# COVER SHEET

SEC Registration Number

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|---|---|---|---|---|---|---|---|---|---|---|---|

Company Name

EAST WEST BANKING CORPORATION

Principal Office (No./Street/Barangay/City/Town/Province)

The Beaufort, 5th Avenue cor
23rd Street, Fort Bonifacio
Global City, Taguig City

## CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| ATTY. BENEDICTO M. VALERIO, JR | BMValerio@eastwestbanker.com | +632 8575-3871 | |

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-A | **MSRD** | |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| **107** | **April 22** | |

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To be accomplished by SEC Personnel concerned

File Number

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STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2021

2. SEC Identification Number ASO94-002733

3. BIR Tax Identification No. 003-921-057

4. Exact name of issuer as specified in its charter EAST WEST BANKING CORPORATION

5. Metro Manila, Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. The Beaufort, 5th Avenue, corner 23rd Street, Fort Bonifacio Global City, Taguig City
   Address of principal office

8. +632 8575-3888
   Issuer's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common shares** | **2,249,975,411** |

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [ X ]    No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    **The above common shares are listed in the Philippine Stock Exchange (PSE)**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 25 and 177 of The Revised Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [ **X** ] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ **X** ] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

| Shares Held by Non-Affiliates as of March 31, 2022 | Market Value per Share as of March 31, 2022 | Total Market Value as of March 31, 2022 |
|---|---|---|
| 451,830,996 shares | ₱8.43 | ₱3,808,935,296.28 |

**APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 16 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

**Not Applicable**

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

EAST WEST BANKING CORPORATION
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## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

### Overview of the Bank

East West Banking Corporation (the "Bank", "EW") is a universal bank in the Philippines that provides a wide array of products and services catering to the financial needs of consumers, middle market corporates, and the mass affluent. Through its vast network of stores nationwide, it offers a wide range of banking products and services, as well as allied financial services: non-life insurance brokerage and bancassurance.

EW was registered with the Securities and Exchange Commission ("SEC") as a domestic corporation on March 22, 1994 and was granted authority by the Bangko Sentral ng Pilipinas ("BSP") to operate as a commercial bank under Monetary Board Resolution No. 101 dated July 6, 1994, and commenced operations on July 8, 1994. EastWest was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. On July 26, 2012, the Bank received the approval of the BSP to operate as a universal bank under Monetary Board Resolution No. 1696 dated 25 November 2010. EastWest's ultimate Bank is A.L. Gotianun, Inc. EastWest's head office is located at The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City. On July 26, 2012, the BSP granted the Bank the authority to operate as a universal bank under Monetary Board Resolution No. 1696 dated November 25, 2010.

EW has been listed on the Philippine Stock Exchange ("PSE") since May 7, 2012. Its market capitalization as of December 31, 2021, was ₱21.6 billion. EW is approximately 77.9% owned by Filinvest Development Corporation ("FDC"). FDC is the listed holding company of the Filinvest Group, one of the largest conglomerates in the Philippines with interests in banking, real estate, hospitality and tourism, power generation and sugar. EW is a majority-owned subsidiary of FDC, incorporated on April 27, 1973, FDC started out as a consumer finance and banking business established by FDC's patriarch, Andrew L. Gotianun, Sr.

*Mergers and Acquisitions*

On 19 August 2011, EastWest entered into a deed of assignment for the purchase of majority of the outstanding shares and control of Green Bank (A Rural Bank), Inc. ("GBI"). Consequently, GBI became a subsidiary of EastWest. The GBI acquisition enabled EastWest to significantly expand its branch network by adding 46 branches.

On 15 June 2012, the BSP Monetary Board approved the application of EastWest to acquire up to 100.0% of the outstanding shares of Finman Rural Bank, Inc. ("FRBI"), subject to certain conditions, a rural bank engaged in the business of extending credit to farmers, tenants, and rural enterprises. EW subsequently increased its ownership in FRBI to 100.0% through additional share acquisitions and capital contributions in 2012 and 2013. In May 2013, FRBI changed its name to East West Rural Bank, Inc. ("EWRB") and entered into an asset purchase agreement with GBI, effectively consolidating all of the Bank's rural banking business in EWRB.

In May 2013, EWRB and GBI entered into an asset purchase agreement with assumption of liabilities, in which EWRB will acquire selected loan portfolio, licenses for GBI's branches, and various assets necessary for branch business and operations, as well as assume the deposits and other liabilities incidental to the branch business and operations. The transfer of these assets and liabilities took effect on 31 October 2013.

On 17 February 2014, the SEC approved the application of EastWest to change its registration from a Government Securities Eligible Dealer (with Broker/Dealer of securities functions) to an Underwriter of Securities Engaged in Dealing Government Securities (with Broker/Dealer of securities functions), in accordance with the Securities Regulation Code and its implementing rules, as well as, other pertinent laws, rules and regulations applicable.

On March 28 and June 5, 2014, the BSP and the SEC respectively, approved the proposed merger between EW and GBI. On July 31, 2014, the merger between EW and GBI was completed.

On January 29, 2015, the BOD approved the common shares rights offering, subsequently, the BOD approved the application of the bank to list up to 371,574,000 common shares with par value of ₱10 per share to cover its stock rights offering. On May 8, 2015, a total of 371,574,000 common shares were listed at the PSE with ₱10 par value per share. The total proceeds raised by the Bank from the sale of the said shares amounted to P8.0 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱7.9 billion.

On May 18, 2015, the BSP approved EastWest's initial equity investment amounting to ₱30.0 million in East West Brokerage, Inc. ("EWIB"), a proposed wholly-owned insurance Brokerage insurance company of EastWest. EWIB was registered with the SEC on July 6, 2015.

On September 21, 2015, the BSP approved the request of the Bank for initial equity investment amounting to ₱500.0 million in East West Ageas Life Insurance Corporation ("EWAL"), a proposed joint venture with Ageas Insurance International N.V. The joint venture company, EWAL, shall be primarily engaged in life insurance business. EWAL was registered with the SEC on October 20, 2015.

On May 6, 2016, EW entered into an asset and share transfer agreement with Standard Chartered Bank ("SCB") and SCMB Overseas Limited for the acquisition of SCB Philippines' retail banking business (including all of SCB Philippines' three branches) and the transfer of 100.0% ownership of the entities, namely: QMIS and ASIA. The acquisition was approved by the BSP on August 8, 2016. On November 25, 2016, after satisfying all the conditions under the asset and share transfer agreement, the transfer of assets and liabilities was completed.

In 2016, the BSP approved and confirmed the initial equity investment in East West Leasing and Finance Corporation ("EWLF") of ₱100.0 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.

On July 13, 2017, the BOD approved the following: (1) the Bank's increase in authorized capital stock from ₱20.0 billion to ₱50.0 billion and (2) the subsequent declaration of a 50% Stock Dividend or 750,000,000 common shares to cover the minimum required subscription and payment for the said increase in authorized capital stock. On April 16, 2018, a total of 749,991,801 common shares were listed at the PSE.

On June 19, 2019, the Philippine Competition Commission ("PCC") approved the Bank's purchase of the dealer-generated auto-lending portfolio held by Philippine Bank of Communications ("PBCom").

*Securities Issuances*

*Debt Issuances*

On July 4, 2014, EW completed its issuance of Basel III-compliant Tier 2 unsecured subordinated notes with a total face value of ₱5.0 billion with a coupon rate of 5.5% and maturing in January 2025, but callable on January 4, 2020. On January 4, 2020 EW exercised its call option. The redemption was approved by EW's Board of Directors on October 31, 2019 and by the BSP on December 13, 2019.

On February 20, 2017, EW's subsidiary, EWRB, issued 5.5% Lower Tier 2 unsecured subordinated notes with par value of ₱1.25 billion maturing on August 20, 2027 but callable on August 20, 2022.

On February 10, 2020, EW 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.

*Equity Issuances*

On January 29, 2015, the Board of Directors approved the common shares rights offering. In March 2015, the Board of Directors approved the application of the Bank to list up to 371,574,000 common shares with par value of ₱10 per share to cover its stock rights offering. On May 8, 2015, a total of 371,574,000 common shares were listed at the PSE with ₱10.00 par value per share. The total proceeds raised by EW from the sale of the said shares amounted to ₱8.00 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱7.95 billion. The net proceeds were used to invest in securities allowed under BSP regulation and to fuel growth in loans.

On July 13, 2017 and August 30, 2017, the Board of Directors approved and the stockholders ratified, respectively, the following (i) increase in EW'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 500 million preferred shares with par value of ₱10.00 per share or a total par value of ₱5.00 billion and (ii) declaration of 50.0% stock dividends equivalent to ₱7.50 billion from the Bank's unrestricted retained earnings as of December 31, 2016 to cover the required 25.0% minimum subscription and payment for the increase of authorized capital stock. The increase in the Bank's authorized capital stock and stock dividend declaration was subsequently approved by the BSP and SEC on February 1, 2018 and February 28, 2018, respectively. On April 16, 2018, a total of 749,991,801 common shares were listed on the PSE.

*LTNCDs*

Long-Term Negotiable Certificates of Deposits due 2022 (LTNCD Series 4)
In 2017, the Bank 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 Bank 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.

## Subsidiaries and Affiliate

The following are the subsidiaries and affiliate of East West Banking Corporation (the Bank) as of December 31, 2021:

| Name | Principal Activities | Effective Percentage of Ownership |
|---|---|---|
| East West Rural Bank, Inc. (EWRB) | Consumer banking | 100.00% |
| East West Insurance Brokerage, Inc. (EWIB) | Non-life insurance brokerage | 100.00% |
| East West Leasing and Finance Corporation (EWLF) | Finance and leasing | 100.00% |
| Quest Marketing and Integrated Services Inc. (QMIS) | Sales and marketing | 100.00% |
| Assurance Solutions Insurance Agency (ASIA) | General insurance and marketing | 100.00% |
| East West Ageas Life Insurance Corporation (EWAL) | Life insurance | 50.00% |

### *East West Rural Bank, Inc.*

East West Rural Bank, Inc. (formerly Finman Rural Bank, Inc.) was incorporated and registered with Philippine Securities and Exchange Commission (SEC) on November 5, 1997 for the purpose of accumulating deposits and granting loans to various individuals and corporate entities as well as government and private employees. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a rural bank and commenced operations in March 1998. Its principal office is located at 3rd and 4th Floors, East West Bank Building, J.P. Laurel Avenue corner Iñigo Street, Bajada, Davao City.

### *East West Insurance Brokerage, Inc.*

East West Insurance Brokerage, Inc. (EWIB) was incorporated and registered with the Philippine Securities and Exchange Commission (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.

### *East West Leasing and Finance Corporation*

East West Leasing and Finance Corporation (EWLF) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 6, 2016, primarily to engage in general financing and investment business, with secondary license to operate as a financing company in accordance with the

Financing Company Act of 1998 and its implementing rules and regulations. Its place of business is located at The Beaufort, 5th avenue corner 23rd street, Bonifacio Global City, Taguig City.

***Quest Marketing and Integrated Services Inc. (formerly known as Price Solutions Philippines, Inc.)***
On November 25, 2016, SCMB Overseas Ltd., a wholly owned subsidiary of Standard Chartered Bank (SCB) Philippines, completed the transfer of its 100% ownership of Quest Marketing and Integrated Services Inc. (QMIS) as part of the asset and share transfer agreement by and between SCB Philippines and SCMB. QMIS was registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 2007 primarily to engage in providing sales and marketing services for financial institutions. The principal place of business is at 7th Floor, Global Trade Center, 1024 EDSA, Quezon City.

***Assurance Solutions Insurance Agency, Inc.***
On November 25, 2016, SCMB Overseas Ltd., a wholly owned subsidiary of Standard Chartered Bank (SCB) Philippines, completed the transfer of its 100% ownership of Assurance Solutions Insurance Agency (ASIA) as part of the asset and share transfer agreement by and between SCB Philippines and SCMB. ASIA was registered the Philippine Securities and Exchange Commission (SEC) on July 17, 2007 primarily to engage in general insurance agency business. The principal place of business is at 6th Floor, 6788 Sky Plaza Building, Ayala Avenue, Makati City.

*Investment in a Joint Venture*

***East West Ageas Life Insurance Corporation***
East West Ageas Life Insurance Corporation (EWAL) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 2015. EWAL's primary purpose is to undertake and write insurance upon the life of individuals, and every insurance appertaining thereto or connected therewith; to make 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, EWAL obtained from the Insurance Commission a license to operate life insurance business. Its principal place of business is located at One World Place, 32nd Street, Bonifacio Global City, Taguig City.

On May 28, 2015, EW and Ageas entered into a joint venture agreement to form EW Ageas Life. EW Ageas Life, which shall primarily engage in the life insurance business, will be incorporated in the Philippines with a capitalization of ₱2.0 billion and with ultimate ownership interest of EW of 50.0% less 1 share. EW's initial investment amounted to ₱500.0 million.

In November 2015, EW Ageas Life and EW entered into a 20-year exclusive distribution agreement. Under the distribution agreement, EW Ageas Life will have exclusive access to the branch network of EW for the distribution of its insurance products (the exclusive bancassurance access).

In 2017, additional capital aggregating to ₱1.33 billion was solely contributed by Ageas to EW Ageas Life. This increased EW'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 Bank and Ageas. Bank and Ageas each infused additional capital to EW Ageas Life amounting to P200.00 million in 2021 and P250.00 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.

## Principal Business Activities

### Retail Banking

The retail banking 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 also caters to the needs of high net-worth clients for alternative investment channels and cash management requirements of mid-market corporates. It includes entire transaction processing, service delivery and infrastructure consisting of the Bank's network of branch stores, ATMs, as well as its internet banking platform.

Deposit Products
The Bank offers a comprehensive range of deposit products consisting primarily of Peso demand, savings and time deposits. Offered also are US Dollar and 3rd currency savings and time deposits. The Bank offers varying interest rates on its deposit products depending on prevailing market interest rates, the rate of return on its earning assets and interest rates offered by other commercial banks.

Access to Investment Products
The Bank also offers investors access to investment products such as treasury bills and bonds, fixed rate treasury notes and retail treasury bonds. Customers can also invest in long-term fixed income debt instruments issued by public and private entities.

Access to Bancassurance Products
The Bank also offers both traditional and non-traditional/variable life insurance products through our bancasurrance partner - Eastwest Ageas Life Insurance Corp (TROO) to potential investors. Customers can invest via one time or recurring modal payment available in local currency.

Cash Management Services
The Bank offers a wide range of cash management solutions to assist mid-market corporates, composed primarily of entrepreneurial and family-owned businesses, including (i) a facility for payroll preparation and crediting, (ii) an interest-earning checking account that provides a customized standalone check-writing facility and a comprehensive accounts payable system, (iii) an end-to-end automated solution for the creation, disbursement and monitoring of checks, (iv) a check depot service whereby the Bank retains a corporate customer's post-dated checks for immediate deposit to the customer's account on the same date indicated on the checks, (v) a bill collection service whereby the Bank acts as a collecting agent and transmits consolidated payments to the customer online or via electronic file transfer and (vi) deposit pickup services, in which the Bank sends an armored vehicle to pick up cash and check deposits at the customer's premises

## Consumer Lending

The Bank offers various types of consumer lending products to individuals, which consist principally of credit cards, auto loans, residential mortgage loans and personal loans. The Bank reviews various factors in evaluating prospective clients, including but not limited to the capacity of the borrower to repay the loan. The Bank also considers various factors in pricing its loans such as but not limited to the delinquency rates of particular market segments, the funding costs of the portfolio, direct and indirect expenses related to granting consumer loans and the target spread of the loan portfolio. Loan terms are differentiated according to factors such as a customer's financial condition, age, loan purpose, collateral and quality of relationship with the Bank. The Bank focuses its core business towards consumer financing where it has a competitive advantage. Several product lines were launched to ascertain that its target market is reached.

*Credit Cards*

In partnership with AIG, the Bank started issuance of MasterCard credit cards in 2004 under the name "East West Bank MasterCard". In 2009, the Bank acquired Philam Savings Bank, which issued Visa credit cards at that time. After the acquisition, the Bank integrated its Visa and MasterCard businesses into a single business unit. From 10,000 credit card base in 2004, the Bank has grown to nine hundred thousand plus issued credit cards, which translates to 9.7% of the total market share for credit cards in the Philippines as of December 31, 2021 based on data from the Credit Card Association of the Philippines.

Revenues from the credit card operations consist principally of interest on deferred and installment payments, cash advance fees, interchange fees paid by service establishments annual fees paid by cardholders, late payment charges. Annual cardholder fees range from ₱1,200 to ₱5,000. Interest rate on deferred payments at 2.0% per month and the interest rate on installment payments range from zero to maximum add-on rate of 1.00% per month. Other relevant fee income includes cash advances fees of ₱200 per availment, Php1,500 or the unpaid Minimum Payment Due, whichever is lower, and interchange fees ranging from 0.25% to 2.33% of the retail purchase or cash advance amount. Revenues relating to the credit card business are reflected in the Bank's financial statements as interest income and other operating income from service charges, fees and commissions.

The Bank seeks to diversify its distribution channels, form alliances with merchants and manage its product portfolio in order continue to grow its credit card business. The Bank currently markets and sells its credit cards directly to customers, as well as through third party telemarketing agencies and several digital platforms. Credit Card customers may participate in a variety of instant and loyalty-based rewards programs that allow them to redeem merchandise or gift certificates at partner establishments. The Bank attempts to identify and capitalize on gaps in the market by offering products tailored to meet the needs of underserved markets. The Bank's credit card products come in different grades, from regular cards to premium class cards at different annual membership fees.

*Auto Loans*

The Bank's auto loans are offered through car dealerships (including second-hand car dealers), independent sales agents and the Bank's stores. The Bank provides incentives to car dealerships and independent sales agents based on each booked auto loan amount. A key competitive factor in the automotive loan business is the speed by which a bank can process an automotive loan, as dealers will offer a loan to multiple banks and the Bank offers a one-day auto loan approval process, which the Bank believes is an important aspect to its success in growing its auto loan portfolio. The Bank's auto loan business also engages in strategic partnerships with major car brands to develop exclusive programs. Additionally, the Bank cross-sells its auto loans with the products of other units and offers special plans for existing and repeat customers.

All of the Bank's auto loans are secured by a chattel mortgage over the car being purchased. In addition to being subject to the Bank's internal credit checks, the Bank generally requires the borrower to make a minimum down payment of 20.0% - 30.0% of the purchase price. Depending on whether the car being purchased is new or second-hand, the interest rate of the Bank's auto loans can range from 8.5% to 18.0%, with an average maturity of 55 months. Generally, when an installment payment falls 90 days past due, the Bank may commence foreclosure proceedings. Foreclosed cars are generally sold by the Bank through public auction.

*Residential Home Mortgage Loans*
The large majority of EW's residential mortgage loans are extended to property buyers in the Philippines who intend to occupy residential units in the form of house and lot, townhouse or condominiums, with a small proportion being extended to individuals purchasing lots for investment purposes or for future dwelling via house construction loans. All of EW's home mortgage loans are secured by a first mortgage on the property and each applicant undergoes a stringent credit evaluation process. EW requires its borrowers to make a minimum down payment of 20% of the total contract price, or appraised value for the various loan purposes. EW also refinances existing housing loans. EW offers loans at fixed interest rates. EW uses its store network as a key distribution channel and maintains marketing campaigns to attract property buyers independently from real estate developers, which serve as distribution channels for mortgage loan providers. The average maturity of EW's home mortgage loans is fifteen years. In line with industry practice in the Philippines, interest rate on EW's home mortgage loan portfolio is set at a fixed rate applicable for an initial period of between one and five years, depending on the maturity of the loan. Upon expiry of the initial period, the interest rate is reset at a fixed annual rate.

