

A Minimum corporate income tax (MCIT) of 1.00% (as amended by CREATE Bill) of modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In implementation of CREATE In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence. For the taxable years 2021 and 2020, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations No. 25-2021

Provision for income tax consists of:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Current:						
RCIT /MCIT	P386,384	P2,468,134	P1,943,147	P (47,047)	P2,085,456	P1,586,314
Final tax	303,605	215,234	163,339	291,552	207,407	161,981
	689,989	2,683,368	2,106,486	244,505	2,292,863	1,748,295
Deferred	900,250	(2,173,210)	(437,852)	862,142	(2,176,906)	(240,517)
	P1,590,239	P510,158	P1,668,634	P 1,106,647	P115,957	P1,507,778

NOTES TO FINANCIAL STATEMENTS

The components of the Group's and the Parent Company's net deferred tax assets as of December 31, 2021 and 2020 follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Deferred tax asset on:				
Allowance for impairment and credit losses	₱3,248,167	₱3,996,744	₱3,093,969	₱3,805,554
Effect of modification loss, net of accretion/amortization	280,834	735,935	281,013	735,825
Accrued expenses and other deferred income	433,078	321,239	227,421	110,447
Accumulated depreciation of assets foreclosed or dacioned	219,036	174,497	219,034	174,495
Net retirement obligation	58,124	164,360	53,798	154,236
Net effect of lease liabilities and ROU assets	113,531	113,179	104,797	106,097
Unrealized trading loss	118,322	-	49,949	-
Unrealized foreign exchange losses	-	97,443	-	25,271
Excess MCIT over RCIT (RBU)	106,541	-	106,541	-
Deferred bancassurance fee	63,000	67,500	63,000	67,500
	4,640,663	5,670,898	4,199,523	5,179,425
Deferred tax liability on:				
Branch licenses acquired from business combination	156,350	187,620	156,350	187,620
Gain on asset foreclosure and dacion transactions	130,850	164,647	130,757	164,008
Remeasurement of investment in a joint venture	83,958	100,750	83,958	100,750
Unrealized foreign exchange gains	94,934	-	94,934	-
Unrealized trading gains	-	18,113	-	18,112
Others	14,437	30,075	14,437	31,657
	480,529	501,205	480,435	502,147
	₱4,160,134	₱5,169,692	₱3,719,088	₱4,677,278

Income tax benefit charged directly to OCI during the year for the Group and the Parent Company amounted to ₱96.13 million and ₱115.33 million in 2021 and 2020, respectively.

The Group and the Parent Company did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent	
	2021	2020	2021	2020
Allowance for impairment and credit losses	₱-	₱221,191	₱-	₱221,191
Excess MCIT over RCIT	-	2,505	-	2,505
NOLCO	-	-	-	-
	₱-	₱223,696	₱-	₱223,696

The Group and the Parent Company believe that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

Details of the Group's and the Parent Company's excess MCIT and NOLCO are as follows:

Excess MCIT					
Inception Year	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2018	₱1,014	₱1,014	₱-	₱-	2021
2019	1,170	1,170	-	-	2022
2020	241	241	-	-	2023
2021	106,541	-	-	106,541	2024
	₱108,966	₱2,425	₱-	₱106,541	

On September 30, 2021, the BIR issued Revenue Regulations No. 25-2021 implementing Section 4 (bbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2021 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. As of December 31, 2021, the Group has not incurred NOLCO that can be claimed for the next five years.

The reconciliation of statutory income tax at statutory tax rate to the effective income tax follows:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Statutory income tax	₱1,526,319	₱2,105,398	₱2,478,019	₱1,405,421	₱1,987,137	₱2,324,915
Tax effects of:						
Non-deductible expenses	271,130	427,055	365,811	202,759	348,951	377,504
FCDU income	(713,374)	(1,510,380)	(720,111)	(713,374)	(1,510,380)	(720,111)
Non-taxable and tax-exempt income	(351,840)	(583,778)	(326,031)	(626,229)	(796,276)	(326,031)
Interest income subjected to final tax net of tax paid	(80,933)	(164,394)	(209,426)	(73,157)	(153,763)	(208,674)
Change in unrecognized deferred tax assets and others	521,935	236,257	80,372	530,857	240,288	60,175
Effect of change in tax rate	417,002	-	-	380,370	-	-
Effective income tax	₱1,590,239	₱510,158	₱1,668,634	₱1,106,647	₱115,957	₱1,507,778

26. Retirement Plan

The existing regulatory framework, RA No. 7641, the *Retirement Pay Law* requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Parent Company

The Parent Company has a funded, non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits (equivalent to 125.00% of the final monthly salary for every year of service depending on the tenure of the employee) after satisfying certain age and service requirements. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee.

EWRB

EWRB has a funded, non-contributory defined benefit plan covering substantially all of its officers and regular employees. The benefits are based on years of service and final compensation. The retirement plan provides retirement benefits ranging from 100.00% (for less than 10 years of service) to 150.00% (for 10 years of service and beyond) of the final monthly salary.

As of December 31, 2021, the retirement plan of EWRB is unfunded.

QMIS

QMIS does not have a formal retirement plan. As such, QMIS's retirement liability is based on the requirement of RA No. 7641. For purposes of calculating the retirement liability under RA No. 7641, QMIS obtained an actuarial valuation.

The amounts of net retirement obligation presented under "Other liabilities" in the statements of financial position are presented below:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Present value of the defined benefit obligation	₱1,453,451	₱1,646,296	₱1,390,185	₱1,571,639
Less: Fair value of plan assets	1,230,219	1,097,185	1,174,992	1,057,519
Net retirement obligation (Note 21)	₱223,232	₱549,111	₱215,193	₱514,120

NOTES TO FINANCIAL STATEMENTS

Changes in the present value of the defined benefit obligation as of December 31, 2021 and 2020 recognized in the statements of financial position follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at beginning of year	₱1,646,296	₱1,174,648	₱1,571,639	₱1,118,639
Current service cost	196,760	154,527	183,459	142,544
Interest cost	58,777	57,329	55,950	54,478
Remeasurement (gains) losses:				
Actuarial losses arising from deviations of experience from assumptions	34,111	134,823	36,535	132,821
Actuarial losses (gains) arising from changes in financial assumptions	(427,456)	164,720	(403,056)	161,680
Benefits paid	(55,037)	(39,751)	(54,342)	(38,523)
Balance at end of year	₱1,453,451	₱1,646,296	₱1,390,185	₱1,571,639

Changes in the fair value of plan assets are as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at beginning of year	₱1,097,185	₱1,003,092	₱1,057,519	₱ 968,961
Contributions	231,983	181,529	218,961	169,834
Interest income	39,147	48,925	37,648	47,188
Remeasurements	(83,059)	(96,611)	(84,794)	(89,941)
Benefits paid	(55,037)	(39,750)	(54,342)	(38,523)
Balance at end of year	₱1,230,219	₱1,097,185	₱1,174,992	₱1,057,519

The fair value of plan assets by class are as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Cash and cash equivalents	₱300,331	₱124,485	₱300,283	₱124,482
Equity instruments:				
Financial services	782,691	794,743	727,512	755,080
Real estate	5,001	5,001	5,001	5,001
Debt instruments:				
Private securities	63,158	84,725	63,158	84,725
Government securities	77,356	86,374	77,356	86,374
Others	1,682	1,857	1,682	1,857
Fair value of plan assets	₱1,230,219	₱1,097,185	₱1,174,992	₱1,057,519

The Parent Company's plan assets are carried at fair value. The fair value of investments in equity and debt securities are based on quoted price in the active market. The fair value of other assets and liabilities, which include deposits in banks, accrued interest and other receivables, and trust fee payables, approximate their carrying amounts due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

Each year, an Asset-Liability Matching Study (ALMS) is performed with the result being analyzed in terms of risk-and-return profiles. As of December 31, 2021 and 2020, the Group's investment strategy consists of 64.00% of equity instruments, 11.00% of debt instruments, 25.00% cash and 74.00% of equity instruments, 15.00% of debt instruments, and 11.00% cash, respectively.

The Parent Company expects to contribute ₱154.2 million to the plan in 2022.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	Parent Company		EWRB		QMIS		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Discount rate								
At January 1	3.56%	4.87%	3.78%	5.09%	3.85%	5.11%	3.56%-3.85%	4.87%-5.11%
At December 31	4.84%	3.56%	4.89%	3.78%	5.05%	3.85%	4.84%-5.05%	3.56%-3.85%
Future salary increase rate	3.00%	5.00%	4.00%	6.00%	5.00%	6.00%	3%-5%	5%-6%
Average remaining working life (in years)	11.00	16.00	13.00	19.00	19.00	19.00	11.00-19.00	16.00-19.00

The sensitivity analysis below on the defined benefit obligation as of December 31, 2021 and 2020 has been determined based on reasonably possible changes of each significant assumption, assuming all other assumptions were held constant.

Increase (Decrease)	Parent Company		EWRB		QMIS		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Discount rate								
+1.00%	(₱90,643)	(₱126,240)	(₱7,779)	(₱10,292)	(₱1,039)	(₱1,083)	(₱99,461)	(₱137,615)
-1.00%	104,950	151,518	9,595	12,940	1,276	1,339	115,821	165,797
Turnover rate								
+1.00%	₱106,230	₱143,342	₱9,587	₱12,627	₱1,263	₱1,310	₱ 117,079	₱157,278
-1.00%	(94,397)	(125,304)	(7,889)	(10,270)	(1,050)	(1,081)	(103,336)	(136,655)
Future salary increase rate								
+1.00%	₱23,514	₱53,523	₱2,797	₱4,630	₱266	₱342	₱26,577	₱58,495
-1.00%	(23,514)	(53,523)	(2,797)	(4,630)	(266)	(342)	(26,577)	(58,495)

Shown below is the maturity analysis of the undiscounted benefit payments for 2021 follow:

	Parent Company		EWRB		QMIS		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Less than one year	₱327,069	₱257,979	₱2,654	₱3,907	₱-	₱-	₱329,723	₱261,886
One to less than five years	566,673	565,243	12,307	10,890	155	0	579,135	572,329
Five to less than 10 years	987,048	969,609	28,171	26,500	3,422	681	1,018,641	996,790
10 to less than 15 years	955,851	1,191,142	50,761	52,235	9,993	8,316	1,016,604	1,251,693
15 to less than 20 years	801,996	1,277,596	95,781	92,077	17,238	16,141	915,016	1,385,814
20 years and above	1,186,688	1,979,337	378,030	477,279	61,649	53,949	1,626,367	2,510,565

The amounts included in 'Compensation and fringe benefits' in the statements of income are as follows:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Current service cost	₱196,760	₱154,128	₱147,014	₱183,459	₱142,544	₱139,777
Net interest expense	19,630	8,404	8,668	18,303	7,290	6,922
	₱216,390	₱162,532	₱155,682	₱201,762	₱149,834	₱146,699

27. Leases

Group as a Lessee

The Group leases several premises occupied by its head office and branches. Some leases are subject to annual escalation of 5.00% to 10.00% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2021 and 2020, as required by PFRS 16:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Within one year	₱981,887	₱1,192,929	₱955,746	₱1,092,082
After one year but not more than five years	1,896,232	2,186,023	1,665,206	1,907,495
More than five years	802,744	767,189	742,119	731,777
	₱3,680,863	₱4,146,141	₱3,363,071	₱3,731,354

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As of December 31, 2021, the carrying amount of lease liabilities are as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at beginning of the year	₱3,466,742	₱3,302,981	₱3,105,100	₱3,121,443
Additions	520,917	990,048	470,389	731,327
Payments and terminations	(1,100,975)	(1,065,852)	(975,972)	(961,816)
Accretion of interest	219,636	239,565	191,562	214,146
As of December 31, 2021	3,106,320	₱3,466,742	2,791,079	₱3,105,100

In 2021, 2020 and 2019, the interest expense on lease liabilities of the Group (included in 'Interest expense' in the statements of income) amounted to ₱219.64 million, ₱239.57 million and ₱267.60 million, respectively. Rent expense from short-term leases and leases of low-value assets of the Group amounted to ₱259.72 million, ₱90.81 million and ₱107.12 million in 2021, 2020 and 2019, respectively.

In 2021, 2020 and 2019, the interest expense on lease liabilities of the Parent Company (included in 'Interest expense' in the statements of income) amounted to ₱191.56 million, ₱214.15 million and ₱252.01 million, respectively. Rent expense from short-term leases and leases of low-value assets of the Parent Company amounted to ₱271.86 million, ₱84.61 million and ₱83.99 million in 2021, 2020 and 2019, respectively.

Group as a Lessor

The Group property leases consist of the Group's available office space and lease agreements of machinery and equipment which are non-cancelable with lease terms between 5 to 10 years.

Future minimum rentals receivable under non-cancellable operating leases of the Group and the Parent Company follow:

	2021	2020
Within one year	₱46,186	47,577
After one year but not more than five years	57,627	82,189
More than five years	16,235	24,513
	₱120,048	₱154,279

In 2021, 2020 and 2019, the Group and Parent Company rental income amounted to ₱47.61 million, ₱45.62 million and ₱41.21 million, respectively. As of December 31, 2021 and 2020, the Group and Parent Company has no contingent rental income.

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel, and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business.