When a borrower falls in arrears with its mortgage payments, the buyer can either agree to a voluntary disposition of the property to EW, or EW may commence foreclosure proceedings. EW sells mortgaged collateral that has been foreclosed, primarily in public auctions or by brokers on behalf of EW. Foreclosure of the mortgaged collateral generally takes between six and 24 months.

EW currently offers various home financing products with differentiating features, which include a mix of competitive interest rates and what the Bank believes to be the longest payment term in the market of up to 30 years. As most residential mortgage loans available in the market only allow up to a maximum payment term of 20 years, EW's longer payment term means lower and consequently lighter amortization payments for the borrower. EW also gives the borrowers the option to adopt a fixed-term pricing scheme to protect borrowers against the risk of fluctuating interest rates.

*Personal Loans*
The Bank's personal loans business provides unsecured, uncollateralized consumer loans to qualified individuals for multi-purpose personal use. The primary distribution channel for personal loans is the Bank's stores and third-party sales agencies. The Bank offers personal loans to employed and self-employed individuals with gross (basic) monthly income of at least ₱15,000 or basic annual income of not less than ₱180,000. The monthly nominal interest rates for a personal loan ranges from 1.49% to 1.89% and is payable in fixed equal monthly installments from 12 to 36 months.

**Corporate Banking**

The Corporate Banking Group is responsible for the overall management and development of the Bank's corporate relationships. Although the activities of the EW group are primarily focused on the working capital, term funding and project finance requirements of its core mid-market customer base, which is predominantly comprised of entrepreneurial or family-owned businesses, it also has relationships with large corporate accounts. The Corporate Banking Group also offers the entire array of the Bank's products and services which includes cash management services, foreign exchange and deposit and investment products to its corporate customers. The Bank believes that successfully identifying and offering holistic solutions to the banking needs of its corporate client base is essential to placing EW at the top of its clients' minds in their choice of a banking relationship.

*Credit Products*

The Bank provides a wide range of loan products and services to its corporate customers, including revolving credit lines, domestic and foreign bills purchase, acceptances, trade finance facilities, bank guarantees and term loans. In line with its strategy to create a balanced and diversified portfolio, the Bank's corporate customers are engaged in various industries and located in key geographical areas in the Philippines. Credit facilities offered to corporate customers include both secured and unsecured loan products, depending on the credit risks associated with the customer and its business.

The Bank intends to continue to expand its corporate banking portfolio by increasing its share of its existing customers' working capital requirements as well as supporting their expansion projects. The Bank also aims to continue to enlarge its client base by targeting new corporate customers through the Bank's expanded combined customer network.

**Rural Banking**

To extend its reach to underserved segments of the market that have the potential for growth, the Bank has established a rural bank arm. Backed by the strong track record of its predecessor entities, EWRB is capable of catering to the banking needs of customers outside the urban areas in the country and provide wider access to innovative products and delivery channels. In addition to DepEd teachers' loans, EWRB currently offers small business loans, which are intended for small to medium enterprises, with a maximum loan limit of ₱5.0 million, and social security system ("SSS") pensioners' loans, which are intended for all SSS retirees and survivorship pensioners whose SSS pension is directly credited to savings accounts with EWRB and EW.

**Treasury and Trust**

*Treasury*

The Bank's Treasury Group has primary responsibility for managing the Bank's liquidity, interest rate, and foreign exchange exposures. The Bank manages its liquidity position by regularly reviewing its cash flow position, debt maturity profiles, and available credit facilities. This ensures that the bank has stable sources of funding to service client requirements and its daily operations. The Bank's Treasury Group also actively participates in the financial markets to hedge exposures as well as seek opportunities that could augment the bank's other revenue sources. It trades local and foreign-currency-denominated treasury bills and

Bonds, as well as foreign exchange products. The Bank is an accredited Government Securities Eligible Dealer.

**Trust**

The Bank offers a range of trust products and services, including fund management, investment management services, safekeeping~~,~~ escrow agency services, personal management trust services and employee benefit trust services. In addition to offering trust services to corporate and high net-worth individual customers (customers with a total relationship balance of ₱2.5 million), the Bank provides retail customers with various investment opportunities through its Unit Investment Trust Funds (UITFs), which are available in Peso and U.S. dollar-denominated UITFs. In a UITF, funds of various investors are pooled and invested in a diversified portfolio of liquid securities, term deposits, money market instruments or stocks in accordance with the investment objectives and restrictions stated in the Declaration of Trust.

**Principal Products and Services**

The Bank offers a comprehensive range of deposit products, consisting primarily of Peso demand, savings and time deposits. The Bank also offers U.S. dollar and other third currency savings and time deposits. The Bank's loan offerings include consumer loans – auto, mortgage and personal as well as corporate loans. The Bank also offers payment facilities such as debit, prepaid and credit cards.

EastWest also offers a suite of electronic channels such as internet banking for individuals and corporates, mobile banking, phone banking and ATMs.

Below lists out the various products and services of EastWest:

**Deposit Products and Related Services**

*Savings Accounts:* Passbook Savings Account, Passbook Savings Account with Debit Card, Basic Savings, Cool Savers Kiddie Account, ATM Savings Account, ATM Savings Account for SSS Pensioners, Super Saver.

*Checking Accounts:* Regular Checking Account, ChequeMax, ChequeMax Rewards, Chequemax Plus, Basic Checking.

*Time Deposit Accounts:* Peso Time Deposit, 5-year Floating Rate Time Deposit, Online Peso Time Deposit.

*USD and 3rd Currency Accounts:* US Dollar Savings Account, US Dollar Time Deposit, Online Dollar Time Deposit, Chinese Yuan Savings and Time Deposit Account, Euro Savings and Time Deposit Account, Japanese Yen Savings and Time Deposit Account, Singapore Dollar Savings and Time Deposit Account, Australian Dollar Savings and Time Deposit Account, British Pound Savings Account, Hongkong Dollar Savings Account, New Zealand Dollar Savings Account.

*Debit and Prepaid Cards:* Classic Debit Card, Priority Platinum Debit Card, General Purpose Prepaid Card, Personal Loan Prepaid Card, Gift Card, Travel Money Card.

**Consumer Loans and Related Services**

*Auto Loan:* Auto Loan, Fleet Financing, Refinancing

*Home Loan:* Top-Up Loan, Home Equity, Home Construct, Reimbursement, Home Acquire/ Condo Acquire, Lot Acquire

*Personal Loan*
*Salary Loan*

<u>Credit Cards</u>
*Elite Credit Cards:* Priority Visa Infinite, Platinum Mastercard, Visa Platinum, EveryDay Titanium Mastercard, Dolce Vita Titanium Mastercard
*Credit Cards:* Gold and Classic Mastercard, Gold and Classic Visa, Practical Mastercard
*Co-brand and Affinity Cards:* Singapore Airlines KrisFlyer Mastercard, Hyundai Mastercard, DLSAA Mastercard

<u>Investment Banking</u>
*Securities Underwriting*
*Financial Advisory*

<u>Corporate Credit Facilities</u>
*Working Capital Loans and Facilities:* Short Term Loan, Revolving Promissory Note Facility, Trade Check Discounting Facility
*Floor Stock Financing:* Floor Stock Facility
*Trade Finance:* Import and Domestic Letters of Credit, Document Against Payment, Documents Against Acceptance and Open Account, Trust Receipt Loan, Export Advance Facility, Export Bills Purchase
*Guarantees:* Foreign and Domestic Standby Letters of Credit (SLBC), Bank Guarantees, Committed Credit Line
Bills Purchase: Domestic Bills Purchase Line, Foreign Bills Purchase Line
*Term Financing:* Long Term Loans, Project Financing

<u>Hedging Products</u>
*Foreign Exchange:* Spot, Forwards, FX Swaps

<u>Hedging Products</u>
*Fixed Income:* Peso Government and Corporate Securities, USD-denominated Government and Corporate Securities

<u>Trust Products</u>
*Corporate Solutions:* Employee Benefit Trust/Retirement Account, Fund Management
*Wealth Management:* Personal Management Trust, Investment Management Account
*Investment Funds:* Peso Money Market Fund, Peso Short Term Fund, Peso Intermediate Term Bond Fund, Peso Long Term Bond Fund, Dollar Intermediate Term Bond Fund, PSEi Tracker Fund, PhilEquity Feeder Fund, S&P 500 Index Equity Feeder Fund
*Other Fiduciary:* Escrow Agency

<u>Cash Management Services</u>
*Collection Services:* Auto Debit Arrangement, Bills Collect, Check Collect, Check Warehousing
*Disbursement Services:* Check-writing, Electronic Invoice Payment & Presentment, Bulk Intra Bank and Inter Bank Funds Transfer, Corporate Bills Payment
*Liquidity Management Services:* Account Sweeping, Reverse Account Sweeping
*Payroll Services:* Payroll Crediting, Payroll System with HRIS (Human Resource Information System), Payroll Timekeeping

*Other Services:* Government Payments

<u>Small and Medium Enterprise Banking</u>
*Revolving Credit Facility*
*Trade Check Discounting Line*
*Revolving Promissory Note Line*
*Term Loan*

**Distribution Network**

*Branch and ATM Network*

EastWest's products and services are made available across multiple distribution and delivery channels. As of December 31, 2021, EastWest has a total of 392 branches, with 213 of these branches in Metro Manila. For the rest of the country, the Bank has 100 branches in other parts of Luzon, 40 branches in Visayas, and 39 branches in Mindanao. ATM network is at 586, composed of 475 on-site ATMs and 111 off-site ATMs.

The Bank's subsidiary rural bank has a total of 76 branches bringing the Bank branch store network total to 468.

**Status of Publicly-Announced New Product or Service**

All publicly-announced new products or services of the Bank are in commercial distribution.

**Competition**

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks cooperative banks and Islamic banks.

As of March 2022, the banking sector consisted of 45 universal and commercial banks (updated as of March 2022 on BSP's Directory of Banks and Non-Banks), of which 20 were universal banks and 25 were commercial banks. Of the 20 universal banks, 11 were private domestic banks, 3 were government banks, and 6 were branches of foreign banks. Of the 25 commercial banks, 5 were private domestic banks, 2 were subsidiaries of foreign banks, and 18 were branches of foreign banks.

Commercial banks have all the general powers incident to corporations and are organized primarily to accept drafts and to issue letters of credit, to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and extend credit on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of businesses not related to banking, and to own up to 100.0% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100.0% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by Bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, Bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, housing and other financial and allied services for its chosen market and constituencies, especially for mid-market corporates and individuals. As of March 2022, there were 46 thrift banks (updated as of March 2022 on BSP's Directory of Banks and Non-Banks).

Rural and cooperative banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. Rural banks are privately owned and managed while cooperative banks are owned by cooperatives or federation of cooperatives. As of March 2022, there were 408 rural and cooperative banks (updated as of March 2022 on BSP's Directory of Banks and Non-Banks).

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines ("DBP"), Land Bank of the Philippines ("LBP"), and Al-Amanah Islamic Investment Bank of the Philippines ("AAIIB"). DBP was organized primarily to provide banking services catering to the medium and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for mid-market corporates. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region in Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past fifteen years, the Philippine banking industry has been marked by two major trends – the liberalization of the industry, and mergers and consolidation.

Foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60.0% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of 10 new foreign bank branches in 1995. The General Banking Law enacted in 2000 further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100.0% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60.0% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100.0% of the voting stock thereof.

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business.

As of December 31, 2021, the 10 largest universal and commercial banks accounted for approximately 83.7% of total assets and 84.3% of total deposits of the universal and commercial banking system based on published statements of condition.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected.

As of December 31, 2021, the ten largest universal and commercial banks account for approximately 85.4% of the net customer loan portfolio of the universal and commercial banking system, based on published statements of condition.

**Sources and Availability of Raw Materials and Names of Principal Suppliers**

This is not relevant to the operations of the Bank.

**Customer Concentration**

The Bank has a diversified customer base and there is no concentration of business in major customer groups. As such, the Bank is not dependent upon a single customer or a few customers

**Transactions with and/or Dependence on Related Parties**

In the ordinary course of business, the Bank has loan transactions with some subsidiaries and with certain directors, officers, stockholders and related interests. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. Refer to Note 28 of the attached Audited Financial Statements of EastWest for the details of related party transactions.

**Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held**

In 1994, EW obtained a Certificate of Registration and bank license from the Philippine SEC to operate under the corporate name "East West Banking Corporation."

EW uses a variety of names and marks, including the name "East West Banking Corporation" and EW's logo, in connection with its business. The Bank has registered such names and marks with the Intellectual Property Office of the Philippines.

On January 25, 2012, the Bank obtained a certification from the BSP on a US-based bank using a similar name. As certified by BSP, the US-based bank has not been issued a license to operate as a banking institution in the Philippines. The BSP also certified that the Bank is among the commercial banks it supervises. On October 10, 2013, the Intellectual Property Office of the Philippines issued a decision in favor of the Bank, cancelling the mark "EAST WEST BANK & COMPASS LOGO" previously registered in the name of a US-based bank.

**Need for Government Approval of Principal Products or Services**

The Bank's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Bank strictly complies with the related regulatory requirements such as reserves, liquidity position, loan exposure limits, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements.

**Effect of Existing or Probable Governmental Regulations on the Business**

The Bank strictly complies with the Bangko Sentral ng Pilipinas (BSP) requirements in terms of capitalization reserves, liquidity position, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements as well as other regulatory agencies such as the Securities and Exchange Commission, Philippine Stock Exchange, Philippine Deposit Insurance Corporation and the Bureau of Internal Revenues, among others.

**Amount Spent on Research and Development Activities**

The Bank's research and development activities are mainly driven towards market research and technology-related projects and initiatives. EastWest's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume.

The amount spent on research and development activities (in million pesos) and its percentage to revenues for the last three years has been as follows:

| Year | Amount | % of Revenue |
|---|---:|:---:|
| 2021 | ₱0.36 | - |
| 2020 | ₱3.24 | 0.01% |
| 2019 | ₱3.44 | 0.01% |

**Costs and Effects of Compliance with Environmental Laws**

This is not relevant to the operations of the Bank.

**Employees**

As at December 31, 2021, EastWest had 5,866 full-time employees compared to 6,159 in 2020. The following table categorizes EastWest's full-time employees rank, as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|:---:|:---:|
| Executives | 238 | 239 |
| Managers | 2,483 | 2,554 |
| Rank and File | 3,145 | 3,366 |
| **Total** | **5,866** | **6,159** |

The subsidiaries have 1,359 officers/staff, bringing the combined manpower of 7,281.

There is no existing collective bargaining agreement between EastWest and any of its employees, and EastWest's employees are not part of any labor union.

## Financial Risk Management Objectives and Policies

### Risk Management

Risk Management
To ensure that corporate goals and objectives, and business and risk strategies are achieved, the Bank 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 Bank'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 Bank. These tools support the key risk process that involves identifying, measuring, controlling, and monitoring risks.

Risk Management Structure

Board of Directors (BOD)
The Bank's risk culture is practiced and observed across the Bank, 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 Bank. The BOD approves the Bank'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 Bank'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 Bank's established approving authorities which are approved by the Bank's BOD. At a high level, the BOD also approves the Bank's framework for managing risk.

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 Bank's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System.

Loan and Investments Committee
This committee is headed by the Chairman of the Bank and whose primary responsibility is to: oversee the Bank's credit risk-taking activities and overall adherence to the credit risk management framework; review business/credit risk strategies, quality and profitability of the Bank'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 Bank'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.

Asset-Liability Management Committee (ALCO)
ALCO, a management level committee, meets on a weekly basis and is responsible for the over-all management of the Bank's market, liquidity, and financial position related risks. It monitors the Bank'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 Bank 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.

Risk Management Committee (RMC)
RMC is a BOD level committee that convenes monthly and is primarily responsible in assisting the BOD in managing the Bank's risk-taking activities. This is performed by the Committee by institutionalizing risk policies and overseeing the Bank's risk management system. It develops and recommends risk appetite and tolerances for the Bank'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.

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 Bank'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 Bank. It leads the effective conduct of risk and capital management. It oversees and directs the management of the Bank's overall risk profile. The committee likewise oversees risk incidents, control gaps, and control deficiencies and management actions in implementing the corresponding corrective actions.

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 Bank’s major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the Bank’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.

Corporate Governance and Compliance Committee (CGCC)
The CGCC is a BOD level committee that leads the Bank in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of the Bank’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 Bank 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.

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 Bank 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.

Asset Impairment Committee (AIC)
AIC is a management level committee that convenes at least two times in a year and shall officially represent the Bank’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 Bank’s historical experience, current, and prospective credit condition or other conditions deemed relevant in

reasonably determining the Bank'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.

Risk Management Division (RMD)
RMD performs an independent risk governance function within the Bank. RMD is tasked with identifying, measuring, controlling, and monitoring existing and emerging risks inherent in the Bank'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 Bank.

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.

Internal Audit (IA)
IA provides an independent assessment of the adequacy of the Bank'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 (ISPPIA) 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 Bank'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 Bank's policies, standards, procedures and applicable laws and regulations.

Compliance Division
Compliance Division is vested with the responsibility of overseeing the design of the Bank'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 Bank 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 Bank's central point of contact with banking regulators.

The major risk types identified by the Bank 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 Bank. 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 Bank. To identify and assess this risk, the Bank 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 Bank has a comprehensive procedure for credit evaluation, risk assessment, and well-defined concentration limits that are established for each borrower. The Bank's credit risk is managed at the portfolio level, which may be on an overall perspective or according to product type.

***Credit concentration***

Credit Concentration
Excessive concentration of lending plays a significant role in the weakening of asset quality. The Bank reduces this risk by diversifying its loan portfolios across various sectors and borrowers. The Bank 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 Bank's loan portfolio is in line with the Bank'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 Bank 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 Bank'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 Bank's risk appetite. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Bank's loan facilities.

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

*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 Bank'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 Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Bank'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 Bank does not occupy repossessed properties for business use.

As part of the Bank'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.

Internal Credit Risk Rating System

The Bank employs a credit scoring system for borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors, such as financial condition and (b) qualitative factors, such as management quality and industry outlook.

For corporate loans, the financial condition assessment focuses on profitability, liquidity, working capital management, and leverage.  Management quality determination is based on the borrower's strategies, management competence and skills, and management of banking relationship while industry outlook is evaluated based on its importance to the economy, growth, industry structure and relevant government policies.  Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), that ranges from 1 to 6.  A borrower may be downgraded when it exhibits the characteristics of a classified account described below, in which case it will be assigned a risk rating ranging from 7 to 10.