The amounts and the balances arising from significant related party transactions of the Group and of the Parent Company are as follows:

Category	2021		Terms and Conditions/Nature
	Amount/Volume	Outstanding Balance	
Significant investors:			
Loans receivable	₱-	₱4,842,800	Loans granted with a term of five years, interest of 4.75%, secured with deposit holdout, current and not impaired
Releases	4,842,800	-	
Collection	5,621,850	-	
Deposit liabilities	-	2,649,419	Earns interest at the respective bank deposit rates
Deposits	1,157,579	-	
Withdrawals	3,309,556	-	
Accrued interest receivable	-	57,981	Interest income accrued on outstanding loans receivable
Accrued expenses	-	10,220	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	-	4,843	Unused credit line (omnibus facility) with term of 10 months
Interest income	230,033	-	Interest income on loans receivable
Interest expense	3,930	-	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	-	491,773	Earns interest at the respective bank deposit rates
Deposits	106,970	-	
Withdrawals	144,684	-	
Interest income	-	-	Interest income on loans receivable
Interest expense	395	-	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	-	6,931,292	Loans granted with terms ranging from six days to thirteen and a half years, interest ranging from 4.42% to 17.07%, secured by chattel and real estate mortgage, current and not impaired
Releases	619,635	-	
Collection	1,268,957	-	
Receivables purchased (booked under 'Loans Receivable')	-	2,283,451	Receivables purchased by the Parent Company from FLI (Note 9), current and not impaired
Releases	9,645	-	
Collections	109,630	-	
Accounts receivable	-	23,710	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	-	1,206,443	Earns interest at the respective bank deposit rates
Deposits	3,083,414	-	
Withdrawals	3,085,141	-	
Accounts payable	-	7,652	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	-	6,921	Unused credit lines
Accrued interest receivable	-	34,686	Interest income accrued on outstanding loans receivable
Interest income	388,316	-	Interest income on loans receivable
Interest expense	2,932	-	Interest expense on deposit liabilities
Commission fees	13,477	-	Commission fees received from EW Ageas Life
Service fee expense	83	-	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (Note 9)
Rent expense	80,770	-	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

NOTES TO FINANCIAL STATEMENTS

Category	2020		Terms and Conditions/Nature
	Amount/ Volume	Outstanding Balance	
Significant investors:			
Loans receivable	₱-	₱4,842,800	Loans granted with a term of five years, interest of 4.75%, secured with deposit holdout, current and not impaired
Releases	4,842,800	-	
Collection	5,621,850	-	
Deposit liabilities	-	4,801,396	Earns interest at the respective bank deposit rates
Deposits	52,945,744	-	
Withdrawals	49,758,767	-	
Accrued interest receivable	-	54,830	Interest income accrued on outstanding loans receivable
Accrued expenses	-	17,409	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	-	4,843	Unused credit line (omnibus facility) with term of 10 months
Interest income	230,033	-	Interest income on loans receivable
Interest expense	8,035	-	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	₱-	₱529,486	Earns interest at the respective bank deposit rates
Deposits	1,168,949	-	
Withdrawals	1,164,132	-	
Interest income	29	-	Interest income on loans receivable
Interest expense	2,044	-	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	₱-	₱7,966,525	Loans granted with terms ranging from six days to thirteen and a half years, interest ranging from 4.42% to 17.07%, secured by chattel and real estate mortgage, current and not impaired
Releases	589,930	-	
Collection	250,070	-	
Receivables purchased (booked under 'Loans Receivable')	-	2,652,774	Receivables purchased by the Parent Company from FLI (Note 9), current and not impaired
Releases	-	-	
Collections	269,337	-	
Accounts receivable	-	19,525	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	-	1,208,170	Earns interest at the respective bank deposit rates
Deposits	68,272,184	-	
Withdrawals	67,507,251	-	
Accounts payable	-	42,291	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	-	7,471	Unused credit lines
Accrued interest receivable	-	40,757	Interest income accrued on outstanding loans receivable
Interest income	384,096	-	Interest income on loans receivable
Interest expense	16,345	-	Interest expense on deposit liabilities
Commission fees	37,282	-	Commission fees received from EW Ageas Life
Service fee expense	60	-	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (Note 9)
Rent expense	79,292	-	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

The Group's significant investors pertain to FDC, the immediate Parent Company of the Group, and FDC Forex Corporation (a company under common control of FDC).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*. The Group provides banking services to its key management personnel.

Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and the Parent Company had no outright purchases and outright sale of debt securities with significant shareholders and key management personnel in 2021 and 2020.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group. The transactions disclosed above are the same for the Group and the Parent Company.

Parent Company Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Details of the Parent Company's subsidiaries are disclosed in Note 10.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements:

Category	2021		Terms and Conditions/ Nature
	Amount/ Volume	Outstanding Balance	
Subsidiaries:			
Receivables purchased	₱-	₱1,908,404	Receivables purchased by the Parent Company from EWRB (Note 9)
Acquisitions	2,466,091.19	-	
Collections	4,374,494.79	-	
Receivable sold	-	230,796	Employee loans sold by the Parent Company to EWRB (Note 9)
Accounts receivable	-	206,976	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	-	494,848	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	-	657,746	Earns interest at the respective bank deposit rates
Deposits	1,005,512	-	
Withdrawals	1,331,964	-	
Accounts payable	-	117,639	Cash reloading transactions between EWRB and the Parent Company
Interest expense	34	-	Interest expense on deposits of EWRB and EWIB
Interest income	2,079	-	Interest income on loans receivable
Service fee expense	17,326	-	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments
Service fee income	881	-	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission expense	-	-	Commission expense paid by the Parent Company to QMIS
Rent income	1,688	-	Rent of office space leased to subsidiaries

NOTES TO FINANCIAL STATEMENTS

Category	2020		Terms and Conditions/ Nature
	Amount/ Volume	Outstanding Balance	
Subsidiaries:			
Receivables purchased	₱-	₱4,957,722	Receivables purchased by the Parent Company from EWRB (Note 9)
Acquisitions	3,089,371		
Collections	109,630		
Receivable sold	-	418,216	Employee loans sold by the Parent Company to EWRB (Note 9)
Accounts receivable	-	54,740	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	-	77,356	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	-	984,198	Earns interest at the respective bank deposit rates
Deposits	108,799,303	-	
Withdrawals	108,759,456	-	
Accounts payable	-	132,638	Cash reloading transactions between EWRB and the Parent Company
Interest expense	3,756	-	Interest expense on deposits of EWRB and EWIB
Interest income	2,062	-	Interest income on loans receivable
Service fee expense	9,959	-	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments
Service fee income	649	-	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission expense	123,577	-	Commission expense paid by the Parent Company to QMIS
Rent income	18,296	-	Rent of office space leased to subsidiaries

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee.

The values of the assets of the fund are as follows:

	2021	2020
Cash and cash equivalents	₱300,283	₱124,482
Equity instruments	732,513	760,081
Debt instruments	140,514	171,099
Others	1,682	1,857
	₱1,174,992	₱1,057,519

The following are the amounts recognized by the retirement plan arising from its transactions with the Parent Company for the years ended December 31, 2021, 2020 and 2019.

	2021	2020	2019
Trust fees	₱3,508	₱2,775	₱2,682
Interest income on deposit liabilities	453	318	945
Interest income on debt securities	7,425	10,485	7,964
Gain (loss) on investments in equity shares	(53,053)	(46,776)	230,515

Remunerations of Directors and other Key Management Personnel

Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Short-term employee benefits	₱245,576	₱231,944	₱270,081	₱224,658	₱219,553	₱253,355
Post-employment benefits	6,847	8,057	73	6,847	-	-
	₱252,423	₱240,001	₱270,154	₱231,505	₱219,553	₱253,355

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱21.54 million in 2021, ₱19.86 million in 2020 and ₱19.36 million in 2019 for the Group and the Parent Company.

29. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacity for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Parent Company. The combined trust and managed funds of the Trust Department of the Parent Company amounted to ₱44.34 billion and ₱38.82 billion as of December 31, 2021 and 2020, respectively.

Government securities with total face value of ₱441.00 million and ₱385.00 million as of December 31, 2021 and 2020, respectively, are deposited with the BSP in compliance with current banking regulations related to the Parent Company's trust functions. These government securities are recorded as part of investment securities at FVTPL and at amortized cost as of December 31, 2021 and 2020, respectively.

In accordance with BSP regulations, 10.00% of the profits realized by the Parent Company from its trust operations are appropriated to surplus reserves. The yearly appropriation is required until the surplus reserves for trust operations amounts to 20.00% of the Parent Company's authorized capital stock.

The Parent Company's income from its trust operations amounted to ₱99.83 million, ₱79.27 million and ₱70.54 million in 2021, 2020 and 2019, respectively. For the years ended December 31, 2021, 2020 and 2019, the Group and the Parent Company appropriated ₱9.98 million, ₱7.93 million and ₱7.05 million, respectively.

30. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan related suits, assessments or notices, and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies

The following is a summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items:

	2021	2020
Unused credit line - credit cards and corporate	₱58,536,798	₱67,145,794
Trust department accounts (Note 29)	44,336,050	38,954,320
Forward exchange sold	32,606,906	6,015,611
Outstanding guarantees	8,493,434	5,987,675
Spot exchange sold	1,804,578	3,208,171
Interest Rate Swap		1,920,920
Unused commercial letters of credit	4,299,666	1,793,888
Forward exchange bought	20,978,809	1,208,306
Spot exchange bought	4,247,072	1,138,347
Financial futures bought	-	816,061
Inward bills for collection	608,071	692,281
Outward bills for collection	42,498	657,318
Treasurer/cashier/manager's checks	34,829	22,883
Late deposits/payments received	29,219	8,176
Items held for safekeeping	1,219	1,669
Others	866	826

31. Financial Performance

Earnings per share amounts were computed as follows:

	2021	2020	2019
a. Net income attributable to equity holders of the Parent Company	₱4,515,036	₱6,507,834	₱6,241,938
b. Weighted average number of outstanding common shares by the Parent Company, including effect of stock dividends issued in 2019 (Note 23)	2,249,975	2,249,975	2,249,975
c. Basic and diluted EPS (a/b)	₱2.01	₱2.89	₱2.77

The Group's basic and diluted earnings per share are equal as there are no potential dilutive shares outstanding.

32. Offsetting of Financial Assets and Liabilities

PFRS 7 requires the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments subject to enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

Financial assets recognized at end of reporting period by type	December 31, 2021					
	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial Instruments	Fair value of financial collateral	
SPURA (Note 7)	₱15,800,317	₱-	₱15,800,317	₱-	₱15,800,317	₱-
Derivative assets (Note 5)	15,407	-	15,407	(1)	-	15,408
Total	₱15,815,724	₱-	₱15,815,724	(₱1)	₱15,800,317	₱15,408

Financial assets recognized at end of reporting period by type	December 31, 2020					
	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial Instruments	Fair value of financial collateral	
SPURA (Note 7)	₱15,819,213	₱-	₱15,819,213	₱-	₱15,819,213	₱-
Derivative assets (Note 5)	30,037	-	30,037	92,148	-	-
Total	₱15,849,250	₱-	₱15,849,250	₱92,148	15,819,213	₱-

Financial liabilities

Financial assets recognized at end of reporting period by type	December 31, 2021					
	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial Instruments	Fair value of financial collateral	
Derivative liabilities (Note 5)	₱212,691	₱-	₱212,691	₱-	₱-	₱212,691
SSURA (Note 17)	-	-	-	-	-	-
Total	₱212,691	₱-	₱212,691	₱-	₱-	₱212,691

Financial assets recognized at end of reporting period by type	December 31, 2020					
	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial Instruments	Fair value of financial collateral	
Derivative liabilities (Note 5)	₱97,042	₱-	₱97,042	₱92,148	₱-	₱4,894
SSURA (Note 17)	3,491,024	-	3,491,024	-	3,889,607	-
Total	₱3,588,066	₱-	₱3,588,066	₱92,148	₱3,889,607	₱4,894

NOTES TO FINANCIAL STATEMENTS

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

33. Notes to Statement of Cash Flows

Transfers from loans and receivables to investment properties as a result of foreclosures amounted to ₱61.23 million, ₱160.20 million and ₱179.33 million in 2021, 2020 and 2019 respectively, for the Group and the Parent Company. Transfers from loans and receivables to other repossessed assets as a result of foreclosures amounted to ₱7.11 billion, ₱1.63 billion and ₱2.85 billion in 2021, 2020 and 2019 respectively, for the Group and the Parent Company. Amounts mentioned are exclusive of loss on asset foreclosure and dacion transactions amounting to ₱524.82 million, ₱152.14 million and ₱200.00 million in 2021, 2020 and 2019, respectively, for the Group and the Parent Company.