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 Bank's risk grades:

| Rating | Description | Account/Borrower Characteristics |
|---|---|---|
| 1 | Excellent | • low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness<br>• has ready access to adequate funding sources<br>• high degree of stability, substance and diversity<br>• of the highest quality under virtual economic conditions |
| 2 | Strong | • low probability of going into default in the coming year<br>• access to money markets is relatively good<br>• business remains viable under normal market conditions<br>• strong market position with a history of successful financial performance<br>• financials show adequate cash flows for debt servicing and generally conservative balance sheets |
| 3 | Good | • sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate<br>• financial performance is good and capacity to service debt remains comfortable<br>• cash flows remain healthy and critical balance sheet ratios are at par with industry norms<br>• reported profits in the past three years and expected to sustain profitability in the coming year |
| 4 | Satisfactory | • clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance<br>• normally have limited access to public financial markets<br>• able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period<br>• combination of reasonably sound asset and cash flow protection |

| Rating | Description | Account/Borrower Characteristics |
| --- | --- | --- |
| 5 | Acceptable | • risk elements for the Bank are sufficiently pronounced, but would still be able to withstand normal business cycles<br>• immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period<br>• there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection |
| 5B | Acceptable | • 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<br>• continuous decline in revenues and margins due to competition<br>• substantial or unexplained build-up in borrowings with banks financing bulk of working capital and capex requirements coupled by substantial dividends pay-outs<br>• chronically tight cash flows with operating income negative or barely enough for debt servicing<br>• with past record of past due loans with other banks, cancelled credit cards and court cases |
| 6 | Watchlist | • with identified disruptions that may negatively affect performance but are likely to be resolved within the year<br>• deteriorating revenue, net income, margins, leverage which may lead to loss on credit exposure if trends are not reversed<br>• thin margin business with high debt burden with increase in debt level not commensurate to growth in revenues and funding requirements |
| 7 | Special Mention | • not meeting expectations on business projections and/or repayment schedule<br>• experienced sudden and unexpected adverse event which is likely to affect business operations and eventually loan repayment<br>• maxed out lines with banks and availments evergreen with minimal payments made over time<br>• some payment defaults but with probability to revert to current<br>• loan has been restructured but conditions that fully met<br>• litigation is being contemplated |
| 8 | Substandard | • net loss for the last 2 years that have eroded capital substantially with no clear prospects of a turnaround or capital infusion from owners<br>• evergreen for 2 years with lines with all creditors maxed-out and no clear source of repayment due to chronic tightness in cashflows<br>• recurring past due status due to cashflow problems with no definite commitment to pay or restructure<br>• restructured but not complied<br>• with serious flaws in Type A documentation that have surfaced after loan release<br>• collection case filed |
| 9 | Doubtful | • continuing losses that have totally wiped out equity<br>• 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<br>• 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<br>• with assets for liquidation but full recovery of principal uncertain due to marketability and outstanding claims |

| Rating | Description | Account/Borrower Characteristics |
|---|---|---|
| 10 | Loss | • business is non-operational and loans are considered absolutely uncollectible due to presence of fraud and major build-up of claims and litigation<br>• borrower's whereabouts unknown or insolvent or earning power-impaired and guarantors are insolvent or guarantee not financially supported |

It is the Bank'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 Bank's rating policy. The risk ratings are assessed and updated regularly.

The consumer loan portfolio of the Bank 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 Bank 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 to10).

The Bank 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 |

| Credit quality | Description | Credit rating |
|---|---|---|
| Standard Grade | These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations. | BBB-<br>BB+<br>BB<br>BB-<br>B+<br>B<br>B- |
| Substandard Grade | 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 |

**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 Bank’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 Bank 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 Bank 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 Bank is able to manage its long-term liquidity risks by placing a cap on the outflow of cash on a cumulative basis. The Bank takes a multi-tiered approach to maintaining liquid assets. The Bank’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 Bank 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.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Bank treats exposures to market risk as either for trading or accrual or balance sheet exposure. The market risk for the trading portfolio is measured using Value at Risk (VaR). Interest rate risk of accrual portfolios in the Banking Book are measured using Earnings at Risk (EaR).

**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 Bank 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 Bank 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 Bank 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 Bank'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 Bank'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.

**Foreign Currency Risk**

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

The Bank'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 Bank'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.

**Market Risk in the Banking Book**

**Interest rate risk**

Interest rate risk in the banking book (IRRBB) is inherent in the Banks' 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). 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 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 Bank. The EaR limit is set as a function of the Bank's net interest margin (NIM). The EaR limit preserves the Bank'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 Bank'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 Bank's financial targets, strategies, and overall risk appetite.

To complement EaR and provide Management a more holistic view, the Bank 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.

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.

### 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 the 15.00% of the average gross income for the past three years, it shows the total operational risk-weighted assets of the Bank.

### Other Risk Exposures

Bank 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 Bank's internal capital adequacy assessment process (ICAAP) and enterprise risk management initiatives.

## Item 2. Properties

EastWest's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City, Philippines.

The list of branch premises owned and leased, including the name of lessors, is filed as part of this Form 17-A as Annex A.

The Bank believes all its facilities and properties are currently in good condition. As of date of this report, there are no liens or encumbrances on any of the properties of EW. The Bank may consider encumbering some of its properties as part of its normal supplementary funding operations. The Bank will continue to reconfigure the mix of its branches and adjust to the needs of its customers.

Rentals

Banking and Financial Services
The Bank also leases several premises occupied by its branches with annual escalation of 5.0% to 10.0% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties. EW has 468 branches as of December 31, 2021 including its rural bank branches. For the years ended December 31, 2021 and 2020, the total rentals of the banking and financial services charged to operations amounted to P259.72 million and P90.8 million, respectively.

**Item 3. Legal Proceedings**

To the best of the Bank's knowledge and belief and after due inquiry, none of the Bank's directors, nominees for election as director, or executive officer have in the five-year period prior to the date of this Report:

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

The Bank has been, and may in the future be, implicated in lawsuits in connection with the ordinary course of its business. However, neither the Bank nor any of its subsidiaries have been subject to any order, judgment, or decree, or violated any securities or commodities law for the last five years, or are involved in any litigation or arbitration proceedings that may have, or have had, a material adverse effect on it or its subsidiaries' financial condition, nor, so far as any of them is aware, is in any such proceeding pending or threatened.

All legal proceedings involving the Bank are efficiently and competently attended to and managed by a group of eleven (11) in-house counsels who are graduates of reputable law schools in the country. As its external counsels, the Bank retains or engages the services on case to case basis the following respected law firms: Sycip Salazar Hernandez & Gatmaitan Law Office, Angara Abello Concepcion Regala & Cruz, Sobreviñas Hayudini Navarro and San Juan Law Offices, Valerio and Associates, Vera Law Office, Alvarez Nuez Galang and Espina Lopez, Law Firm of Tagamolila Bellones & Margarico, Nietes-Gengos Laborte-Ildesa Panigbatan-Nafarrete Law Offices, Cantago and Partners, Quitain Law Office, Divina Law Offices, Atty. Remie Calatrava, Atty. Filmore Gomos, Atty. Omar Loui Sebastian and Atty. Romeo Gullermo among others.

### Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during 2022 to a vote of security holders, through the solicitation of proxies or otherwise.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The Company will not issue any security other than Common Shares

The common shares of EastWest have been listed on the PSE on May 7, 2012 under the ticker "EW". The table below shows the high and low prices of EastWest shares transacted at the PSE since 2019:

| Year Ended December 31, 2021 | High | Low |
|---|---|---|
| 1st Quarter – 2021 | 9.78 | 9.68 |
| 2nd Quarter – 2021 | 10.44 | 9.98 |
| 3rd Quarter – 2021 | 9.06 | 8.92 |
| 4th Quarter – 2021 | 9.84 | 9.53 |

| Year Ended December 31, 2020 | High | Low |
|---|---|---|
| 1st Quarter – 2020 | 7.97 | 7.53 |
| 2nd Quarter – 2020 | 7.36 | 7.17 |
| 3rd Quarter – 2020 | 8.64 | 8.36 |
| 4th Quarter – 2020 | 10.86 | 10.64 |

| Year Ended December 31, 2019 | High | Low |
|---|---|---|
| 1st Quarter – 2019 | 12.28 | 12.16 |
| 2nd Quarter – 2019 | 11.68 | 11.60 |
| 3rd Quarter – 2019 | 12.10 | 11.94 |
| 4th Quarter – 2019 | 12.18 | 11.90 |

High and Low price of the Registrant's shares as of March 28, 2022 (last practicable trading day) were ₱ 8.45 and ₱8.39, respectively.

EastWest's top 20 shareholders as of March 31, 2022 are as follows:

| Name of Stockholder | Number of Shares | Percent |
|---|---:|---:|
| 1. Filinvest Development Corporation | 900,136,017 | 40.01% |
| 2. FDC Forex Corporation * | 851,517,164 | 37.85% |
| 3. PCD Nominee Corporation (Filipino) * | 419,738,148 | 18.66% |
| 4. PCD Nominee Corporation (Non-Filipino) | 41,392,917 | 1.84% |
| 5. F. Yap Securities Inc. | 22,905,600 | 1.02% |
| 6. La Filipina Uy Gongco Corporation | 6,057,300 | 0.27% |
| 7. Jonathan D. Co | 1,200,000 | 0.05% |
| 8. Berit Holdings Corporation | 1,048,410 | 0.05% |
| 9. Albarracin Trinidad M. Or Albarracin Mario M. | 1,000,000 | 0.04% |
| 10. Alfredo B. Catapang &/or Carmina P. Catapang | 1,000,000 | 0.04% |
| 11. Teh Alfonso S. | 750,000 | 0.03% |
| 12. Team Gladiola Inc. | 745,930 | 0.03% |

| | | |
|---|---|---|
| 13. Susmerano Gerardo | 480,000 | 0.02% |
| 14. Manuel A. Santiago &/Or Ella C. Santiago | 330,600 | 0.01% |
| 15. Sycip Anna Y. | 301,875 | 0.01% |
| 16. Cheng Joshua | 150,000 | 0.01% |
| 17. Miriam Cheng Bona Itf Mark Jericho C. Bona | 150,000 | 0.01% |
| 18. Gotauco Quirino Cheong | 131,598 | 0.01% |
| 19. Uy Ivy B. | 112,500 | 0.01% |
| 20. Tan Catherine L | 90,000 | 0.00% |
| **TOTAL** | **2,249,238,059** | **99.97%** |

**Revised to reflect the 2,000,000 uncertificated shares of FDC.*

Total number of shareholders as of March 31, 2022 is 107, of which 89 are owning at least 100 shares.

Equity Ownership of Foreigners on Common Shares as of March 31, 2022 is as follows:

| Nationality | Number of Stockholders | Number of Shares | % |
|---|---|---|---|
| Filipino | 102 | 2,208,211,018 | 98.14% |
| Foreign | 3 | 41,401,768 | 1.84% |
| American | 1 | 301,875 | 0.01% |
| Indian | 1 | 60,750 | 0.00% |
| **Total** | **107** | **2,249,975,411** | **100.00%** |

**Free Float Level**

Based on the Public Ownership Report of the Bank as of March 31, 2022, 20.08% of the total outstanding shares are owned by the public.

**Recent Sale of Unregistered Securities**

There were no recent sales of unregistered or exempt securities, including issuance of securities constituting an exempt transaction.

**Declaration of Dividends**

East West Banking Corporation did not declare any cash dividends for the fiscal year 2021 and 2020.

Dividends may be declared from the surplus profits arising from the business of the Bank at such time and in such percentage as the Board of Directors may deem proper. No dividends may be declared that will impair the Bank's capital below regulatory prescriptions. Stock dividends shall be declared in accordance with the law. The Board in principle, has set 20% to 30% of earnings will be declared as dividends. This policy has been put on hold in the meantime that the Bank is in a 'full speed' growth plan. The decision was made in lieu of making a capital call.

**Item 6. Management's Discussion and Analysis or Plan of Operation**

<u>December 31, 2021 vs. December 31, 2020</u>

**Financial Performance Highlights**

EastWest Bank (the Bank or EW) ended 2021 with a net income of ₱4.5 billion, 31% lower than the ₱6.5 billion in 2020. The lower income was mainly due to lower loan volumes, the full year impact of the rate cap on credit cards, lower trading gains, and write-off of deferred tax assets for the year. Return on equity (ROE) was at 7.9%. Total assets ended at ₱404.8 billion.

Total revenues for the year declined by ₱6.4 billion or 19% to ₱27.0 billion, as the impact of pandemic induced slowdown in credit growth, particularly on auto loans manifested fully. Lower loan volumes and the interest rate cap on credit cards lead to lower net interest income (NII). Trading gains started to normalize as interest rates remained steady for most of the year.

NII or the difference between interest income and interest expense, was down by ₱5.5 billion or 21% to ₱21.0 billion. For the second year, the Bank booked substantially lower loan volumes compared to pre-pandemic levels. With the lower bookings and run-offs of existing loans running its course, interest income declined by 24% from 2020. The Bank also felt the full impact of the interest rate cap on credit cards in 2021. The effect is rather more felt by EW as credit card receivables account for about 15% of total loans. The slower recovery of consumer loans had more effect on EW because of its unique loan structure where more than 70% of its loans are in consumer loans.

The Bank's total loans declined by 12% as it took a more measured credit risk taking stance while beefing up liquidity. While CASA increased, the improvement in funding costs were not enough to cover the drop in interest income. While earning assets declined, the Bank maintained its industry leading net interest margin (NIM) of 6.5%.

Trading gains amounted to ₱1.9 billion, lower by 65% as interest rates steadied. In 2020, monetary authorities, particularly in the Philippines and the US, where EW primarily invest in fixed income securities, adopted accommodative policies that pushed interest rates lower resulting in significantly higher trading gains. The impact of low interest rates on trading gains was not as pronounced in 2021. Fees and commissions income, meanwhile, was flat at ₱3.7 billion as transactions levels continued to be subdued.

Operating expenses, on the other hand, grew marginally by 2% to ₱16.5 billion. Manpower expenses were generally maintained from 2020 at ₱5.7 billion. Organizational units largely remained intact and are prepared to resume business development efforts when the situation allows. Other operating expenses, meanwhile, grew by 3% to ₱10.8 billion mainly on enhanced collection efforts and strategic investments to improve the Bank's digital offerings.

Provisions for losses were lower by 58% to ₱4.1 billion. This is still on the high side at 1.8% of total loans. The Bank believes that pandemic-induced loan losses in 2020 and 2021 are largely accounted for and expects lower loan provisions on the existing portfolio.

Lastly, taxes increased mainly from the one-time adjustment as a result of the CREATE bill that reduced the corporate income tax rate from 30% to 25%. Deferred tax assets (DTA) from its accumulated provisions booked under the old tax rate of 30% had to be adjusted down by ₱640.9 million to reflect the new tax rate.

EW's total loans were lower by 12% to ₱213.6 billion, mostly from the consumer segments' weak demand and the Bank's stance on lending during the pandemic. This resulted to consumer loan run-offs overtaking new loan bookings. Deposits, meanwhile, had a slight decline of 1% to ₱326.8 billion as funding requirements for assets declined. This was mainly from the higher-cost time deposits, which declined by 18% to end at ₱81.9 billion. CASA deposits, however, increased by 7% to ₱245.0 billion. CASA ratio improved to 75%, from the previous year's 70%.

With the decline in risk assets and additional capital from earnings, EW's capital ratios improved to 15.6% and 14.5% for Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) ratio, respectively. This is well above regulatory minimums. The Bank expects to deploy its excess capital as it rebuilds its loans portfolio. EW targets CET1 ratio of between 12 to 13%.

For 2022, the Bank's main agenda is to rebuild its loan volumes. With capital more than adequate, its organization intact, and the pandemic situation improving, the Bank is projecting a reversal of the last two years decline in its loan portfolio. However, with interest rates at historical lows, inflation likely to go higher, and the economy on its way to recover its pre-pandemic output, the Bank expects fixed income trading opportunities to be scarce. Moreover, there is a normal lag for interest income growth as the Bank rebuild its loan levels in the course of the year. Net income is expected to recover fully in 2023 with 2022 income expected to be near 2021 levels.

## Financial Position

<u>Loans</u>

Total gross loans decreased by 12% to ₱215.9 billion, due to the prudent risk-taking of the Bank resulting from its pandemic response and the overall weak demand from businesses and households.

<u>Securities</u>

The Bank's total securities portfolio increased by 15% to ₱66.5 billion. Hold-To-Collect (HTC) securities portfolio was relatively flat at ₱20.8 billion. The Bank continues to be cautious in securities trading given the volatility in the market, with its trading portfolio accounting for only 6% of the total securities portfolio and only 1% of the Bank's total assets.

<u>Deposits</u>

Total deposits stood at ₱326.8 billion or 1% lower from the same period last year. This was driven by time deposits declining by 18% to ₱81.9 billion from the lower funding requirements of the Bank. In contrast, CASA deposits increased by 7% to ₱245.0 billion as the low interest rate environment prompted the build-up of idle funds due to lack of higher-earning alternatives. CASA ratio improved to 75%, from the previous year's 70%.

<u>Capital</u>

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remained more than adequate at 15.6% as of December 31, 2021 while CET-1 ratio stood at 14.5%. The Bank's Tier 1 capital is composed entirely of common equity. Capital ratios continue to be above BSP standards.

<u>Credit Quality</u>

The Bank's total non-performing loans (NPL) to total gross loans, stood at 11.1% as of end-December, from last year's 8.4% due to the impact of the pandemic to borrowers in meeting their obligations and the overall decline of the Bank's total loan portfolio. NPLs are off the highs and expected losses are on a declining trend. Through its credit and impairment policy, the Bank ensures that the expected credit losses of its loan portfolio are adequately provisioned for and aligned with regulatory standards.

**Result of Operations**

Revenues

Revenues declined by 19% to ₱27.0 billion from ₱33.4 billion in the same period last year. Net interest income stood at ₱21.0 billion, declining by 21% or ₱5.5 billion from last year's ₱26.5 billion. The 24% or ₱7.5 billion decline in interest income was partly offset by the reduction in interest expense of 47% or ₱2.0 billion. Fees and other income, excluding trading gains, increased by 190% to ₱4.0 billion. Securities and foreign exchange trading gains, on the other hand, was at ₱1.9 billion, or 65% lower than last year's.

Fees and Other Income excluding Trading Gains

Fees and other income, excluding trading gains, was at ₱4.0 billion which was 190% higher than last year's. This was mainly driven by the recognition of modification losses last year resulting from loan payment deferments brought about by Bayanihan Acts 1 and 2. Fee income, on the other hand, was flat at ₱3.7 billion.

Trading Income/(Loss)

Securities trading and foreign exchange gains were at ₱1.9 billion compared to ₱5.5 billion last year. Securities trading gains ended at ₱1.0 billion, lower by ₱4.1 billion from last year, due to lower gains on sale and mark-to-market losses on the Bank's trading portfolio. Foreign Exchange gains ended at ₱929.7 million, from the ₱346.1 million gain last year. The sharp increase in Foreign Exchange gains was caused by higher income on FX derivative transactions from increased volume including revaluation gains on the Bank's open FX position.

Operating Expenses excluding Provisions for Losses

Total operating expenses, excluding provisions for losses, grew by 2% to ₱16.5 billion. Manpower expenses was flat at ₱5.7 billion while other operating expenses grew by 3% to ₱10.8 billion, mainly from pandemic-related collection costs and warehouse rent, offset by lower costs of doing business including gross receipts tax (GRT) and less advertising and marketing campaigns.

Provisions for Losses

Provisions for losses, dropped by 58% to ₱4.1 billion from the ₱9.8 billion provisions booked last year. Provisions as a percentage of gross loans (or credit cost) is currently at 1.8%, compared to 3.8% in the same period last year.

**Summary of Key Financials and Ratios**

| Balance Sheet (in Php billions) | December 31, 2021 | December 31, 2020 | YoY Growth % |
|---|---|---|---|
| Assets | 404.8 | 408.2 | -1% |
| Consumer Loans | 155.2 | 186.7 | -17% |
| Corporate Loans | 60.6 | 58.8 | 3% |
| Low-Cost Deposits (CASA) | 245.0 | 228.8 | 7% |
| High-Cost Deposits | 81.9 | 100.3 | -18% |
| Capital | 59.3 | 55.5 | 7% |

| Profitability (in ₱ millions) | December 31, 2021 | December 31, 2020 | YoY Growth % |
|---|---|---|---|
| Net Interest Income | 21,026.6 | 26,503.2 | -21% |
| Trading Income / (Loss) | 1,938.8 | 5,485.3 | -65% |
| Fees & Other Income | 4,045.1 | 1,394.8 | 190% |
| *Fees* | *3,725.7* | *3,710.8* | *0%* |
| *Other Income* | *319.4* | *-2,316.0* | *-114%* |
| Net Revenues | 27,010.4 | 33,383.4 | -19% |
| Operating Expenses | 16,519.6 | 16,230.3 | 2% |
| Provision for Losses | 4,149.4 | 9,834.4 | -58% |
| Provision for Taxes | 1,590.2 | 510.2 | 212% |
| Net Income After Tax | 4,515.0 | 6,507.8 | -31% |

| Key Financial Ratios | December 31, 2021 | December 31, 2020 | Variance b/(w) |
|---|---|---|---|
| Return on Equity[1] | 7.9% | 12.3% | -4.4% |
| Return on Assets[2] | 1.1% | 1.6% | -0.5% |
| Net Interest Margin[3] | 6.5% | 8.1% | -1.6% |
| Cost-to-Income Ratio[4] | 61.2% | 48.6% | -12.6% |
| Capital Adequacy Ratio[5] | 15.6% | 13.8% | 1.7% |
| Tier-1 Ratio[6] | 14.5% | 12.6% | 1.9% |

[1] *Net Income divided by average total equity*
[2] *Net Income divided by average total assets*
[3] *Net Interest Income divided by average interest-earning assets*
[4] *Operating expenses divided by net revenues*
[5] *Total qualifying capital divided by total risk-weighted assets*
[6] *Net tier-1 capital divided by total risk-weighted assets*

**Business Segment Performance**

EastWest's industry leading net interest margin (NIM) is a result of its position in the high margin Consumer Lending segment. Despite lower volumes, NIM was at 6.5% as of reporting period.

Consumer Lending was down by 17% to ₱155.2 billion as run-offs outpaced new loan releases due to weak demand and prudent risk-taking. Corporate Banking, posted an increase of 3% to ₱60.7 billion.

**December 31, 2020 vs. December 31, 2019**

**Financial Performance Highlights**

EastWest (the Bank or EW) ended the year with a net income of ₱6.5 billion, 4% higher than last year's ₱6.2 billion. Return on Equity (ROE) was at 12.3%. Total Assets marginally grew by 0.5% at ₱408.2 billion from ₱406.3 billion in 2019.

The pandemic defined the Bank's operating results in 2020. Lockdowns, social distancing, and limited mobility resulted to the economy contracting by 9.5% and appropriately prompted the monetary authorities to loosen financial conditions.

For the Bank, this meant lower growth as the uncertainties put resiliency at the top of its agenda. It also resulted in lower volume of new business, lower transactions across all businesses, and higher provisions for loan losses. On the other hand, lower rates and the consequent lower funding costs resulted in higher net interest margins and higher trading gains. These offsetting tendencies drove the flattish operating results of the Bank. Below are the highlights of these trends.

1. Net Interest Income (NII) increased by 23% or by ₱5.0 billion to ₱26.5 billion as net interest margins increased to 8.1% from 6.9% even as loan volumes were lower.
    a. Total loans were lower by 9%, with business loans down 18% and consumer loans down 6%. On the other hand, loan yields generally held at 11.6% from 11.1% in 2019 as consumer loans which account for 76% of total loans carry fixed rates.
    b. Total interest costs on deposits and other borrowings were lower by 49% or by ₱4.1 billion ending at ₱4.2 billion from ₱8.3 billion in 2019, even as deposit volume were higher by ₱24.3 billion or 8% ending at ₱329.1 billion,
2. Securities trading gains was at ₱5.1 billion from ₱965.7 million in 2019. The Bank sold off part of its fixed income securities booked as Hold To Collect to build capital buffers for the challenges of the pandemic.
3. Fees and Commissions were lower by 29% or by ₱1.5 billion from lower business volumes and the impact of regulations, particularly, Bayanihan 1 and 2. The Bank also incurred modification losses of ₱ 2.7 billion largely as a result of the said Bayanihan programs.
4. Provisions for losses were at ₱9.8 billion or 2.4x higher than the ₱4.0 billion booked in 2019. This represents 4% of total loans.
5. Operating expenses, excluding provisions for losses, decreased by 1% or ₱174.8 million to ₱16.2 billion.

Overall, net revenues of the Bank stood at ₱33.4 billion, higher by 16% or ₱4.7 billion from the ₱28.7 billion in 2019. Core income, excluding securities trading and foreign exchange gains, increased by 2% to ₱27.9 billion from ₱27.3 billion the previous year.

With net income at ₱6.5 billion and lower risk assets, the Bank's capital buffers improved, with CET1 ratio at 12.6% from 10.4% in 2019. This puts the Bank at a better position to face the continuing challenges of the pandemic.

The pandemic imposed a heavy toll on the economy. With banking tied to the fortunes of the economy, it cannot be helped that it was adversely affected. The lower asset growth in 2020 will have future consequences as lower loan volumes mean lower interest income.

For 2021, the Bank expects the challenges to shift. The interest rate cap on credit cards will have significant impact on earnings. There is also a non-trivial probability that the road to normalization may come with some upward adjustments in interest rates. Hefty trading gains are not likely to happen in 2021. On the other hand, the Bank expects provisions for loan losses to be lower due to the preemptive provisions booked in 2020 and with the vaccines coming. While the Bank has been among the top 3 most profitable banks in the last four (4) years, the prospect of a five-peat is uncertain for 2021. The shifting contours of the coronavirus make it difficult to pin down a 2021 income guidance. Fortunately, the Bank with its higher capital buffers, puts it in a good position to face the remaining pandemic challenges and the rebuilding that will follow the vaccines.

**Financial Position**

Loans

Total gross loans declined by 9% to ₱245.5 billion, mainly due to maturities, changes to credit policies resulting from its pandemic response and lower demand as businesses and households held off borrowing. Business loans accounted for a bigger share of the decline, attributable mainly to contractual maturities and pay-offs.

Securities

The Bank's total securities portfolio decreased by 18% to ₱57.9 billion. Hold-To-Collect (HTC) securities portfolio decreased by 58% to ₱20.9 billion as the Bank sold a portion of the portfolio to build capital buffers for the challenges of the pandemic.

Deposits

Deposits stood at ₱329.1 billion as of December 31, 2020, up by 8% from the same period last year. CASA deposits increased by 22% or ₱42.0 billion to ₱228.8 billion while term deposits went down by 15% or ₱ 17.7 billion to ₱100.3 billion as the growth in CASA coupled with less need for incremental funding, allowed maturities to be paid-off.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remains adequate at 13.8% as of December 31, 2020 while CET-1 ratio stood at 12.6%. The Bank's Tier 1 capital is composed entirely of common equity. Capital ratios have remained within BSP standards.

Credit Quality

The Bank's total non-performing loans (NPL) to total gross loans stood at 8.4% on December 31, 2020, higher from last year's 4.6% due to the impact of the pandemic to borrowers in meeting their obligations. Despite the fact that a big portion of the loan portfolio is secured, the Bank's NPL cover improved to 57% from 50% last year owing to more prudence in its pandemic response. Through its credit and impairment policy, the Bank ensures that the expected credit losses of its loan portfolio are adequately provisioned for and aligned with regulatory standards.

**Result of Operations**

Revenues

Revenues rose by 16% to ₱33.4 billion from ₱28.7 billion in the same period last year. Securities and foreign exchange trading gains were at ₱5.5 billion compared to ₱1.4 billion the previous year. Fees and other income, excluding trading gains, decreased by 76% to ₱1.9 billion. Net interest income stood at ₱26.5 billion, growing by 23% from last year's ₱21.5 billion. The 3% growth in interest income from earning assets was complemented with the 49% drop in interest expenses as cost of funding decreased sharply, reversing the challenges in 2019.

Fees and Other Income ex. Trading Income

Fees and other income, excluding trading gains, was at ₱1.4 billion which was 76% lower than the ₱5.8 billion posted in the same period last year. The decrease primarily came from lower fees and commissions brought about by lower transactions from its loan portfolio. Other non-interest income, meanwhile, was lower as the impact of losses from the modified payment schemes brought about by Bayanihan Acts 1 & 2 were reflected in December 2020. This is in compliance with PFRS9 to reflect the new contractual obligation of the modified loan.

Trading Income/(Loss)

Securities trading and foreign exchange gains were at ₱5.5 billion compared to ₱1.4 billion last year. Securities trading gains ended at ₱5.1 billion, higher by ₱4.2 billion from ₱965.7 million last year. Foreign Exchange gains ended at ₱246.1 million, lower by 19% or ₱80.9 million from ₱427.1 million last year.

Operating Expenses ex. Provisions for Losses

Total operating expenses, excluding provisions for losses, decreased by 1% to ₱16.2 billion during the period. Compensation-related expenses increased by 2% to ₱5.7 billion, while other operating expenses were down 2% to ₱10.5 billion resulting from lower consumer loans-related expenses and regulatory expenses.

Provisions for Losses

Provisions for losses increased to ₱9.8 billion, 2.4x or ₱5.8 billion higher than the previous year as the Bank continues to be prudent on account of the uncertainties brought by the COVID-19 pandemic. Provisions as a percentage of gross loans (credit cost) amounted to 3.8%, one of the highest in the industry.

**Summary of Key Financials and Ratios**

| **Balance Sheet (in Php billions)** | **December 31, 2020** | **December 31, 2019** | **YoY Growth %** |
|---|---|---|---|
| Assets | 408.2 | 406.3 | 0% |
| Consumer Loans | 186.7 | 197.8 | -6% |
| Corporate Loans | 58.8 | 71.3 | -18% |
| Low Cost Deposits (CASA) | 228.8 | 186.8 | 22% |
| High Cost Deposits | 100.3 | 117.9 | -15% |
| Capital | 55.5 | 49.1 | 13% |

| **Profitability (in ₱ millions)** | **December 31, 2020** | **December 31, 2019** | **YoY Growth %** |
|---|---|---|---|
| Net Interest Income | 26,503.2 | 21,466.9 | 23% |
| Trading Income | 5,485.3 | 1,392.8 | 294% |
| Fees & Other Income | 1,394.8 | 5,838.0 | -76% |
| Net Revenues | 33,383.4 | 28,697.7 | 16% |
| Operating Expenses | 16,230.3 | 16,405.1 | -1% |
| Provision for Losses | 9,834.4 | 4,042.5 | 143% |
| Provision for Taxes | 510.2 | 1,668.6 | -69% |

| | | | |
|---|---|---|---|
| Net Income After Tax | 6,507.8 | 6,241.9 | 4% |

| Key Financial Ratios | December 31, 2020 | December 31, 2019 | Variance b/(w) |
|---|---|---|---|
| Return on Equity[1] | 12.3% | 13.7% | (1.4%) |
| Return on Assets[2] | 1.6% | 1.6% | 0.0% |
| Net Interest Margin[3] | 8.1% | 6.9% | 1.2% |
| Cost-to-Income Ratio[4] | 48.6% | 57.2% | 8.5% |
| Capital Adequacy Ratio[5] | 13.8% | 13.0% | 0.9% |

[1] *Net Income divided by average total equity*

[2] *Net Income divided by average total assets*

[3] *Net Interest Income divided by average interest-earning assets*

[4] *Operating expenses divided by net revenues*

[5] *Total qualifying capital divided by total risk-weighted assets*

**Business Segment Performance**

The Bank's recurring income base continues to expand from its Consumer Lending/Retail Banking segments. Net interest margin (NIM) remains at an industry leading 8.1% as of reporting period. This recurring income is largely attributable to the customer base and market share of the Bank.

Consumer Lending was down by 6% to ₱186.7 billion from last year as run-offs out-paced loan releases due to weak demand. Corporate Banking, similarly, posted a decline of 18% to ₱58.8 billion as some long-term (wholesale) loans matured and business loans were paid off coupled with the generally weak demand.

## December 31, 2019 vs. December 31, 2018

**Financial Performance Highlights**

In 2019, EastWest (the Bank or EW) registered a net income of ₱6.2 billion and a Return on Equity (ROE) of 14%. This was higher by 38% from the previous year's net income of ₱4.5 billion, driven mainly by growth of its core assets, improved margins and higher trading gains.

Net Interest Income (NII) increased by 11% or ₱2.2 billion to ₱21.5 billion as the impact of the higher asset base coupled with improvement in margins became more pronounced during the last quarter of 2019. Net Interest Margin (NIM) ended at 6.9%, compared to the start of the year at 6.4%. During the first nine months of 2019, liquidity was much tighter compared to 2018 which led to funding costs increasing significantly faster than loan yields. While interest income grew by 22% or ₱5.4 billion in the first 9 months of the year, interest expense on the other hand increased by 63% or ₱3.2 billion.

Apart from loans, the Bank grew its investment securities portfolio. The Bank found it appropriate to start building its Fixed Income securities book starting in Q4 2018 when interest rates were relatively high. As the impact of the monetary policy action started to manifest, gains from fixed-income securities increased by ₱1.2 billion, compared to 2018's loss of ₱235.9 million.

Overall, net revenues of the Bank stood at ₱28.7 billion, higher by 13% or ₱3.2 billion. Core income, excluding the volatile trading gains and foreign exchange gains, increased by 9% to ₱27.3 billion from 2018's ₱25.0 billion.

Operating expenses, excluding provisions for losses increased by 8% or ₱1.2 billion to ₱16.4 billion. The biggest increase came mostly from related increase in business - gross receipts tax (GRT), documentary stamp taxes (DST) and Marketing related expenses. Together, they account for ₱430 million of the increase. Compensation expenses also increased by ₱637.2 million or by 13%, mainly from increases in salaries and wages and higher bonus provisions.

The Bank's productivity continued to improve. In the last five years, the Bank's core income has grown at a compounded rate of 14.5%, while operating expenses have grown by a lesser 12.9%, with cost to income ratio in 2019 at 57.2% from 60.0% in 2014. A significant part of the expenses were due to structural increase in taxes.

Total Assets stood at ₱406.3 billion as of end-2019, 11% or ₱39.0 billion higher than last year. Total Deposits grew by 6% or ₱16.5 billion to ₱304.7 billion. CASA increased by ₱41.3 billion or by 28% to ₱ 186.8 billion while Time deposits dropped by 17% or ₱24.8 billion to ₱117.9 billion. The Bank lowered its interest rates on time deposits as CASA increased and as it tapped lower costing alternative sources of funding. Non-deposit based funding increased 72% to₱30.9 billion from ₱18.0 billion in 2018.

All told, net funding increased by ₱29.5 billion (i.e. total liabilities less other liabilities). These funds were deployed mostly in fixed income securities - ₱29.8 billion and loans - ₱21.8 billion which increased by 72% and 9% respectively. These movements account for a significant increase in Net Interest Income and positions the Bank for potential trading revenues as rates are expected to come off as a result of the successful monetary policy adjustments of the BSP to tame inflation.

Starting in May 2018, the BSP started a rate hike cycle that significantly affected the Bank's net interest income until the third quarter of 2019. Most or 73% of EW's loan portfolio, are in consumer loans that are fixed rate. With rates normalizing, and with the improvement in its funding profile, the Bank expects to recover from the margin squeeze and to sustain improvement in net interest margins.

### Financial Position

Loans

Total gross loans increased by 9% to ₱269.1 billion, sustaining its growth in consumer loans. Consumer loans, went up by 14% to ₱197.8 billion, expanding across all segments of auto, credit cards, mortgage and personal loans. Excluding DepEd loans, consumer loans grew by 18%. Meanwhile, corporate or middle-market business loans decreased by 3% to ₱71.3 billion as some businesses decided to pay off their loans or hold-off their expansion plans amidst the higher interest rates in 2019.

Securities

The Bank's total securities portfolio registered a significant increase of 72% to ₱70.9 billion as the build-up of the Hold-To-Collect (HTC) securities portfolio continued. This complemented the accrual income earning profile and funding capabilities of the Bank since securities purchased are also used as collateral for its borrowings (repo borrowings). The Bank has remained cautious in securities trading given the volatility in the market, with its trading portfolio accounting only for 24% of the total securities portfolio and only 4% of the Bank's total assets.

Deposits

Deposits stood at ₱304.7 billion as of December 31, 2019, up by 6% from the same period last year. CASA deposits increased by 28% or ₱41.3 billion to ₱186.8 billion while high-cost deposits went down by 17% or ₱24.8 billion to ₱117.9 billion. The growth in CASA and alternative funding sources did not require the acquisition of more term deposits. Further, cost optimization led to more borrowings that off-set the need for higher costing term deposits.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remains adequate at 13.0% as of December 31, 2019 while CET-1 ratio stood at 10.4%. The Bank's Tier 1 capital is composed entirely of common equity.

Capital ratios remain virtually unchanged compared to previous year as EW's internal capital generation is sustaining the balance sheet growth. This is despite the shift to the new accounting standards under PFRS16 that effectively added an extra ₱3.3 billion in risk assets for outstanding Lease contracts.

Credit Quality

The Bank's total non-performing loans (NPL) to total gross loans, net of specific allowances stood at 2.9% on December 31, 2019. Through its credit and impairment policy, the Bank ensures that the expected credit losses of its loan portfolio are adequately provisioned for and aligned with regulatory standards.

**Result of Operations**

Revenues

Revenues rose by 13% to ₱28.7 billion from ₱25.5 billion in the same period last year. Securities and foreign exchange trading gains were at ₱1.4 billion compared to the ₱502.7 million the previous year. Fees and other income, excluding trading gains, increased by 2% to ₱5.8 billion. Net interest income stood at ₱21.5 billion, growing by 11% from last year's ₱19.3 billion. The 22% growth in interest income from earning assets was outpaced by the 63% growth in interest expenses as cost of funding increased sharply driven by the tight liquidity that has since normalized.

Fees and Other Income ex. Trading Income

Fees and other income, excluding trading gains, was at ₱5.8 billion which is 2% higher than the ₱5.7 billion posted in the same period last year. The increase primarily came from higher fees and commissions, growing by 7% or ₱347.9 million to ₱5.2 billion driven by the growth of consumer lending. Other non-interest income, meanwhile, was lower by 27% or ₱227.1 million to ₱601.5 million, mostly due to lower miscellaneous income.