The table below provides for the changes in liabilities arising from financing activities:

	Consolidated				
	Bills and acceptances payable (Note 17)	Subordinated debt (Note 20)	Lease Liability (Note 27)	Bonds Payable (Note 19)	Total liabilities from financing activities
Balances at January 1, 2021	₱3,568,803	₱1,240,785	₱3,466,742	₱3,677,434	₱11,953,764
Cash flows	(3,470,653)	–	(360,422)	–	(3,831,075)
Amortization of discount	–	1,179	–	10,252	11,431
Balances at December 31, 2021	₱98,150	₱1,241,964	₱3,106,320	₱3,687,686	₱8,134,120

	Consolidated				
	Bills and acceptances payable (Note 17)	Subordinated debt (Note 20)	Lease Liability (Note 27)	Bonds Payable (Note 19)	Total liabilities from financing activities
Balances at January 1, 2020	₱30,949,753	₱6,219,011	₱3,302,981	₱–	₱40,471,745
Cash flows	(27,380,950)	(4,962,425)	163,761	3,669,013	(28,510,601)
Amortization of discount	–	(15,801)	–	8,421	(7,380)
Balances at December 31, 2020	₱3,568,803	₱1,240,785	₱3,466,742	₱3,677,434	₱11,953,764

	Parent Company				
	Bills and acceptances payable (Note 17)	Subordinated debt (Note 20)	Lease Liability (Note 27)	Bonds Payable (Note 19)	Total liabilities from financing activities
Balances at January 1, 2021	₱3,568,803	₱–	₱3,105,100	₱3,677,434	₱10,351,337
Cash flows	(3,470,653)	–	(314,021)	–	(3,784,674)
Amortization of discount	–	–	–	10,252	10,252
Balances at December 31, 2021	₱98,150	₱–	₱2,791,079	₱3,687,686	₱6,576,915

	Parent Company				
	Bills and acceptances payable (Note 17)	Subordinated debt (Note 20)	Lease Liability (Note 27)	Bonds Payable (Note 19)	Total liabilities from financing activities
Balances at January 1, 2020	₱30,949,753	₱4,979,340	₱3,121,443	₱–	₱39,050,536
Cash flows	(27,380,950)	(4,962,425)	(16,343)	3,669,013	(28,690,705)
Amortization of discount	–	(16,915)	–	8,421	(8,494)
Balances at December 31, 2020	₱3,568,803	₱–	₱3,105,100	₱3,677,434	₱10,351,337

34. Events Subsequent to the Reporting Period

There have been no events subsequent to December 31, 2021 that the Group and the Parent Company need to report.

35. Approval of the Financial Statements

The accompanying financial statements of the Group and the Parent Company were reviewed by the Audit Committee on March 10, 2022 and were approved and authorized for issue by the Parent Company's BOD on March 15, 2022.

36. Supplementary Information Required Under BSP Circular No. 1074

On January 8, 2021, the Monetary Board (MB) amended BSP Circular No. 1074, requiring Banks to include the additional information on the following:

Financial Performance Indicators

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Return on average equity	7.86%	12.25%	13.66%	7.86%	12.26%	13.66%
Return on average assets	1.11%	1.64%	1.62%	1.17%	1.74%	1.72%
Net interest margin on average earning assets	6.47%	8.14%	6.89%	6.14%	8.06%	7.09%

Capital Instruments

There are no capital instruments issued by the Group and Parent Company in 2021 and 2020.

Capital Stock

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares			Amount		
	2021	2020	2019	2021	2020	2019
Authorized:						
Common stock - ₱10.00 par value	4,500,000,000	4,500,000,000	4,500,000,000			
Preferred stock - ₱10.00 par value	500,000,000	500,000,000	500,000,000			
Common stock issued and outstanding:						
Balance at the beginning of the year	2,249,975,411	2,249,975,411	2,249,975,411	₱22,499,754	₱22,499,754	₱22,499,754
Issuance of stock dividends	–	–	–	–	–	–
Balance at the end of the year	2,249,975,411	2,249,975,411	2,249,975,411	₱22,499,754	₱22,499,754	₱22,499,754

Unsecured subordinated debt

A. Lower Tier 2 unsecured subordinated notes due 2025

On July 4, 2014, the Parent Company issued 5.50% coupon rate Lower Tier 2 unsecured subordinated notes (the 2025 Notes) with par value of ₱5.00 billion, maturing on January 4, 2025, but callable on January 4, 2020. The 2025 Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 4, 2025.

NOTES TO FINANCIAL STATEMENTS

From and including the issue date to, but excluding the optional redemption date of January 4, 2020, the 2025 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on January 4, April 4, July 4, and October 4 of each year, which commenced on October 4, 2014. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on January 4, 2020.

The 2025 Notes are redeemable at the option of the Parent Company, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

- a) the Parent Company has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2025 Notes;
- b) the 2025 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Parent Company or the Parent Company demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
- c) the Parent Company is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
- d) the Parent Company is solvent at the time of redemption of the 2025 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2025 Notes have a loss absorption feature which means that the 2025 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, the Parent Company shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

- a) the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of the Parent Company (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down");
- b) the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
- c) the Parent Company giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the 2025 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

On January 4, 2020, the Parent Company exercised its redemption option to pre-terminate the 2025 Notes.

B. Lower Tier 2 unsecured subordinated notes due 2027

On February 20, 2017, EWRB issued 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of ₱1.25 billion, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

The 2027 Notes are redeemable at the option of EWRB, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

- a) EWRB has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2027 Notes;
- b) the 2027 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of EWRB, or EWRB demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
- c) EWRB is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
- d) EWRB is solvent at the time of redemption of the 2027 Notes and immediately thereafter.

NOTES TO FINANCIAL STATEMENTS

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the EWRB may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2027 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2027 Notes have a loss absorption feature which means that the 2027 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the EWRB to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when EWRB is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, EWRB shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event EWRB does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

- the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of EWRB (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down");
- the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
- EWRB giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by EWRB arising under or in connection with the 2027 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Significant credit exposures as to industry/economic sector

As of December 31, 2021 and 2020, information on the loan concentration as to industry (after unearned discounts and unamortized modification losses, but before allowance for credit losses) follows:

	Consolidated				Parent Company			
	2021		2020		2021		2020	
	Gross Amount	%	Gross Amount	%	Gross Amount	%	Gross Amount	%
Private households with employed persons	₱132,695,986	61.47	₱166,807,535	67.94	₱112,764,078	59.09	₱144,101,959	65.04
Government and foreign sovereign	—	—	—	—	—	—	—	0.00
Financial intermediaries	6,662,474	3.09	8,329,220	3.39	6,658,374	3.49	7,115,408	3.21
Real estate, renting and business activity	27,504,256	12.74	29,114,623	11.86	27,482,020	14.40	29,099,941	13.14
Wholesale and retail trade, repair of motor vehicles	17,729,375	8.21	16,434,261	6.69	17,722,378	9.29	16,427,490	7.41
Electricity, gas, steam and air-conditioning supply	5,863,235	2.72	6,466,677	2.63	5,862,809	3.07	6,462,697	2.92
Manufacturing	6,857,563	3.18	6,227,086	2.54	6,852,656	3.59	6,222,179	2.81
Accommodation and food service activities	3,300,176	1.53	3,058,734	1.25	3,298,598	1.73	3,057,156	1.38
Transportation and storage	2,300,606	1.07	2,403,401	0.98	2,300,606	1.21	2,403,400	1.08
Construction	1,688,236	0.78	1,757,940	0.72	1,684,799	0.88	1,754,503	0.79
Holdings	—	—	—	—	—	—	—	—
Other service activities	945,219	0.44	1,436,205	0.58	945,219	0.50	1,436,205	0.65
Agriculture, fisheries and forestry	844,925	0.39	971,663	0.40	832,544	0.44	959,282	0.43
Administrative and support service activities	1,474,433	0.68	610,841	0.25	1,474,433	0.77	610,841	0.28
Others****	7,999,582	3.71	1,908,764	0.78	2,962,766	1.55	1,893,471	0.85
	₱215,866,066	100.00	₱245,526,950	100.00	₱190,841,280	100.00	₱221,544,532	100.00

*Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication

Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers (after unearned discounts and unamortized modification losses, but before allowance for credit losses) as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2021 and 2020:

	Consolidated				Parent Company			
	2021		2020		2021		2020	
	Gross Amount	%	Gross Amount	%	Gross Amount	%	Gross Amount	%
Loans secured by:								
Chattel	₱68,733,473	31.84	₱93,327,644	38.01	₱68,733,473	36.02	₱93,064,560	42.01
Real estate	24,827,272	11.50	25,609,396	10.43	24,774,042	12.98	25,546,116	11.53
Others*	11,659,197	5.40	11,844,008	4.82	11,385,562	5.97	11,837,405	5.34
	105,219,942	48.74	130,781,048	53.27	104,893,077	54.96	130,448,081	58.88
Unsecured	110,646,124	51.26	114,745,902	46.73	85,948,203	45.04	91,096,451	41.12
	₱215,866,066	100.00	₱245,526,950	100.00	₱190,841,280	100.00	₱221,544,532	100.00

*Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of receivables etc.

Breakdown of total loans as to status

BSP Circular No. 351 allows banks to exclude from non-performing classification receivables classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued and that such receivables shall be deducted from the total receivable portfolio for purposes of computing NPLs. Subsequently, the BSP issued BSP Circular No. 772, which requires banks to compute their net NPLs by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2021 and 2020, NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Gross NPLs	₱23,991,523	₱20,804,274	₱22,192,118	₱18,968,025
Less NPLs fully covered by allowance for credit losses	(7,740,177)	(8,980,913)	(7,563,132)	(8,814,766)
	₱16,251,346	₱11,823,361	₱14,628,986	₱10,153,259

As of December 31, 2021 and 2020, secured and unsecured NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Secured	₱13,680,209	₱13,501,096	₱13,616,995	₱13,445,003
Unsecured	10,311,314	7,303,178	8,575,123	5,523,022
	₱23,991,523	₱20,804,274	₱22,192,118	₱18,968,025

Information on related party loans

As required by BSP, the Group discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said circular:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Total outstanding DOSRI accounts	₱11,600,484	₱12,187,145	₱13,304,737	₱11,600,484	₱12,187,145	₱13,304,737
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Percent of DOSRI accounts granted after the effectivity of BSP Circular No. 423 to total loans	5.372%	4.912%	4.944%	6.076%	5.438%	5.472%
Percent of DOSRI accounts to total loans	5.372%	4.912%	4.944%	6.076%	5.438%	5.472%
Percent of unsecured DOSRI accounts to total DOSRI accounts	0.200%	0.081%	0.009%	0.200%	0.081%	0.009%
Percent of past due DOSRI accounts to total DOSRI accounts	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the Parent Company's/quasi-Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

Aggregate amount of secured liabilities and assets pledged as security

As of December 31, 2021, the Bank has no outstanding SSURA. As of December 31, 2020, SSURA amounting to ₱3.49 billion are secured by a pledge of certain financial instruments as follows:

	2021		2020	
	Face value	Fair value	Face value	Fair value
Financial assets at FVTOCI	₱-	₱-	3,879,645	3,889,607
Financial assets at FVTPL	-	-	-	-
Investment securities at amortized cost	-	-	-	-
	₱-	₱-	₱3,879,645	₱3,889,607

Commitments and Contingencies

The following is a summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items:

	2021	2020
Unused credit line - credit cards and corporate	₱58,536,798	₱67,145,794
Trust department accounts (Note 29)	44,336,050	38,954,320
Forward exchange sold	32,606,906	6,015,611
Outstanding guarantees	8,493,434	5,987,675
Spot exchange sold	1,804,578	3,208,171
Interest Rate Swap	-	1,920,920
Unused commercial letters of credit	4,299,666	1,793,888
Forward exchange bought	20,978,809	1,208,306
Spot exchange bought	4,247,072	1,138,347
Financial futures bought	-	816,061
Inward bills for collection	608,071	692,281
Outward bills for collection	42,498	657,318
Treasurer/cashier/manager's checks	34,829	22,883
Late deposits/payments received	29,219	8,176
Items held for safekeeping	1,219	1,669
Others	866	826

37. Supplementary Information Required Under Revenue Regulations No. 15-2010

On November 25, 2010, the BIR issued Revenue Regulations No. 15-2010, requiring the inclusion of information on various taxes paid and accrued during the taxable year in the notes to the financial statements.

The Parent Company reported and/or paid the following types of taxes for the year ended December 31, 2021:

Gross Receipts Tax

The Parent Company is subject to gross receipt tax on its gross income from Philippine sources. Gross receipt tax is imposed on interest, commissions and discounts from lending activities at 5.00% or 1.00%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7.00% on non-lending fees and commissions, net trading and foreign exchange gains and other items constituting gross income.

In FCDU, income classified under ‘All Other’, which is subject to corporate income tax is also subject gross receipt tax at 7.00%.

Details of the Parent Company's income and gross receipt tax accounts in 2021 are as follows:

	Gross Receipts	Gross Receipts Tax
Income derived from lending activities	₱20,734,308	₱925,288
Other income	1,886,247	132,037
	₱22,620,555	₱1,057,325

Other Taxes and Licenses

This includes all other taxes, local and national, incurred in 2021 and presented under in the statement of income, as follows:

Documentary stamps taxes	₱427,172
Local taxes, permits and fees	77,017
Fringe benefit taxes	32,177
Others	2,397
	₱538,763

Withholding Taxes

Details of withholding taxes remitted and balances as of December 31, 2021 follow:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱658,853	₱32,028
Expanded withholding taxes	163,909	14,249
Final withholding taxes	268,959	41,711
	₱1,091,721	₱87,988

The Parent Company has no outstanding assessments from the BIR as of December 31, 2021.