Trading Income/(Loss)

Securities trading and foreign exchange gains were at ₱1.4 billion compared to ₱502.7 million last year. Securities trading gains ended at ₱965.7 million, higher by ₱1.2 billion from losses of ₱235.9 million last year. Foreign Exchange gains ended at ₱427.1 million, lower by ₱311.5 million from ₱738.6 million last year.

Operating Expenses ex. Provisions for Losses

Total operating expenses, excluding provisions for losses, increased by 8% to ₱16.4 billion during the period. Compensation related expenses increased by 13% to ₱5.6 billion, while other operating expenses increased by 5% to ₱10.8 billion in the same period last year driven mainly by higher costs of doing business including gross receipts tax (GRT), documentary stamp taxes (DST) and intensified marketing acquisition campaigns to generate more loans and retail deposits.

Provisions for Losses

Provisions for losses, on the other hand, grew marginally by 3% or by ₱136.5 million to ₱4.0 billion. While loan growth continued to be robust, EW's loan portfolio now has a bigger proportion of seasoned consumer loans. Consumer loans' credit costs tend to occur on the early part of its loan lifecycle. Thus, as the portfolio matures, a good part of the bad loans has been weeded out, resulting in lower provisions. The Bank has been compliant with the Philippine Financial Reporting Standards 9 (PFRS 9) since 2018 and constantly monitors and assesses its provisioning requirements.

**Summary of Key Financials and Ratios**

| **Balance Sheet (in Php billions)** | **December 31, 2019** | **December 31, 2018** | **YoY Growth %** |
|---|---|---|---|
| Assets | 406.3 | 367.3 | 11% |
| Consumer Loans | 197.8 | 173.3 | 14% |
| Corporate Loans | 71.3 | 73.5 | -3% |
| Low Cost Deposits (CASA) | 186.8 | 145.5 | 28% |
| High Cost Deposits | 117.9 | 142.7 | -17% |
| Capital | 49.1 | 42.7 | 15% |

| **Profitability (in ₱ millions)** | **December 31, 2019** | **December 31, 2018** | **YoY Growth %** |
|---|---|---|---|
| Net Interest Income | 21,466.9 | 19,277.5 | 11% |
| Trading Income | 1,392.8 | 502.7 | 177% |
| Fees & Other Income | 5,838.0 | 5,717.1 | 2% |
| Net Revenues | 28,698 | 25,497 | 13% |
| Operating Expenses | 16,405.1 | 15,219.2 | 8% |
| Provision for Losses | 4,042.5 | 3,905.9 | 3% |
| Provision for Taxes | 1,668.6 | 1,468.2 | 14% |
| Net Income After Tax | 6,241.9 | 4,508.1 | 38% |

| **Key Financial Ratios** | **December 31, 2019** | **December 31, 2018** | **Variance b/(w)** |
|---|---|---|---|
| Return on Equity[1] | 13.7% | 11.0% | 2.7% |
| Return on Assets[2] | 1.6% | 1.4% | 0.2% |
| Net Interest Margin[3] | 6.9% | 7.4% | (0.5%) |
| Cost-to-Income Ratio[4] | 57.2% | 59.7% | 2.5% |
| Capital Adequacy Ratio[5] | 13.0% | 12.8% | 0.2% |

[1] *Net Income divided by average total equity*

[2] *Net Income divided by average total assets*

[3] *Net Interest Income divided by average interest-earning assets*

[4] *Operating expenses divided by net revenues*

[5] *Total qualifying capital divided by total risk-weighted assets*

**Business Segment Performance**

The Bank's recurring income base continues to expand from its focus on the high margin Consumer Lending/Retail Banking segments. Net interest margin (NIM) remains at an industry leading 6.9% as of reporting period. Fee-based income, likewise, recorded a growth of 7%. This recurring income is largely attributable to the growing customer base and market share of the Bank.

Consumer Lending grew by 14%, driven mainly by auto, mortgage and personal loans. Credit cards, which is the highest contributor to consumer lending's bottom-line, also grew by 14% to end at ₱35.3 billion.

Corporate Banking however, posted a decline of 3% to ₱71.3 billion as higher rates dampened demand for business loans. Unlike Consumer lending, business loans have narrower spreads and are priced according to the prevailing incremental cost of funding. The tight liquidity experienced during the year meant higher repricing rates and consequently deferred borrowing plans or pre-terminations.

**Other Information**:

As of December 31, 2021, EastWest Bank has a total of 392 stores, with 213 of these stores in Metro Manila. For the rest of the country, the Bank has 100 stores in other parts of Luzon, 40 branches in Visayas, and 39 stores in Mindanao. The total ATM network is 586, composed of 475 on-site ATMs and 111 off-site ATMs. Total headcount of EastWest is 5,866.

The Bank's subsidiaries have a total of 76 stores and 1,415 officers/staff, bringing the group store network total to 468 with 586 ATMs and a combined manpower complement of 7,281.

**Known trends, demands, commitments, events or uncertainties**

There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

**Events that will trigger direct or contingent financial obligation**

There are no events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation.

**Material off-balance sheet transactions, arrangements or obligations**

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

**Capital Expenditures**

The Bank has commitments for capital expenditures mainly for bank's implementation of IT projects. These are not expected to significantly affect the banks cash or liquidity position.

**Significant Elements of Income or Loss**

Significant elements of the consolidated net income of the Bank for the twelve (12) months ended December 31, 2021 and 2020 came from its continuing operations.

**Seasonal Aspects**

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

**Vertical and Horizontal Analysis of Material Changes for the Period**

The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the Bank deems material on the basis of other factors.

I. **Statements of Financial Position – December 31, 2021 vs. December 31, 2020**
   - Due from BSP increased by 20% to ₱58.8 billion due to deposits with the BSP in the Overnight Deposit Facility (ODF) and Term Deposit Auction Facility (TDAF).
   - Due from other banks increased by 70% to ₱19.3 billion due to nostro placements in foreign currency accounts.
   - Financial assets at fair value through profit and loss decreased by 46% to ₱4.1 billion due to movements in the Bank's proprietary trading portfolio.
   - Financial assets at fair value through other comprehensive income increased by 41% to ₱ 41.7 billion due to movements in the Bank's proprietary trading portfolio.
   - Investment in a Joint Venture decreased by 8% to ₱614.5 billion. The decrease represents the proportionate share of the Bank in the net loss of the Joint Venture with Ageas.
   - Property and equipment decreased by 13% to ₱4.4 billion due to depreciation of right-of-use assets.
   - Investment Properties decreased by 5% to ₱928.0 million from depreciation of repossessed assets.
   - Deferred tax assets decreased by 20% to ₱4.2 billion mainly from the reversal of previously booked deferred taxes set-up using the 30% tax rate with the implementation of CREATE bill and lower recognition of tax benefits on provisions, net of write-offs during the period.
   - Other assets increased by 85% to ₱4.3 billion on account of repossessed vehicles.
   - Bills and acceptance payables decreased by 97% to ₱98.1 million mainly from lower volume of interbank borrowings and repo borrowings.
   - Cashier's checks and demand draft payable increased by 8% to ₱730.7 million on account of higher level of outstanding manager's check issued.
   - Income tax payable decreased by 62% to ₱152.6 million due to the impact of the CREATE bill and lower taxable income this year.
   - Lease liability decreased by 10% to ₱3.1 billion due to lease payments made during the year.
   - Other liabilities decreased by 14% to ₱6.6 billion mainly due to decline in credit exposure default on unused credit lines.

II. **Statements of Financial Position – December 31, 2020 vs. December 31, 2019**
   - Cash and cash equivalents increased by 9% to ₱8.1 billion due to the liquidity build-up given the timing of the year-end holidays.
   - Due from BSP went up by 43% to ₱48.9 billion due to required reserves on the higher deposit volume and placement of excess funds for liquidity management, in the BSP's Overnight Deposit Facility (ODF).

- Due from other banks increased to ₱11.4 billion due to higher level of placements and working balances with counterparty banks.
- Interbank loans receivable increased to ₱17.1 billion as excess funds for liquidity management, were lent to BSP under reverse repo.
- Financial assets at fair value through profit and loss decreased by 55% to ₱7.5 billion due to movements in the Bank's proprietary trading portfolio.
- Financial Assets at Fair Value through Other Comprehensive Income increased to ₱29.5 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost decreased by 58% to ₱20.9 billion due to the sale of Investment Securities at Amortized Cost to build capital buffers for the challenges of the pandemic.
- Property and equipment decreased by 6% to ₱5.1 billion primarily due to amortization.
- Deferred tax assets increased by 83% to ₱5.2 billion on account of provisions set-up, net of write-offs during the period.
- Other assets decreased by 26% to ₱2.3 billion on account of loan related settlements.
- Bills and acceptances payables decreased by 89% to ₱3.6 billion mainly from lower volume of interbank borrowings and repo borrowings.
- Unsecured subordinated debt decreased by 80% to ₱1.2 billion due to redemption.
- Cashier's checks and demand draft payable decreased by 49% to ₱678.8 million on account of lower level of outstanding manager's check issued.
- Income tax payable decreased by 32% to ₱402.3 million due to lower income before tax.
- Lease liability increased by 5% to ₱3.5 billion due to contract renewals.

**III. Statements of Financial Position – December 31, 2019 vs. December 31, 2018**

- Due from BSP went down by 15% to ₱34.3 billion due to lower reserve requirements on outstanding deposits as BSP reduced reserve requirements to 14% by year-end from the 18% in the previous year.
- Due from other banks decreased by 67% to ₱3.4 billion due to lower level of placements and working balances with counterparty banks.
- Interbank loans receivable decreased by 54% to ₱2.7 billion as more funds were placed in higher-yielding liquid assets.
- Financial Assets at Fair Value through Profit and Loss increased by 288% to ₱16.8 billion due to movements in the Bank's proprietary trading portfolio.
- Financial Assets at Fair Value through Other Comprehensive Income increased to ₱4.7 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost increased by 35% to ₱49.4 billion in line with the Bank's strategic direction of improving liquidity profile and accrual income.
- Property and Equipment increased by 105% to ₱5.4 billion due to the adoption of PFRS 16 which resulted in the recognition of right-of-use asset amounting to ₱3.5 billion at the start of the year.
- Deferred Tax Assets increased by 25% to ₱2.8 billion on account of provisions set-up, net of write-offs during the period.
- Bills and acceptance payables increased by 72% to ₱30.9 billion mainly from higher volume of interbank borrowings (including borrowings from BSP OLF) and repo borrowings.
- Accrued Taxes, Interest and Other Expenses increased by 6% to ₱3.0 billion due to accrual of regulatory expenses given higher asset base.

- Cashier's Checks and Demand Draft Payable increased by 47% to ₱1.3 billion on account of higher level of outstanding manager's check issued in line with increased volume of business and payment transactions.
- Income tax payable increased by 168% to ₱595.9 million due to higher taxable income for 2019.
- Other Liabilities decreased by 14% to ₱7.1 billion due to normal timing differences on settlement of various miscellaneous liability accounts.

IV. **Statement of Income – December 31, 2021 vs. December 31, 2020**

- Interest income decreased by 24% to ₱23.3 billion primarily due to a lower asset base brought about by muted lending activities as well as the full year impact of the credit cards rate cap.
- Interest expense decreased by 47% to ₱2.2 billion primarily due to lower interest rates and shift towards low-cost deposits.
- Securities trading gains were at ₱1.0 billion due to lower gains on sale and mark-to-market losses on the Bank's trading portfolio.
- Foreign exchange income amounted to ₱929.7 million due to higher income on FX derivative transactions from increased volume including revaluation gains on the Bank's open FX position.
- Trust income increased by 26% to ₱99.8 million due to the growth in the Bank's assets under management.
- Loss on sale of acquired assets and foreclosures ended at ₱748.4 million due to the higher number of units sold for the period.
- Miscellaneous income ended at ₱968.0 million mainly from recoveries of written-off assets and reversals of modification loss as some accounts opted out of loan deferments.
- Taxes and licenses decreased by 23% to ₱1.9 billion on account of lower transaction taxes such as Gross Receipts Tax and Documentary Stamp Tax.
- Rent increased by 186% to ₱259.7 million due to additional warehouse leases for storage of auto ROPA as foreclosures were higher this year.
- Miscellaneous expenses increased by 10% to ₱6.3 billion mainly from collections expenses.

V. **Statement of Income – December 31, 2020 vs. December 31, 2019**

- Interest expense decreased by 49% to ₱4.2 billion due to decreasing interest rates and growth in low-cost deposits.
- Service charges, fees and commissions decreased by 29% to ₱3.7 billion due to lower loan-related fees and charges.
- Securities trading gains amounted to ₱5.1 billion, higher by ₱4.2 billion from the previous year due to lower interest rates and sale of investment securities.
- Foreign exchange gains decreased by 19% to ₱346.1 million due to gains from third currency swap transactions last year and lower income from transaction flows this year (i.e. spread trading and credit cards fx fees).
- Trust income increased by 12% to ₱79.3 million due to the growth in the Bank's assets under management.
- Loss on sale of assets and foreclosures increased by 25% ending at ₱131.4 million due to more assets sold for the year.

- Miscellaneous loss was at ₱2,263.8 million due mainly to the impact of losses from the modified payment schemes brought about by Bayanihan Acts 1 & 2 which were reflected in December 2020.
- Miscellaneous expenses decreased by 5% to ₱5.7 billion due to lower business-related expenses.

**VI. Statement of Income – December 31, 2019 vs. December 31, 2018**

- Interest income increased by 22% to ₱29.7 billion primarily due to an increase in lending activities, largely driven by growth in loans and investment securities.
- Interest expense increased by 63% to ₱8.3 billion primarily due to increasing interest rates and growth in high-cost deposits and other borrowings amidst a tight liquidity environment during the first half of 2019.
- Securities trading gains amounted to ₱965.7 million, higher by ₱1.2 billion from the previous year's losses due to fluctuations in market prices that turned favorable to the Bank's position. Foreign exchange gains, on the other hand, were lower by 42% to ₱427.1 million due to the mark-to-market valuations on outstanding third currency swap transactions last year and revaluation losses on outstanding FX position.
- Trust income increased by 37% to ₱70.5 million due to the growth in the Bank's assets under management.
- Loss on sale of assets and foreclosures higher by 42% ending at ₱105.2 million due to lower assets sold for the year.
- Miscellaneous income lower by 25% to ₱636.1 million due mainly to less recoveries from written off assets.
- Compensation and fringe benefits increased by 13% to ₱5.6 billion on account of normal annual increases to compensate for inflation.
- Taxes and licenses increased by 14% to ₱2.7 billion on account of higher transaction taxes or GRT.
- Miscellaneous expenses increased by 7%, due to management and professional fees, other business-related expenses and intensified marketing acquisition campaigns.

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% |
| Assey-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) | **1.11%** | 1.64% |
| Return on equity(7) | **7.86%** | 12.25% |
| Net profit margin(8) | **6.47%** | 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.*
*7 Net income attributable to equity holders of the Parent Company divided by average total equity attributable to equity holders of the Parent Company.*
*8 Income before income tax over total interest income*
*9 Net interest income over total interest income*

**Item 7. Financial Statements**

The consolidated financial statements of the Bank are filed as part of this Form 17-A as Annex B.

**Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

Sycip Gorres Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited has been the Bank's independent accountant for more than 25 years and is again recommended for appointment at the scheduled annual stockholders' meeting.

None of the Bank's external auditors have resigned during the two most recent fiscal years (2021 and 2020) or any interim period. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Ms. Veronica Mae A. Arce was assigned as the signing partner in 2019. Representatives of SGV & Co. are expected to be present at the meeting to respond to matters relating to the auditors' report on the 2021 financial statements of the Bank that may be pertinently raised during the meeting. Their representative will be given the opportunity to make a statement if they so desire.

The Bank has paid the following fees to SGV & Co relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit or review of the Bank's financial statements:

| Fiscal Year | Audit Fees (Group) | Tax and Other Related Fees |
|---|---|---|
| 2021 | ₱5,394,900 | ₱2,972,849 |
| 2020 | ₱3,422,160 | ₱4,866,297 |
| 2019 | ₱3,340,988 | ₱17,052,560 |

The Bank's Audit Committee approves the audit fees and fees for non-audit services of external auditors, if any, as stated in the Audit Charter.

The Audit Committee is composed of Messrs. Gregorio Kilayko (Chairman), Ms. Josephine Gotianun-Yap, Armando L. Suratos, Jose Maria G. Hofileña and Justice Francis H. Jardeleza*.
*(*Resigned effective January 3, 2022. Replaced by Ms. Cristina Q. Orbeta on January 27, 2022)*

Per SGV & Co.'s representation during the Audit Committee meeting on March 10, 2022, they confirm that they did not have any disagreement with Management that could be significant to the Bank's financial statements or their auditor's report. Further, there are no matters that in their professional judgment may reasonably be thought to bear on their independence or that they gave consideration to in reaching the conclusion that independence has not been impaired.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

The Corporate Governance and Compliance Committee ("CGCC") serves as the Nomination Committee of the Bank. In its meeting held on March 3, 2022, the CGCC has reviewed and evaluated the qualifications of nominated directors (including independent directors) in accordance with the Bank's By-Laws and Manual on Corporate Governance and relevant rules and regulations. The nominees for the independent directors have no relationship / affiliation with FDC and FDC Forex Corp. The CGCC nominees for election as Directors and Independent Directors are enumerated below:

| Name | Citizenship | Nominated as |
|---|---|---|
| Jonathan T. Gotianun | Filipino | Director |
| Antonio C. Moncupa, Jr. | Filipino | Director |
| L. Josephine G. Yap | Filipino | Director |
| Mercedes T. Gotianun | Filipino | Director |
| Isabelle Therese G. Yap | Filipino | Director |
| Wilson L. Sy | Filipino | Director |
| Jose Maria G. Hofileña | Filipino | Independent Director |
| Gregorio U. Kilayko | Filipino | Independent Director |
| Armando L. Suratos | Filipino | Independent Director |
| Imelda B. Capistrano | Filipino | Independent Director |
| Cristina Q. Orbeta | Filipino | Independent Director |

The Corporate Governance and Compliance Committee, in addition to the certification of the nominees, has determined that the nominees possess all the qualifications and none of the disqualifications for Directors as set forth in the Revised Manual on Corporate Governance. The nominees for the independent directors have no relationship / affiliation with FDC and FFC.

A certification on the qualifications of the Independent Directors is attached herewith as Annex B.

The CGCC is composed of Ms. Cristina Q. Orbeta as Chairman, Mr. Jonathan T. Gotianun, Mr. Armando L. Suratos and Mr. Jose Maria G. Hofileña, as members.

#### (a) Incumbent Directors

The Registrant is overseen by its Board of Directors (BOD) consisting of six regular members and five Independent Directors. The members of the Board are elected annually by the stockholders and shall each serve a term of one (1) year until the election and qualification of a new set of BOD. Furthermore, the BOD shall elect among themselves a Chairman and a Vice-Chairman.

The current list of the Bank's members of the Board is as follows:

| Name | Age (as of 2022 ASM) | Citizenship |
|---|---|---|
| Jonathan T. Gotianun | 69 | Filipino |
| Antonio C. Moncupa, Jr. | 63 | Filipino |
| Lourdes Josephine Gotianun-Yap | 66 | Filipino |
| Mercedes T. Gotianun | 93 | Filipino |
| Isabelle Therese G. Yap | 34 | Filipino |
| Wilson L. Sy | 69 | Filipino |
| Imelda B. Capistrano* | 66 | Filipino |
| Jose Maria G. Hofileña* | 60 | Filipino |
| Gregorio U. Kilayko* | 67 | Filipino |
| Cristina Q. Orbeta* | 70 | Filipino |
| Armando L. Suratos* | 76 | Filipino |

**Independent Director*

**JONATHAN T. GOTIANUN, 69 years old, Filipino**
**Chairman**

Mr. Jonathan Gotianun is concurrently the Chairman, President & CEO of Davao Sugar Central Co., Inc., and Cotabato Sugar Central Co., Inc.; Chairman of Filinvest Development Corp., FDC Utilities, Inc., FDC Misamis Power Corp., Country Wide Water Services, Inc., East West Rural Bank, Inc., Filinvest Land, Inc., and East West Leasing and Finance Corp.; Filinvest Asia Corporation; Director of Filinvest Alabang, Inc., and Filinvest Hospitality Corporation; East West Ageas Life Insurance Corp.; and President & CEO of Pacific Sugar Holdings Corp. He was the Vice Chairman and Director of EastWest Bank from 1994 to 2007. He holds a degree in Commerce from the Santa Clara University in California and Masters in Management from the Kellogg School of Management, Northwestern University in Evanston, Illinois, USA.

**ANTONIO C. MONCUPA, JR., 63 years old, Filipino**
**Vice-Chairman, President and Chief Executive Officer**

Mr. Antonio Moncupa, Jr. has been the CEO for EastWest since January 1, 2007. Mr. Moncupa also sits as the Chairman of EastWest Insurance Brokerage, Inc., and April 21 Development, Inc.; Director of Pasberfund Realty Holdings, Bancnet, Inc., East West Leasing & Finance Corp., LGU Guaranty Corp., East West Ageas Life Insurance Corporation; Vice Chairman/Director of East West Rural Bank, Inc; Member, Board of Regents of Polytechnic University of the Philippines; Member, Board of Trustee of Philippine Rural Reconstruction Movement; and Treasurer of ACM Squared Agro-Industrial Corporation. Mr. Moncupa holds a double degree in Economics and Accounting from the De La Salle University, and a Masters in Business Administration from the University of Chicago. He is a certified public accountant. Before joining EastWest, he was EVP and Chief Financial Officer of International Exchange Bank.

**LOURDES JOSEPHINE T. GOTIANUN-YAP, 66 years old, Filipino**

**Director**

Mrs. Lourdes Josephine Gotianun-Yap is the Chairman of Filinvest Mimosa, Inc., Property Specialist Resources, Inc., Leisurepro, Inc., Dreambuilders Pro, Inc.; Chairman and CEO of Pacific Sugar Holdings Corporation; Chairman and President of Filinvest Alabang, Inc., Entrata Hotel Services, Inc., Mactan Seascapes Services, Inc., Filinvest Hospitality Corporation, Quest Restaurants, Inc., Boracay Seascapes, Inc., Chinatown Cityscapes Hotel, Inc., Duawon Seascapes Resort, Inc., Mimosa Cityscapes, Inc., FDC Renewables Corporation; Director and President of Filinvest Land, Inc., Filinvest Asia Corporation, Cyberzone Properties, Inc., FSM Cinemas, Inc., Filinvest Development Corporation, Festival Supermall, Inc., Corporate Technologies Inc., Filinvest AII Philippines, Inc., Filinvest Cyberparks, Inc., Proplus, Inc., Philippine DCS Development Corporation, Filinvest Lifemalls Corporation, FCGC Corporation, Filinvest BCDA Clark, Inc., Filinvest Cyberzone Mimosa, Inc., Filinvest Lifemalls Mimosa, Inc.; Director of Chroma Hospitality, Inc., Countrywide Water Services, Inc., High Yield Sugar Farms Corporation, Davao Sugar Central Company, FDC Utilities, Inc., FDC Misamis Power Corporation, FDC Retail Electricity Sales Corporation, FDC Danao Power Corporation, PDC Camarines Power Corporation, FDC Casecnan Hydro Power Corporation, FDC Negros Power Corporation, Property Maximizer Professional Corporation, FDC Negros Power Corporation, Property Maximizer Professional Corporation; Mrs. Yap holds a degree in Business Management from the Ateneo de Manila University and a Masters in Business Administration major in Finance from the University of Chicago. She has been a director of EastWest Bank since August 2000.

**MERCEDES T. GOTIANUN, 93 years old, Filipino**
**Director**

Mrs. Mercedes Gotianun is a Director, Chairman Emeritus of Filinvest Development Corporation; Chairman, President & CEO of Andremerc Holdings Corp.; Vice Chairman of Pacific Sugar Holdings Corporation; Director, President & CEO of A.L. Gotianun, Inc., Director of Crescita United, Inc., MIK Gotianun Development Corporation, Team Gladiola, Inc., Davao Sugar Central Company, Cotabato Sugar Central Company, High Yield Sugar Farms Corporation, FDC Utilities, Inc., FDC Misamis Power Corporation, FDC Retail Electricity Sales Corporation, Filinvest Land, Inc., Filinvest Development Corporation; and Trustee of Filinvest Corporate City Foundation, Inc. Mrs. Gotianun holds a degree in BS Pharmacy (magna cum laude) from the University of the Philippines. She has been serving as a director of EastWest Bank since 1995.

**ISABELLE THERESE G. YAP, 34 years old, Filipino**
**Director**

Ms. Isabelle Therese Yap is the Special Projects Officer of East West Banking Corporation. She served as an associate in McKinsey and Company (2016-2018), strategy intern at Razorfish (2015), and joined the Management Associate Program of Singapore Telecommunications (2011-2014) doing product development and marketing and digital marketing. She graduated cum laude from the Singapore Management University in Bachelor of Business Management, Double major in Finance and Marketing and earned her Masters in Business Administration in Harvard Business School. She has been serving as a director of EastWest Bank since April 22, 2019.

**WILSON L. SY, 69 years old, Filipino**
**Director**

Mr. Wilson Sy is the Chairman of Wealth Securities, Inc. and Manila Stock Exchange Foundation, Inc.; Director of The Philippine Stock Exchange, Vantage Equities, Inc., Asian Alliance Holdings Corp., Xcell Property Ventures, Inc., Vantage Financial Corp., Sinag Energy Philippines, Inc.; Director and Fund Manager of PhilEquity Management, Inc.; Member, Board of Trustee at Ateneo De Manila University Corp. He served as

Chairman of The Philippine Stock Exchange from 1996-1998 and Director of Yehey! Corporation and International Exchange Bank. He graduated with a degree in Management Engineering from Ateneo de Manila University. He has been a director of the Bank since April 15, 2016.

**IMELDA B. CAPISTRANO, 66 years old, Filipino**
**Independent Director**
Ms. Capistrano served as a Director and Country Manager, Wells Fargo Bank, N.A. Manila Representative Office; Senior Vice President and Country Manager, Wachovia Bank, N.A. Manila Representative Office; Vice President and General Manager, Standard Chartered Bank Australia Ltd. Manila Offshore Branch; Assistant Vice President, Credit & Marketing Officer, First Interstate Bank of China Manila Offshore Branch; Manager, Corporate Banking, Union Bank of the Philippines; Credit Associate / Project Finance Officer, Bancom Development Corporation. Ms. Capistrano obtained the Bachelor of Science in Business Economics and Master's in Business Administration from the University of the Philippines.

**JOSE MARIA G. HOFILEÑA, 60 years old, Filipino**
**Independent Director**
Mr. Jose Maria G. Hofileña, a lawyer, is the Dean of the Ateneo de Manila University School of Law and director of Vitasoy-URC, Inc. His independent law practice areas focus on commercial and corporation law, corporate finance, project finance and infrastructure. He was a former partner at Sycip Salazar Hernandez & Gatmaitan (1998-2012). He earned both his degree in AB Major in Interdisciplinary Studies (with academic honors) and his Bachelor of Laws (class valedictorian and ranked 10th in the 1987 Philippine Bar Exams) from the Ateneo de Manila University and his Master of Laws from Harvard University Law School.

**GREGORIO U. KILAYKO, 67 years old, Filipino**
**Independent Director**
Mr. Gregorio U. Kilayko is an independent director of Belle Corporation, SM Prime Holdings, Inc., and Philequity Fund. He is formerly the Country Representative of James Capel Securities (Philippines); President of ING Baring Securities (Philippines) and ABN-Amro Securities (Philippines); Chairman and CEO of ABN-Amro Bank (Philippines); Manager of NCRD, Bureau of Energy Development, Treasury, Philippine National Oil Company. He graduated with a degree in BS Industrial Management Engineering from De La Salle University, Masters in Energy Management and Master in Business Administration from University of Pennsylvania. Mr. Kilayko has been an independent director of the Bank since April 22, 2019.

**CRISTINA Q. ORBETA, 70 years old, Filipino**
**Independent Director**
Ms. Orbeta is currently a short-term consultant at World Bank (July 1, 2017 - present). She also served as President and Chief Executive Officer and Vice-Chairman of the Board, Philippine Deposit Insurance Corporation (PDIC); OIC and EVP at PDIC; Director at Central Bank, Executive Director at Central Bank Board of Liquidators; Former Advisor and Member of the Board of United Coconut Planters Bank (UCPB), UCPB Leasing & Finance Corporation and UCPB Savings Bank; Deputy General Manager at Credit Lyonnais, Manila Offshore Branch. Ms. Orbeta is a graduate of Bachelor of Arts in Mathematics from the University of the East (Magna Cum Laude), completed academic units for Master in Economics from University of the East, and Master in Public Administration from Harvard University, Cambridge, Massachusetts, USA.

**ARMANDO L. SURATOS, 76 years old, Filipino**

**Independent Director**

Atty. Armando L. Suratos is an independent director of Philippine Payments Management, Inc.; Chairman, Supervisory Committee, ABF Philippine Bond Index Fund; Independent Director, Philippine Life Financial Assurance Corp.; Vice Chairman, Kapatiran Kaunlaran Foundation, Inc.; Trustee, Mary Johnston College of Nursing Scholarship Foundation Inc. He was a former Independent Director, Philippines Trust Company, Manila Bulletin; Member, Monetary Board of BSP; BSP Consultant; Board Member, International Association of Currency Affairs; Member, Panels of Conciliators and Arbitrators, International Centre for Settlement of Investment Disputes; Alternate Director, Philippine Export-Import Credit Agency. He is a graduate of Bachelor of Science in Business Administration from the University of the Philippines and Bachelor of Laws from the Ateneo de Manila. He placed 8th in the 1971 Bar Examinations. He attended the Investment Negotiation Course at Georgetown University.

**ATTY. BENEDICTO M. VALERIO, JR., 63 years old, Filipino**

**Corporate Secretary**

Atty. Benedicto M. Valerio, Jr. is actively engaged in the practice of law and specializes in litigation and corporate work. He is currently the Corporate Secretary in Ardent Development Corp., Hospitality Int'l., Inc., Lodging Concepts, Inc., Tribal DDB, Inc., Monserrat Holdings, Inc., Hospitality Innovations, Inc., and East West Ageas Life Insurance Corporation. He was Assistant Corporate Secretary of International Exchange Bank from 2001-2006 and also served as its General Counsel. He holds a BS Commerce degree from De La Salle University and Bachelor of Laws from Ateneo de Manila University. He finished his Masters in Business Administration at the Ateneo Graduate School of Business. Atty. Valerio was a Director of EastWest Bank from July 2012 up to April 2017 and its Corporate Secretary since April 2007.

The Bank held its Annual Stockholders Meeting on April 23, 2021.

The Bank held **twelve (12) Regular Board Meetings** from January to December 2021; **one (1) Special Board Meeting** held on March 11, 2021 and **One (1) Organizational Meeting of the Board** held on April 23, 2021 or a **total of fourteen (14) Board Meetings**.

| Board of Directors | No. of Meetings Attended | Percent Present |
|---|---|---|
| Jonathan T. Gotianun | 14 | 100 % |
| Antonio C. Moncupa Jr. | 14 | 100 % |
| L. Josephine T. Gotianun Yap | 14 | 100 % |
| Mercedes T. Gotianun | 14 | 100 % |
| Isabelle Therese G. Yap | 14 | 100 % |
| Wilson L. Sy | 14 | 100 % |
| Nelson M. Bona*** | 7 | 64 % |
| Paul A. Aquino* | 4 | 100 % |
| Carlos R. Alindada* | 4 | 100 % |
| Gregorio U. Kilayko | 14 | 100 % |
| Jose Maria G. Hofileña | 13 | 92 % |
| Armando L. Suratos** | 10 | 100 % |
| Francis H. Jardeleza** | 10 | 100 % |
| Jerry G. Ngo**** | 3 | 100 % |

** resigned as of April 23, 2021*

*** joined the Bank as of April 23, 2021*

**** resigned as of September 30, 2021*
*****joined the bank as of September 30, 2021*

A certification on the qualifications of the Independent Directors is attached herewith as Annex B.

**(b) Executive Officers**

The following is the list of Key Executive Officers of the Bank as of February 28, 2022:

| Name | Rank | Age (as of 2022 ASM) | Citizenship |
|---|---|---|---|
| Antonio C. Moncupa, Jr. | President & CEO | 63 | Filipino |
| Jacqueline S. Fernandez | Senior Executive Vice President | 59 | Filipino |
| Gerardo Susmerano | Senior Executive Vice President | 57 | Filipino |
| Rafael S. Algarra, Jr. | Senior Executive Vice President | 53 | Filipino |
| Cecilio Frederick M. Pusag | Executive Vice President | 53 | Filipino |
| Pierre Leonard C. Monserrate | Executive Vice President | 50 | Filipino |
| Ivy B. Uy | Senior Vice President | 49 | Filipino |
| Richard Chester C. Tamayo | Senior Vice President | 44 | Filipino |
| Mylene C. Subido | Senior Vice President | 51 | Filipino |
| Salvador R. Serrano | Senior Vice President | 56 | Filipino |
| Grace N. Ang | Senior Vice President | 45 | Filipino |
| Amy Belen R. Dio | First Vice President | 60 | Filipino |
| Emma B. Co | First Vice President | 59 | Filipino |

**JACQUELINE S. FERNANDEZ, 59 years old, Filipino**
**Senior Executive Vice President and Chief Lending Officer**
Ms. Fernandez is the Consumer Lending Cluster Head and has been with the Bank since March 16, 2006. She holds over 33 years of banking experience, having served as the Country Credit Head for Consumer Loans and, prior that, the Head of Group Special Assets Management – Corporate Banking for Standard Chartered Bank Philippines. She holds a degree in AB Economics from University of the Philippines Diliman with cum laude honors, and a Masters in Business Administration from the same University.

**GERARDO SUSMERANO, 57 years old, Filipino**
**Senior Executive Vice President and Head – Retail Banking**
Mr. Susmerano has been Head of Retail Banking and Operations since September 2006. He is also currently a Director of BANCNET, having held the position since 2012. Mr. Susmerano obtained his Bachelor's Degree in Accounting from the University of Santo Tomas and Master's Degree in Business Administration from the Asian Institute of Management.

**RAFAEL S. ALGARRA, JR., 53 years old, Filipino**
**Senior Executive Vice President and Head – Treasury, Markets and Off-Balance Sheet Cluster, Treasurer**
Mr. Algarra is the Head of Treasury, Markets and Off-Balance Sheet Cluster and has been with the Bank since August 1, 2017 and has been its Treasurer since September 14, 2017. Mr. Algarra has over 25 years experience in banking from Far East Banking Corporation, Citibank N.A., Standard Chartered Bank, Security Bank and Philippine Commercial Capital, Inc. (PCCI). Notably, he spent 15 of those years as Treasurer/Deputy

Treasurer of Security Bank. In 2012, in addition to the Treasury Group of Security Bank, Mr. Algarra also led the Asset Management and Bancassurance Groups. For Asset Management, he oversaw fund management, distribution and product development for Wealth Management. For Bancassurance, whose joint venture with FWD Insurance was led by Mr. Algarra, responsibilities included product development, marketing, and distribution of insurance products. Mr. Algarra was also Managing Director and Chief Financial Officer of PCCI Holdings before joining EastWest. He earned his Master's Degree in Business Administration from the Asian Institute of Management Philippines and his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

**CECILIO FREDERICK M. PUSAG, 53 years old, Filipino**
**Executive Vice President and Chief Information Officer and Head – Information Technology**
Mr. Pusag is an experienced Information Technology executive with a successful track record in the global financial services industry, business process outsourcing, management consulting, and startup environments. He spent 12 years helping build the business process outsourcing industry in the Philippines and was subsequently hired as an Executive Director/CIO for J.P. Morgan Chase Philippines. Prior to joining EastWest, he was a Senior Vice President and the Chief Information Officer of Security Bank. He holds a Bachelor of Science degree in Business Administration/Computer Information Systems from California Polytechnic University – Pomona.

**PIERRE LEONARD C. MONSERRATE, 50 years old, Filipino**
**Executive Vice President and Head – Human Resources Group**
Mr. Monserrate has over 25 years of human resource and business leadership experience gained in diverse industries and big corporations such as San Miguel Corporation, Jollibee Foods, Marsman Drug Distribution and Philip Morris International Inc. His experience also spans multiple markets across Asia Pacific, Europe, North America and Middle East. Mr. Monserrate completed Bachelor of Arts in Human Resources at De La University.

**IVY B. UY, 49 years old, Filipino**
**Senior Vice President and Head – Regional Branch Banking**
Ms. Uy joined the bank in September 2006 as FVP/Division Head for the Central Metro Manila Division, and in 2008 as Deputy Group Head of Branch Banking. Before joining EastWest, she was a Center Head – Manila Area of International Exchange Bank. Ms. Uy holds a degree in Hotel and Restaurant Management from the University of Sto. Tomas and finished a Management Development Program in Asian Institute of Management.

**RICHARD CHESTER C. TAMAYO, 44 years old, Filipino**
**Senior Vice President and Head – Wealth Management**
Mr. Tamayo is the head of EastWest's Wealth Management group. He has over 20 years' experience in banking from Standard Chartered Bank, Hongkong Shanghai Banking Corp. (HSBC) and Unionbank. Prior to joining EastWest, Mr. Tamayo was the Vice President and Head of Ortigas Branch of Standard Chartered Bank. He is a graduate of Ateneo de Manila University, Bachelor of Arts, Major in Economics.

**MYLENE C. SUBIDO, 51 years old, Filipino**
**Senior Vice President and Head – Securities, Derivatives, Foreign Exchange Distribution**
Ms. Subido joined the Bank on December 1, 2021 as the Head of Securities, Derivatives, Foreign Exchange Distribution. She has over 30 years of banking experience, from her different roles and duties in Bank of

America Finance Corporation, Hongkong & Shanghai Banking Corporation (HSBC), and Security Bank Corporation (SBC). She started her banking career as Corporate Planning/Financial Analyst of Bank of America Finance Corporation. Prior to joining the Bank, she also stood as Accion Capital Management's Executive Director. Her responsibilities include developing and implementing overall investment strategies. completed her Bachelor of Science in Commerce Major in Accounting, Master's in Business Administration and Master of Early Childhood Education from De La Salle University.