Tax Assessments and Cases

As of December 31, 2021, the Parent Company has no deficiency tax assessment and has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

- I. Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- II. Schedule of Financial Ratios
- III. Map of the Relationships of the Companies within the Group
- IV. Supplementary Schedules Required by Annex 68-J
 - A. Financial Assets
 - B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
 - D. Intangible Assets
 - E. Long-term Debt
 - F. Indebtedness to Related Parties (Long-Term Loans Obligations to Related Companies)
 - G. Guarantees of Securities of Other Issuers
 - H. Capital Stock

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (Annex 68-D)

As of December 31, 2021

Presented is the reconciliation of retained earnings available for dividend declaration of the Parent Company as of December 31, 2021 with amendments based on SEC Bulletin No. 14, *Presentation of Reconciliation of Retained Earnings*:

Unappropriated retained earnings available for dividend declaration, beginning	₱24,701,164
Net income per audited financial statements	4,515,036
Add (Less):	
Equity in net income of subsidiaries, net of tax	(870,554)
Unrealized trading gains, net of tax	132,337
Loss on fair value adjustments of investment properties, net of tax	393,612
Equity in net loss of a joint venture	177,058
Unrealized foreign exchange loss, net of tax	216,993
Deferred tax assets recognized through profit or loss	862,141
Net income actually earned/realized during the year	5,426,624
Less:	
Appropriation of retained earnings during the period	9,983
Dividend declaration during the period	
Total unappropriated retained earnings available for dividend declaration, ending	₱30,117,806

SCHEDULE OF FINANCIAL RATIOS

As of for the years ended December 31, 2021 and 2020

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2021 and 2020:

	2021	2020
Current ratio ⁽¹⁾	64.86%	68.22%
Asset-to-debt ratio ⁽²⁾	117.18%	115.73%
Debt-to-equity ⁽³⁾	5.82	6.36
Asset-to-equity ⁽⁴⁾	6.82	7.36
Interest rate coverage ratio ⁽⁵⁾	274.31%	166.82%
Profitability ratio		
Return on asset ⁽⁶⁾	1.14%	1.64%
Return on equity ⁽⁷⁾	7.74%	12.25%
Net profit margin ⁽⁸⁾	6.67%	8.14%
Gross profit margin ⁽⁹⁾	90.43%	86.30%

1 Current assets divided by current liabilities

2 Total assets divided by total liabilities

3 Total liabilities divided by total equity

4 Total assets divided by total equity

5 Income before interest and taxes divided by interest expense

6 Net income divided by average total assets. Average total assets is based on average monthly balances

7 Net income attributable to equity holders of the Parent Company divided by average total equity attributable to equity holders of the Parent Company. Average total equity is based on average monthly balances

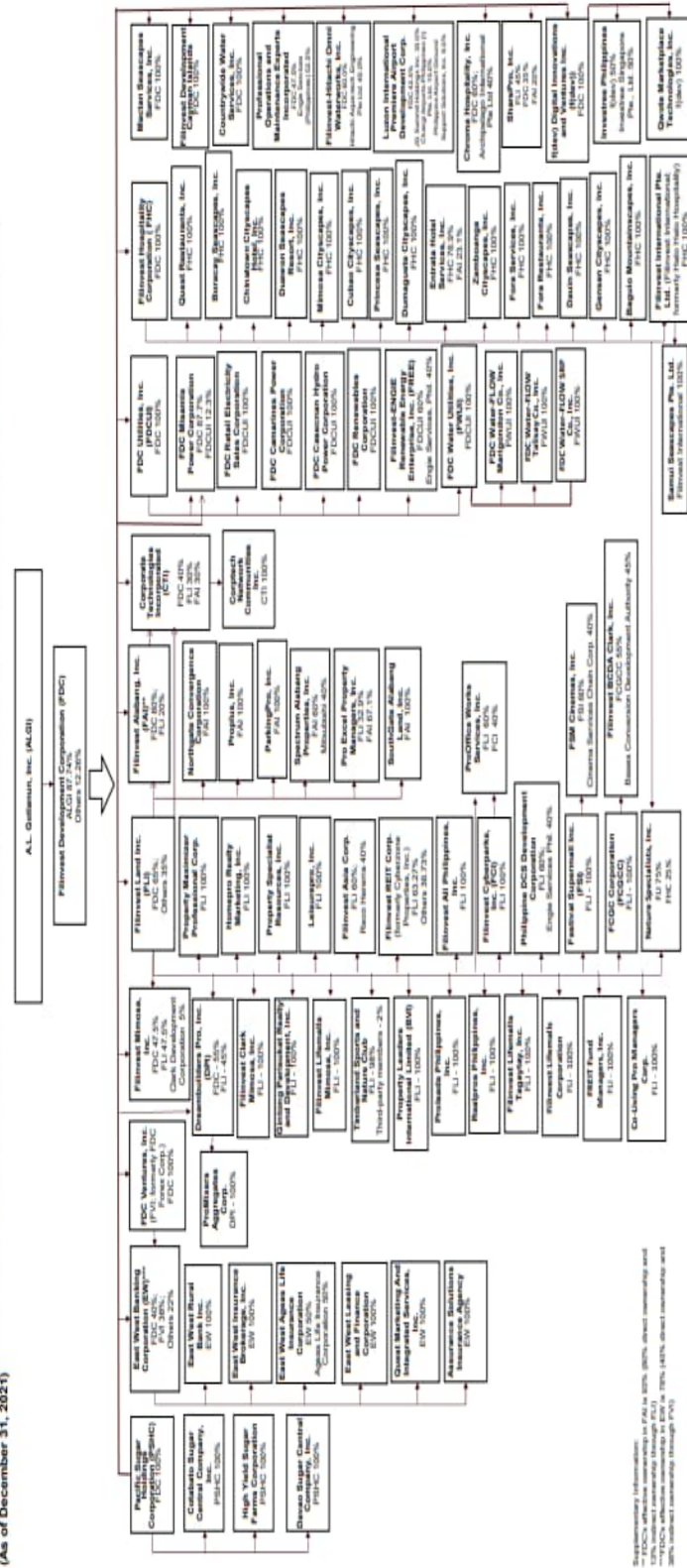
8 Income before income tax over total interest income

9 Net interest income over total interest income

CONGLOMERATE MAP
(III. Map of the Relationships of the Companies within the Group)
 As of December 31, 2021

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and affiliate as of December 31, 2021:

A.L. GOTIAKUN, INC.
MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT, CO-SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES
 (As of December 31, 2021)



Supplementary Information:
 * FDC's effective ownership in FDC is 80%. 80% direct ownership and 20% indirect ownership through FDC.
 ** FDC's effective ownership in FDC is 100%. 100% direct ownership and 0% indirect ownership through FDC.
 *** FDC's effective ownership in FDC is 100%. 100% direct ownership and 0% indirect ownership through FDC.