**SALVADOR R. SERRANO, 56 years old, Filipino**
**Senior Vice President and Head – Central Branch Operations**
Mr. Serrano is currently the Senior Vice President and Head – Central Branch Operations of EastWest Bank. He is also a Certified Public Accountant with over 33 years of experience, the last three decades of which is centered in the banking industry. Prior to joining EastWest, he was the Senior Vice President and Head of Operations for One Network Bank (ONB), a Rural Bank of Banco de Oro (BDO). He also served stints in Security Bank, Asia Trust Bank, Philam Savings Bank, Federal Savings and Mortgage Bank, GE Money Bank, the Philippine Bank of Communications, and BDO. He finished his Bachelor of Science in Commerce, Major in Accounting degree in the University of Sto. Tomas and completed his Master's in Business Administration from De La Salle University.

**GRACE N. ANG, 45 years old, Filipino**
**Senior Vice President & Chief Risk Officer**
Ms. Ang has been the Chief Risk Officer of EastWest since August 1, 2008. Before joining EastWest Bank, she was with International Exchange Bank as Senior Manager. She was also appointed as Director of AIG Philam Savings Bank, Inc. from March 12 to September 03, 2009. Ms. Ang holds a degree in Accounting from the De La Salle University and is a Certified Public Accountant.

**AMY BELEN R. DIO, 60 years old, Filipino**
**First Vice President and Chief Compliance Officer**
Atty. Dio joined the Bank on December 1, 2021 as the new Chief Compliance Officer (CCO). She was previously the CCO of BPI Family Savings Bank, overseeing the strict implementation of a risk-based compliance monitoring program to provide assurance to Board and Senior Management that controls are in place to comply with regulatory obligations. With over 40 years of banking experience, Atty, Dio started as a Management Trainee and also focused on Retail Banking and Operations at CityTrust Bank until its branches were consolidated with BPI's. She obtained her Bachelor's Degree in AB Economics from the Ateneo De Manila University in 1981 and obtained his law degree from the University of the Philippines in 1987.

**EMMA B. CO, 59 years old, Filipino**
**First Vice President and Chief Audit Executive**
Atty. Co is the newly appointed Chief Audit Executive and Head of Internal Audit of the Bank as of January 3, 2022. Prior to joining the Bank, Ms. Co was the Chief Audit Executive of the Philippine Savings Bank (PSBank), primarily responsible for managing the Internal Audit Group and its overall. She has 30 years of audit experience from working in various financial institutions like Philippine Banking Corporation, Unionbank of the Philippines and PSBank. Atty. Co obtained her Bachelor's Degree in Accounting from University of Sto. Tomas in 1988 and her Bachelor of Laws from Lyceum University of the Philippines in 1994. In 2001, she obtained her Master of Science in Information Management form Ateneo De Manila University.

None of the above-named Directors and Executive Officers of the Bank works for the government.

**Family Relationships**

Mrs. Mercedes T. Gotianun is the mother of Jonathan T. Gotianun and Mrs. Josephine G. Yap.

**Involvement in Legal Proceedings**

To the best of the Bank's knowledge and belief and after due inquiry, none of the Bank's directors, nominees for election as director, or executive officer have in the five-year period prior to the date of this Report:

1. had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time;
2. convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
3. subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
4. found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

The Bank has been, and may in the future be, implicated in lawsuits in connection with the ordinary course of its business. However, neither the Bank nor any of its subsidiaries have been subject to any order, judgment, or decree, or violated any securities or commodities law for the last five years, or are involved in any litigation or arbitration proceedings that may have, or have had, a material adverse effect on it or its subsidiaries' financial condition, nor, so far as any of them is aware, is in any such proceeding pending or threatened.

All legal proceedings involving the Bank are efficiently and competently attended to and managed by a group of eleven (11) in-house counsels who are graduates of reputable law schools in the country. As its external counsels, the Bank retains or engages the services on case to case basis the following respected law firms: Sycip Salazar Hernandez & Gatmaitan Law Office, Angara Abello Concepcion Regala & Cruz, Sobreviñas Hayudini Navarro and San Juan Law Offices, Valerio and Associates, Vera Law Office, Alvarez Nuez Galang and Espina Lopez, Law Firm of Tagamolila Bellones & Margarico, Nietes-Gengos Laborte-Ildesa Panigbatan-Nafarrete Law Offices, Cantago and Partners, Quitain Law Office, Divina Law Offices, Atty. Remie Calatrava, Atty. Filmore Gomos, Atty. Omar Loui Sebastian and Atty. Romeo Gullermo among others.

**Item 10. Executive Compensation**

The following table identifies and summarizes the aggregate compensation of EastWest's CEO and the four most highly compensated executive officers of the Bank in 2019, 2020 and 2021:

In million pesos:

| Name | Year | Salary | Bonus | Others | Total |
|---|---|---|---|---|---|
| Antonio C. Moncupa, Jr.<br>Jesus Roberto S. Reyes*<br>Jacqueline Fernandez<br>Gerardo Susmerano<br>Rafael S. Algarra, Jr.<br>Cecilio Frederick M. Pusag** | **2021** | ₱73.8 | ₱82.1 | ₱- | ₱155.9 |
| | **2020** | ₱75.3 | ₱86.1 | ₱- | ₱161.4 |
| | **2019** | ₱77.8 | ₱76.6 | ₱- | ₱154.5 |

**retired effective December 31, 2019*
***Included in 2020 only as fourth highest compensated executive officer*

| | | |
|---|---|---|
| Aggregate compensation paid to all officers and Directors as a group unnamed (in millions) | 2021 | ₱3,652 |
| | 2020 | ₱3,373 |
| | 2019 | ₱3,162 |

The growth in aggregate compensation of the CEO and the four most highly compensated executive officers of the Bank for 2022 is estimated to be the same as that of the prior year.

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

**Standard Arrangement**
Non-executive directors and directors who are not directors or officers of Filinvest Development Corporation receive per diem of ₱60,000 for every committee or special board meeting and ₱120,000 for every regular board meetings.

Executive directors and directors who are officers or directors of Filinvest Development Corporation do not receive per diem as the same has been considered in their compensation.

**Other Arrangement**
The Bank does not have any agreement to pay additional compensation to its directors other than the above but may, without any obligation, grant additional compensation if certain performance driven goals are met.

Each member of the Board of Directors received the following as Directors for the year 2021:

| Name of Directors | Amount |
|---|---|
| Jonathan T. Gotianun* | ₱ - |
| Antonio C. Moncupa, Jr. * | - |
| Lourdes Josephine Gotianun-Yap* | - |
| Mercedes T. Gotianun* | - |

| | |
|---|---|
| Isabelle G. Yap* | – |
| Nelson M. Bona** | – |
| Wilson L. Sy | 3,600,000.00 |
| Paul A. Aquino*** | 2,340,000.00 |
| Carlos R. Alindada*** | 2,280,000.00 |
| Jose Maria G. Hofileña | 4,140,000.00 |
| Gregorio U. Kilayko | 4,680,000.00 |
| Armando L. Suratos**** | 2,400,000.00 |
| Francis H. Jardeleza**** | 2,100,000.00 |
| **Total** | **₱ 21,540,000.00** |

**Executive directors do not receive per diem as the same has been considered in their compensation*
***Resigned effective December 31, 2021*
****No longer Directors effective April 23, 2021*
*****New elected Independent Directors as of April 23, 2021*

### Item 11. Security Ownership of Certain Beneficial Owners and Management

Record and beneficial owners holding 5% or more of voting securities as of March 31, 2022.

| Title of Class | Name, Address of Record Owner & Relationship with Issuer | Name of Beneficial Owner & Relationship with Record Owner | Citizenship | No. of Shares Held | % |
|---|---|---|---|---|---|
| Common | Filinvest Development Corporation 6/F The Beaufort, 5th Ave. cor, 23rd St., Fort Bonifacio Global City, Taguig City (Stockholder) | A.L. Gotianun, Inc. (Parent Corporation of FDC) | Filipino | 900,136,017 | 40.0% |
| Common | FDC Forex Corporation 6/F The Beaufort, 5th Ave. cor, 23rd St., Fort Bonifacio Global City, Taguig City (Stockholder) | Filinvest Development Corporation (Parent Corporation of EW, owns 100% of FDC Forex Corp.) | Filipino | 851,517,164 | 37.9% |
| Common | PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center,6766 Ayala Ave. corner Paseo de Roxas, Makati City | Various stockholders/clients | Filipino | 419,738,148 | 18.7% |
| Common | PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City | Various stockholders/clients | Non-Filipino | 41,392,917 | 1.8% |

*Based on the list provided by the Philippine Depository and Trust Corp. to the Bank's transfer agent, Stock Transfer Service, Inc., as of March 31, 2022, none among the stockholders under the PCD Nominee Corporation holds 5% or more of the Bank's securities.*

Filinvest Development Corporation (FDC) is the record and beneficial owner of 40.0% of the outstanding capital stock of the Bank. It is also the beneficial owner – through registered owner FDC Forex Corporation of 37.8% of the shares of the Bank. FDC is majority owned by A.L. Gotianun, Inc. The Bank and FDC's ultimate parent Corporation is A.L. Gotianun, Inc.

Lourdes Josephine Gotianun-Yap is the proxy holder and authorized to vote on behalf of Filinvest Development Corporation and FDC Forex Corporation with 77.9% shareholding in the Corporation.

Except as stated above, the Bank has no knowledge of any person holding more than 5% of the Bank's outstanding shares under a voting trust or similar agreement. The Bank is likewise not aware of any arrangement which may result in a change in control of the Bank, or of any additional shares which the above-listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligation, or otherwise.

Directors and Management as of March 31, 2022:

| Title of Class | Name | Position | Citizenship | Nature of Beneficial Ownership | No. of Shares Held | Percent of Ownership |
|---|---|---|---|---|---|---|
| Common | Jonathan T. Gotianun | Chairman of the Board | Filipino | Direct / Indirect | 18,010,656 | 0.8005% |
| Common | Antonio C. Moncupa, Jr. | Vice-Chairman, President & CEO | Filipino | Direct | 7,333,554 | 0.3259% |
| Common | Josephine Gotianun-Yap | Director | Filipino | Direct / Indirect | 17,526,876 | 0.7790% |
| Common | Mercedes T. Gotianun | Director | Filipino | Direct / Indirect | 1,320,996 | 0.0587% |
| Common | Isabelle Therese G. Yap | Director | Filipino | Direct / Indirect | 146,405 | 0.0065% |
| Common | Wilson L. Sy | Director | Filipino | Direct / Indirect | 712,365 | 0.0317% |
| Common | Imelda B. Capistrano | Independent Director | Filipino | Direct | 5 | 0.0000% |
| Common | Jose Maria G. Hofileña | Independent Director | Filipino | Direct | 5 | 0.0000% |
| Common | Gregorio U. Kilayko | Independent Director | Filipino | Direct | 5 | 0.0000% |
| Common | Cristina Q. Orbeta | Independent Director | Filipino | Direct | 5 | 0.0000% |
| Common | Armando L. Suratos | Independent Director | Filipino | Direct | 5 | 0.0000% |
| | | **Subtotal** | | | **45,050,877** | **2.0023%** |
| | | | | | | |
| Common | Jacqueline S. Fernandez | Senior Executive Vice President | Filipino | Direct | 59,455 | 0.0026% |
| Common | Gerardo Susmerano | Senior Executive Vice President | Filipino | Direct | 750,558 | 0.0334% |
| Common | Rafael S. Algarra, Jr. | Senior Executive Vice President | Filipino | Direct | 185,000 | 0.0082% |
| Common | Ivy B. Uy | Senior Vice President | Filipino | Direct | 299,088 | 0.0133% |
| Common | Richard Chester C. Tamayo | Senior Vice President | Filipino | Direct | 9,000 | 0.0004% |
| Common | Grace N. Ang | Senior Vice President | Filipino | Direct / Indirect | 137,256 | 0.0061% |
| | | **Subtotal** | | | **1,440,357** | **0.0640%** |
| | | | | | | |
| | | **Total** | | | **46,491,234** | **2.0663%** |

The aggregate shareholdings of all directors and officers as a group is 2.0663%.

**Voting trust holders of 5% or more**

To the extent known to the Bank, there is no person or group of persons holding more than 5% of the common shares by virtue of a voting trust or similar agreement as there has been no voting trust which has been filed with the Bank and the Securities and Exchange Commission.

**Change in Control**

There have been no arrangements that have resulted in a change of control of the Bank during the period covered by this report.

## Item 12. Certain Relationships and Related Transactions

The Bank and its subsidiaries and affiliates in their normal course of business, have certain related party transactions. Kindly refer to Note 28 of the Notes to the Audited Consolidated Financial Statements for the summary of related-party transactions among members of the Filinvest Group.

There were no other transactions during the last two years, or any proposed transactions, to which the Bank was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest.

## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

### COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Bank is guided by the Board approved Manual on Corporate Governance which is the framework of rules, systems, and process that governs the performance of the Board of Directors and Management in the performance of their duties and responsibilities. The Manual on Corporate Governance outlines the Board governance processes which defines, among others, the corporate governance, board of directors, nomination and election, meetings, and quorum requirements. The Manual also enumerates the duties expected from the Board members, Board committees, and key officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness.

**Evaluation System and Compliance**
Each Board Committee regularly reports to the Board of Directors. On an annual basis, the Bank also accomplishes and submits to the SEC the Integrated Annual Corporate Governance Report (I-ACGR) to determine extent of compliance with the recommendations provided under the Code of Corporate Governance for Publicly Listed Companies.

In addition to the examination mandated by law or regulation, the corporate governance process is also subjected to the review of Internal Audit Division of the Bank. Review was primarily focused on the execution of BOD's governance responsibilities, appropriateness of BOD and Board-level committees' structure and composition, soundness of existing Board processes (e.g., board meetings and attendance, board diversity, board appointments and re-election, and remuneration matters), adherence to disclosure and transparency requirements, adequacy of internal control system and risk management framework, and active promotion and protection of stakeholders' rights.

The Chief Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Corporate Governance Manual by the Board members, officers and employees. There has been no deviation from the Manual on Corporate Governance standards as of the date of this Report. Any violation of the Bank's Corporate Governance Manual shall be subjected to the provisions of the Bank's Code of Discipline and Ethics.

An annual governance and performance self-rating exercise was conducted by the Board of Directors, its members and all Board Committees prior to the Annual Stockholders' Meeting of the Bank. Each assessment form has statements that describe the desired composition, functions and responsibilities of the Board, each Committee and individual director in accordance with the corporate governance policies. The self-assessment results shall provide an overall view of the performance of the Board and its committees which can aid in leveraging on the strengths of individual and collective efforts and working on areas of improvement in the conduct of oversight and governance. A decrease of at least 10% from the previous year's over-all assessment score or an individual rating of 3 or below (5 being the highest and 1 as lowest) on any of the statements in the self-assessment form shall warrant further evaluation, recommendations and/or action plan for the Board to address issues raised.

### Training and Continuing Education

The Bank held the annual Corporate Governance Seminar on November 12, 2021 conducted by SGV & Co. as part of EWBC's initiative to have a competent Board of Directors and Senior Management effectively instilling a clear strategy in protecting the rights of its stakeholders at the same time operating the business profitably. The seminar focused on updates on corporate governance and a comparison of the code of corporate governance for PLCs and public companies, areas of focus of the Board considering recent events particularly on enterprise resilience, sustainability and non-financial reporting, and alignment of organization's culture to broader societal developments, understanding of the new normal and the workforce of the future and its opportunities and risks, updates and developments on the local regulatory landscape relevant to corruption and bribery such as Philippines being in the grey list, Sectoral Risk Assessment for Banks and 3rd Mutual Evaluation Report, recently issued AML/CTPF regulations, data privacy and the National Privacy Commission (NPC) compliance requirements, and discussion on dynamic transformation realized system, transformative core value drivers, and how to have a transformation mindset.

### Board Committees

To support the effective performance of the Board's functions and fulfill the principles of good corporate governance, the Board created each of the following committees and appointed Board members thereto.

### Executive Committee

The Executive Committee is empowered to direct the business of the Bank vested by law in the Board of Directors insofar as such powers and authority may be lawfully delegated to the Executive Committee, including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

The Executive Committee, shall have five (5) regular members that meets weekly or as often as it may be necessary to address all matters referred to it. In 2021, thirty-six (36) regular meetings were conducted and attended by at least a majority of the Committee members.

| Name | Role | Meetings attended | % Present |
|---|---|---|---|
| Jonathan T. Gotianun | Chairman | 36 | 100% |
| Antonio C. Moncupa Jr. | Member | 35 | 97% |
| Josephine Gotianun-Yap | Member | 36 | 100% |
| Isabelle Therese G. Yap | Member | 35 | 97% |
| Jacqueline S. Fernandez | Member | 36 | 100% |

| | | |
|---|---|---|
| Total Meetings Held | **36** | |

**Corporate Governance and Compliance Committee (CGCC)**
The Corporate Governance and Compliance Committee leads the Bank and assists the Board of Directors in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of compliance program, money laundering 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 Board, all direct reports of the CEO and the President, regardless of rank, heads of Governance Units and other positions of the Bank requiring appointment by the Board of Directors. The Committee oversees the annual performance evaluation of the Board, its committees, and individual directors in accordance with the Corporate Governance Manual.

The Committee, composed of four (4) members of the Board of Directors, three of whom are independent directors, including the Chairperson, meets every other month or when necessary. In 2021, ten (10) meetings (regular and special) were conducted and attended by Committee members.

| Name | Role | Meetings attended | % Present |
|---|---|---|---|
| Paul A. Aquino* | Chairman | 4 | 100% |
| Francis H. Jardeleza** | Chairman | 6 | 100% |
| Jonathan T. Gotianun | Member | 8 | 80% |
| Jose Maria G. Hofileña | Member | 10 | 100% |
| Gregorio U. Kilayko* | Member | 4 | 100% |
| Armando L. Suratos** | Member | 6 | 100% |
| Total Meetings Held | | **10** | |

** Membership from January to March 2021*
*** Membership from April to December 2021*

**Related Party Transaction Committee (RPT Committee)**
The RPT Committee assists the Board in ensuring that transactions with related parties of the Bank 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.

The RPT Committee, composed of three (3) members of the Board of Directors, two of whom are independent directors, including the Chairperson, meets every other month or when necessary. In 2021, eight (8) meetings (regular and special) were conducted and attended by Committee members.

| Name | Role | Meetings attended | % Present |
|---|---|---|---|
| Jose Maria G. Hofileña | Chairman | 8 | 100% |

| | | | |
|---|---|---|---|
| Jonathan T. Gotianun | Member | 6 | 80% |
| Paul A. Aquino* | Member | 2 | 100% |
| Francis H. Jardeleza** | Member | 8 | 100% |
| Total Meetings Held | | **8** | |

** Membership from January to March 2021*

*** Membership from April to December 2021*

**Audit Committee**

The Audit Committee assists the Board of Directors in overseeing the Bank's financial reporting process, system of internal controls and the process for monitoring compliance with laws and regulations and the code of conduct. It also provides reasonable assurance to the Board on the overall management of risks of the Bank. It is responsible for setting up the Internal Audit Division, and for appointing the Chief Audit Executive and an independent external auditor who both report to the Audit Committee. It monitors and evaluates the effectiveness and accuracy of the internal control system established throughout the Bank, through the Internal Audit Division. The Internal Audit Division provides independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes. It functionally reports to the Audit Committee and administratively to the CEO. Internal Audit Division is independent to the Bank's other organizational units of as well as of the personnel subject to audit.