SUPPLEMENTARY SCHEDULES REQUIRED UNDER SRC RULE 68, AS AMENDED
 As of December 31, 2021

Below are the additional information and schedules required by SRC Rule 68, as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

Below is the detailed schedule of the Group's financial assets as of December 31, 2021:

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Financial assets at Fair Value through Profit or Loss				
Debt securities				
Fixed Rate Treasury Notes (FXTN)	2,334,171	2,299,923	2,299,923	209,570
Petroleos Mexicanos (PEMEX)	509,990	491,936	491,936	79,729
Republic of the Philippines (ROP)	-	-	-	10,778
Retail Treasury Bond (RTB)	502,391	512,680	512,680	42,812
Treasury Bills (TBILL)	454,385	451,998	451,998	20
Ayala Land Inc	-	-	-	-
Bureau of Treasury (ODTH)	-	-	-	-
Republic of Indonesia (INDON)	-	-	-	835
Saudi Arabian Bonds (KSA)	-	-	-	-
US Treasury Notes (UST)	-	-	-	-
Aboitiz Equity Ventures	-	-	-	-
South African Bond	-	-	-	-
SM Prime Holdings	-	-	-	12
Rizal Commercial Banking Corp (RCBC)	-	-	-	-
Retai Dollor Bond (RDB)	245,963	249,724	249,724	1,261
Filinvest Land Inc	-	-	-	-
ROP warrants				
Citibank Mla	74	40,257	40,257	-
Equity Securities				
Victorias Milling Corporation	120	120	120	-
LGU Guarantee Corporation	10,213	10,213	10,213	-
	4,057,307	4,056,851	4,056,851	345,017
Investment Securities at Amortized Cost				
Debt Securities				
Fixed Rate Treasury Notes (FXTN)	16,856,204	16,630,735	16,995,680	389,227
Pertamina Persero (PERTIJ)	101,998	102,574	103,392	8,888
Petroleos Mexicanos (PEMEX)	530,390	509,949	456,384	(22,094)
Republic of the Philippines (ROP)	1,275,944	1,343,911	1,392,367	43,437
Retail Treasury Bond (RTB)	230,019	232,678	244,898	7,062
SM Investment Corp (SMINVE)	1,719,686	1,736,449	1,845,602	74,739
Brazilian Government International Bond (BRAZIL)	-	-	-	4,296
Energy Development Corporation (EDCPM)	-	-	-	1,150
Mexican Global bonds (MEX)	-	-	-	4,682
Perusahaan Listrik Negara (PLINJ)	-	-	-	34,550
Qatar Bonds (QATAR)	-	-	-	7,865
Republic of Indonesia (INDON)	-	-	-	11,769
Republic of the Philippines Global Peso Noted (RP GPN)	292,417	270,706	350,968	19,111
Saudi Arabian Bonds (KSA)	-	-	-	20,951
	21,006,658	20,827,002	21,389,291	605,633
Financial Assets at Fair Value through Other Comprehensive Income				

Financial Assets at Fair Value through Other Comprehensive Income

SUPPLEMENTARY SCHEDULES REQUIRED UNDER SRC RULE 68, AS AMENDED

As of December 31, 2021

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Debt Securities				
Fixed Rate Treasury Notes (FXTN)	2,174,560	2,278,689	2,172,283	64,125
Petroleos Mexicanos (PEMEX)	407,992	380,145	393,549	64,890
Republic of Indonesia (INDON)	384,248	397,612	397,754	9,518
Republic of the Philippines (ROP)	7,486,366	7,488,894	7,463,598	38,574
Retail Treasury Bond (RTB)	550,000	608,640	615,705	32,231
Rizal Commercial Banking Corp (RCBC)	471,741	475,896	481,176	20,929
Treasury Bills (TBILL)	-	-	-	3,803
BSP	8,000,000	7,995,791	7,997,287	168,260
Ayala Corp	1,473,718	1,517,632	1,510,813	30,684
First Pacific	1,019,980	1,086,398	1,076,222	20,147
International Container Terminal Services, Inc	1,028,242	1,050,388	1,054,194	17,593
JG Summit	1,019,980	1,089,607	1,072,886	20,337
Manila Water	817,004	864,548	845,885	17,941
Jollibee Food Corp	509,480	529,904	540,767	29,965
Aboitiz Equity Ventures	1,274,975	1,330,635	1,307,334	21,367
US Treasury Notes (UST)	14,279,720	14,279,188	14,278,847	26,522
Retail Dollar Bond (RDB)	454,467	454,467	452,268	1,424
	41,352,473	41,828,434	41,660,568	588,310
	66,416,438	66,712,287	67,106,710	1,538,960

Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)

As of December 31, 2021, amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) amounted to ₱11.77 billion.

Schedule C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements

Below is the schedule of receivables from related parties which are eliminated in the consolidated financial statements as of December 31, 2021:

	Balance at beginning of year	Additions	Collections	Balance at end of year
East West Rural Bank, Inc.	₱36,318	₱12,923,438	₱12,880,824	₱78,932
East West Insurance Brokerage, Inc.	7,393	33,419	34,646	6,166
East West Leasing and Finance Corporation	1,051	79	-	1,130
Assurance Solutions Insurance Agency, Inc.	1,202	59	-	1,261
Quest Marketing and Integrated Services, Inc.	31,392	4,590	817	35,166
	₱77,356	₱12,961,584	₱12,916,286	₱122,654

Schedule D. Intangible Assets

As of December 31, 2021, the goodwill and intangible assets in the Group's consolidated statements of financial position follow:

	Balance at beginning of year	Additions	Charged to cost and expenses	Balance at end of year
Goodwill	₱3,877,289	₱-	₱-	₱3,877,289
Branch licenses	2,167,600	-	-	2,167,600
Capitalized software	606,119	171,212	157,949	619,382
Customer relationship	103,607	-	4,312	99,295
Core deposits	38,278	-	6,470	31,808
	₱6,792,893	₱171,212	₱168,730	₱6,795,374

Schedule E. Long-term Debt

Details of the Group's long term debt* as of December 31, 2021 follow:

	Amount	Current	Noncurrent
Lower Tier 2 unsecured subordinated notes due 2025	₱-	₱-	₱-
Lower Tier 2 unsecured subordinated notes due 2027	1,241,964	-	1,241,964

*Excludes long-term negotiable certificates of deposit that are classified as deposit liabilities in the statement of financial position

Schedule F. Indebtedness to Related Parties (long term loan obligations to related parties)

The Group has no outstanding long term loan obligations to its related parties as of December 31, 2021.

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2021.

Schedule H. Capital Stock

Below is the schedule of the Group's issued and outstanding capital stock as of December 31, 2021

Title of issue	Authorized	Issued and outstanding as shown under related statement of financial position	Number of Shares		
			Reserved for options, warrants, conversion and other rights	Related parties	Held by Directors, Officers and Employees
East West Banking Corporation - common shares	4,500,000	2,249,975	-	1,751,653	45,051
					Others
					451,831



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