The Audit Committee, which consists of five (5) members, four of whom are independent directors, including the Chairman, meets once a month. In 2021, twelve (12) regular meetings were conducted and attended by all of the Committee members. The Audit Committee also had special meetings with Internal Audit, executive session with the external auditor, and a separate meeting with the heads of the governance units, namely Internal Audit, Compliance and Risk Management, without any executive director or senior management present. These meetings were attended by at least a majority of the Committee members, including the Chairman.

| Name | Role | Meetings attended | % Present |
|---|---|---|---|
| Carlos R. Alindada | Chairman* | 3 | 100% |
| Paul A. Aquino | Member* | 3 | 100% |
| Gregorio U. Kilayko | Member / Chairman** | 12 | 100% |
| Jose Maria G. Hofileña | Member | 12 | 100% |
| Josephine Gotianun-Yap | Member | 12 | 100% |
| Armando L. Suratos | Member** | 9 | 100% |
| Francis H. Jardeleza | Member** | 9 | 100% |
| Total Meetings Held | | **12** | |

**Up to March 2021*

*** Starting April 2021*

**Risk Management Committee**

The Risk Management Committee (RMC) assists the Board in fulfilling its responsibilities in managing the Bank's risk-taking activities. The RMC reviews and approves principles, policies, strategies, processes and control frameworks pertaining to risk management. It also recommends to the Board any necessary modifications or amendments to strategies and policies relative to risk management. Its functions include identifying and evaluating the Bank's risk exposures, estimating its impact to the organization and assessing the magnitude, direction and distribution of risks across the Bank, which it uses as basis in determining risk tolerances that it subsequently recommends to the Board for approval. RMC reports to the Board the overall risk exposures as well as the effectiveness of its risk management practices and processes while recommending further policy revisions when necessary. Members of the Committee possess adequate knowledge and understanding of the institution's risk exposures and expertise in developing appropriate risk policies and strategies.

The Risk Management Committee, which meets every month is composed of three (3) members of which two (2) are independent directors, including the Chairperson. In 2021, twelve (12) regular meetings were conducted and attended by the Committee members. Two (2) special meetings were conducted and attended by the majority of the Committee members.

| Name | Role | Meetings attended | % Present |
|---|---|---|---|
| Gregorio U. Kilayko | Chairman* | 14 | 100% |
| Armando L. Suratos | Chairman** | 11 | 100% |
| Carlos R. Alindada | Member*** | 3 | 100% |
| Wilson L. Sy | Member**** | 10 | 90% |
| Total Meetings Held | | **14** | |

**Chairman up to March 2021 and Committee member thereafter*

***New Committee member and Chairman since April 2021*

****Committee member until March 2021*

*****Committee member until September 2021*

**Compensation Committee**

The Compensation Committee ensures that the compensation policies and practices are consistent with the corporate culture, strategy and the business environment under which it operates. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

The Committee, shall have five (5) members of the Board of Directors that meets at least once a year or when necessary. In 2021, one (1) meeting was conducted and attended by all of the Committee members.

| Name | Role | Meetings attended | % Present |
|---|---|---|---|
| Josephine Gotianun-Yap | Chairman | 1 | 100% |
| Jonathan T. Gotianun | Member | 1 | 100% |

| | | | |
|---|---|---|---|
| Antonio C. Moncupa Jr. | Member | 1 | 100% |
| Mercedes T. Gotianun | Member | 1 | 100% |
| Gregorio U. Kilayko | Member | 1 | 100% |
| Total Meetings Held | | 1 | |

**Trust Committee**

The Trust Committee assists the Board in fulfilling its responsibilities to oversee the proper management and administration of trust and other fiduciary business. Duly constituted and authorized by the Board, the Committee acts within the sphere of authority as provided in the Bank's By-laws and/or as may be delegated by the Board. It undertakes such responsibilities but not limited to the following:

1) acceptance and closing of trust and other fiduciary accounts;
2) initial review of assets placed under the trustee's fiduciary custody;
3) investment, reinvestment and disposition of funds or property;
4) review and approval of transactions between trust and/or fiduciary accounts; and
5) review of trust and other fiduciary accounts to determine the advisability of retaining or disposing of the trust or fiduciary assets and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

The Trust Committee also presides over the proper conduct of the Bank's Trust business, periodically reviewing the business development initiatives such as staffing and delineation of responsibility/accountability, proactive development and implementation of strategies for cultivating of revenue streams and cost management, and application and monitoring of the proper performance benchmarks.

The Trust Committee is composed of five (5) members, namely the President, Trust Officer and three directors. It meets once every quarter or more frequently as circumstances may warrant. In 2021, four (4) regular meetings and one (1) special meeting were conducted and attended by at least a majority of the Committee members

| Name | Role | Meetings attended | % Present |
|---|---|---|---|
| Wilson L. Sy | Chairman | 5 | 100% |
| Jonathan T. Gotianun | Member | 3 | 60% |
| Antonio C. Moncupa Jr. | Member | 5 | 100% |
| Jerry G. Ngo* | Member | 2 | 100% |
| Raul Victor M. De Guzman | Member | 5 | 100% |
| Total Meetings Held | | 5 | |

**Starting October 2021*

## PART V – EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

### (a) Exhibits

ANNEX A – List of Owned and Leased Branches
ANNEX B – Audited Consolidated Financial Statements
ANNEX C – 2021 Sustainability Report

### (b) Reports on SEC Form 17-C

The following reports have been submitted by the Bank during the year 2021 through official disclosure letters:

| REPORT | DATE REPORTED |
|---|---|
| Annual Stockholders Meeting Results | 04/30/2021 |
| Appointment of Mr. Armando L. Suratos as Independent Director of the Bank | 04/30/2021 |
| Appointment of Mr. Francis H. Jardeleza as an Independent Director of the Bank | 04/30/2021 |
| Removal of Ms. Eloida F. Oquialda as Senior Vice President and Chief Audit Executive of the Bank, on July 27, 2021 | 08/04/2021 |
| Resignation of Atty. Eleanor B. Rivera as Senior Vice President, and Chief Compliance Officer, effective July 16, 2021 | 08/04/2021 |
| Appointment of Mr. Jerry G. Ngo as Director effective September 30, 2021 | 10/11/2021 |
| Resignation of Mr. Nelson M. Bona as Director, effective September 30, 2021 | 10/11/2021 |
| Appointment of Ms. Amy R. Dio as the First Vice President and Head of Compliance, effective December 1, 2021 | 12/06/2021 |
| Appointment of Ms. Ma. Mylene C. Subido as Senior Vice President and Head of Securities, Derivatives, Foreign Exchange Distribution/TMOBS, effective December 1, 2021 | 12/06/2021 |
| Appointment of Ms. Emma B. Co as the First Vice President and Head of Internal Audit, Chief Audit Executive, and Internal Audit effective January 3, 2022 | 12/22/2021 |
| Removal of Mr. Jerry G. Ngo as Director of EastWest Bank | 12/22/2021 |

**SIGNATURES**

Pursuant to the requirements of Section 16 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ________________________on__________, 2022.

By:

**ANTONIO C. MONCUPA, JR.**
President & CEO

**MINDA L. CAYABYAB**
Controller

**ATTY. BENEDICTO M. VALERIO, JR.**
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this __2 7__ day of __APR__ 2022 affiants exhibiting to me his/their proof of identification, as follows:

| **NAMES** | **PROOF OF IDENTIFICATION** | **DATE OF ISSUE** | **PLACE OF ISSUE** |
|---|---|---|---|
| ANTONIO C. MONCUPA, JR. | PP No. P3190182A | May 26, 2017 | Manila |
| MINDA L. CAYABYAB | PP No. P1705731A | Jan 21, 2017 | NCR South |
| ATTY. BENEDICTO M. VALERIO, JR. | PP No. P0258129B | Jan 16, 2019 | NCR South |

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**Notary Public**

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BOOK NO XV
SERIES OF 2022

ATTY. LOURDES A. ONA
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-53 until December 31, 2021
Notarial Commission extended up to June 30, 2022
Per SC B.M No. 3795 dated September 28, 2021
Office Address: 2284 Pasong Tamo Extension Makati City
Roll No. 38387/ IBP Lifetime No. 02701
PTR No. 8852929 January 6, 2022 Makati City

ANNEX A

## Branches Owned as of December 31, 2021

| Branch | Location |
|---|---|
| 1. The Fort - Beaufort | The Beaufort, 5th ave. corner 23rd St., Bonifacio Global City, Taguig City |
| 2. Betterliving | 100 Doña Soledad Ave., Betterliving Subd., Brgy. Don Bosco, |
| 3. Davao - Lanang | Lot 6 Blk 5, Insular Village, Pampanga Buhangin, Lanang Davao City |
| 4. Pioneer | UG-09 Pioneer Pointe Condominium, Pioneer St., Mandaluyong City |
| 5. Tandang Sora | Lot 80-A Kalaw Hills Subd., Brgy. Culiat, Tandang Sora |

## Branches and Buildings Leased as of December 31, 2021

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Gil Puyat-Metro House | March 1, 2021 | February 28, 2031 | 343,741.21 |
| Cubao-P. Tuazon | January 1, 2022 | December 31, 2031 | 106,876.29 |
| F. Ortigas Jr. | July 1, 2020 | June 30, 2025 | 365,198.96 |
| Las Piñas-Pamplona | August 27, 2016 | March 26, 2023 | 144,632.87 |
| EDSA-Kalookan | June 1, 2018 | May 31, 2028 | 218,766.35 |
| Roosevelt-Frisco | March 1, 2020 | February 28, 2030 | 232,748.82 |
| Pasig-Shaw Blvd. | April 1, 2015 | March 31, 2025 | 232,235.41 |
| Pasig-Caruncho | June 1, 2021 | March 31, 2029 | 224,336.00 |
| Ayala Ave.-Herrera | October 1, 2012 | September 30, 2022 | 256,646.78 |
| Imus | December 1, 2020 | November 30, 2030 | 153,705.71 |
| Taytay-Ortigas Ext. | April 15, 2016 | April 14, 2026 | 110,049.50 |
| Congressional Ave. | July 1, 2012 | June 30, 2027 | 135,081.64 |
| Anonas | April 16, 2012 | April 15, 2027 | 132,970.99 |
| President's Avenue | June 1, 2021 | May 31, 2031 | 123,200.00 |
| Antipolo-Marcos Hi-way | October 15, 2015 | October 14, 2030 | 119,191.52 |
| Regalado | September 28, 2020 | September 27, 2030 | 201,939.10 |
| Bagumbayan | April 1, 2015 | March 31, 2025 | 209,490.53 |
| Bacoor-Aguinaldo Hi-way | May 1, 2021 | April 30, 2026 | 224,000.00 |
| Padre Faura | March 1, 2013 | February 28, 2023 | 200,120.95 |
| Sto. Cristo | January 1, 2016 | December 31, 2025 | 165,124.01 |
| Pasong Tamo Extension | July 1, 2014 | June 30, 2024 | 277,998.02 |
| Mandaluyong-Shaw Blvd. | April 1, 2019 | March 31, 2024 | 181,348.52 |
| Quezon Ave-Sct Santiago | February 21, 2017 | February 20, 2027 | 75,638.07 |
| Katipunan-St. Ignatius | October 1, 2012 | September 30, 2022 | 338,881.30 |
| Escolta | June 1, 2017 | May 31, 2027 | 259,308.00 |
| Quezon Ave.-Banawe | April 1, 2019 | March 31, 2024 | 188,777.41 |
| Festival Mall Level 2 | February 1, 2019 | January 31, 2024 | 471,687.55 |
| Annapolis | April 1, 2018 | March 31, 2028 | 311,169.60 |
| San Fernando-Dolores | February 16, 2012 | February 15, 2022 | 197,170.09 |
| Cabanatuan-Melencio | January 16, 2012 | January 15, 2027 | 104,249.26 |
| Lucena City | September 20, 2016 | September 19, 2026 | 77,000.00 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Calamba | February 1, 2020 | January 31, 2030 | 119,141.99 |
| Alabang-Westgate | August 1, 2017 | July 31, 2022 | 419,381.76 |
| Dagupan-Perez | July 16, 2013 | July 15, 2028 | 102,102.53 |
| Cagayan de Oro-Velez | April 12, 2012 | April 11, 2022 | 89,600.00 |
| Zamboanga-NS Valderrosa | November 1, 2013 | October 30, 2023 | 153,153.79 |
| Baguio-Rizal Monument | May 15, 2014 | May 14, 2024 | 225,850.79 |
| Cebu-N. Escario | June 1, 2020 | May 31, 2030 | 176,821.87 |
| Tomas Morato | May 16, 2014 | May 15, 2024 | 178,192.95 |
| Sucat-NAIA | November 16, 2013 | November 16, 2023 | 171,852.30 |
| Pampanga-Angeles City | November 1, 2013 | October 31, 2028 | 122,523.03 |
| Valenzuela-Marulas | November 1, 2016 | October 31, 2026 | 128,649.18 |
| Greenhills-West | September 1, 2013 | August 31, 2023 | 189,067.52 |
| Valero | November 1, 2018 | October 31, 2023 | 295,941.74 |
| Salcedo | August 1, 2021 | July 31, 2026 | 189,514.96 |
| Tektite | October 1, 2013 | September 29, 2023 | 407,389.07 |
| Festival Mall Level 1 | November 1, 2021 | October 31, 2023 | 356,308.96 |
| Tarlac-F. Tañedo | February 19, 2013 | February 17, 2023 | 112,568.03 |
| T. Alonzo | September 16, 2017 | September 15, 2027 | 277,459.09 |
| Batangas City | May 1, 2012 | April 30, 2022 | 103,552.84 |
| West Avenue | March 1, 2020 | February 28, 2030 | 282,240.00 |
| Cebu-Mandaue Subangdaku | November 1, 2013 | December 31, 2023 | 105,206.77 |
| Naga City | April 26, 2014 | April 25, 2024 | 123,480.00 |
| Laoag City | August 23, 2014 | August 22, 2024 | 85,766.12 |
| Cebu-Banilad | June 1, 2012 | May 31, 2022 | 80,048.38 |
| Cebu-Magallanes | January 1, 2018 | December 31, 2022 | 148,340.26 |
| La Union-San Fernando | October 1, 2012 | September 30, 2022 | 125,851.06 |
| Cotabato City | February 10, 2012 | February 9, 2022 | 66,485.49 |
| Isabela-Santiago | June 1, 2015 | May 31, 2025 | 141,406.89 |
| New Manila | August 1, 2015 | July 31, 2025 | 315,241.95 |
| Intramuros | October 30, 2017 | October 29, 2022 | 252,047.38 |
| Davao-Sta. Ana | May 15, 2008 | January 14, 2023 | 182,306.98 |
| Del Monte | February 1, 2017 | January 31, 2027 | 291,721.50 |
| Grace Park-8th Ave. | December 16, 2016 | December 15, 2026 | 222,845.22 |
| Binondo | October 1, 2018 | September 30, 2028 | 710,601.47 |
| Paseo de Roxas-Legaspi | November 1, 2017 | October 31, 2022 | 318,647.01 |
| Baliuag | November 16, 2017 | November 15, 2032 | 92,610.00 |
| Davao-Matina | July 1, 2018 | June 30, 2028 | 102,102.53 |
| Lipa City | March 1, 2021 | February 28, 2041 | 112,002.24 |
| The Fort-Marajo Tower | September 1, 2018 | January 14, 2026 | 410,085.23 |
| Iloilo-Ledesma | November 1, 2018 | October 31, 2028 | 129,433.41 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Urdaneta City | January 1, 2019 | December 31, 2028 | 106,686.72 |
| Paso De Blas | July 1, 2021 | April 30, 2033 | 78,400.00 |
| Isabela-Cauayan | May 1, 2009 | April 30, 2024 | 101,679.77 |
| Malabon-Gov. Pascual | September 1, 2009 | August 31, 2024 | 61,555.46 |
| Bacolod-Lacson | January 1, 2017 | December 31, 2026 | 181,494.76 |
| Divisoria | April 1, 2019 | March 31, 2024 | 120,407.89 |
| Paseo-Philam Tower | October 1, 2020 | September 30, 2030 | 392,621.52 |
| San Miguel Ave. | May 1, 2018 | April 30, 2023 | 210,617.67 |
| Alabang Madrigal | June 15, 2014 | June 14, 2024 | 249,630.87 |
| UN Avenue | March 1, 2014 | February 29, 2024 | 181,791.11 |
| Chino Roces-Dela Rosa | August 1, 2019 | July 31, 2024 | 277,104.22 |
| Baclaran | October 1, 2021 | September 30, 2026 | 255,249.56 |
| Balintawak-A. Bonifacio | July 1, 2020 | April 30, 2030 | 103,111.01 |
| Paco | January 1, 2022 | December 31, 2031 | 126,076.19 |
| Soler | May 15, 2021 | May 31, 2031 | 128,286.94 |
| San Juan | July 6, 2021 | July 5, 2026 | 156,606.80 |
| Legaspi-Rufino | May 1, 2020 | April 30, 2030 | 195,113.20 |
| Ayala Ave.-Makati Sky Plaza | November 1, 2020 | October 31, 2025 | 841,594.00 |
| Carmona | May 1, 2010 | April 30, 2025 | 111,297.30 |
| Olongapo City | June 1, 2010 | May 31, 2025 | 172,762.31 |
| Quezon Ave-Sct Albano | September 1, 2010 | August 31, 2022 | 98,515.55 |
| Novaliches-Gulod | August 1, 2010 | July 31, 2022 | 115,082.89 |
| Iligan City | July 15, 2010 | July 14, 2033 | 137,094.70 |
| Ortigas-Emerald | July 1, 2021 | July 31, 2022 | 157,153.92 |
| C. Raymundo Ave. | March 1, 2021 | November 30, 2030 | 83,213.76 |
| Roxas Boulevard | December 1, 2021 | September 30, 2031 | 250,000.00 |
| Cebu Mactan | August 1, 2020 | July 31, 2030 | 134,252.10 |
| Malabon-Potrero | December 1, 2020 | September 30, 2030 | 140,120.00 |
| General Santos-Santiago | October 1, 2010 | September 30, 2032 | 77,158.16 |
| Evangelista | October 1, 2020 | September 30, 2030 | 118,196.43 |
| Mandaluyong-Libertad | December 1, 2020 | November 30, 2030 | 185,662.96 |
| Bataan-Balanga | August 1, 2010 | July 31, 2025 | 94,557.14 |
| Navotas-North Bay | August 1, 2020 | July 31, 2030 | 78,186.94 |
| Muntinlupa | October 1, 2020 | September 30, 2030 | 99,285.01 |
| Butuan City | April 1, 2021 | March 31, 2031 | 100,317.12 |
| General Trias | August 1, 2021 | July 31, 2031 | 95,155.20 |
| The Fort-Burgos Circle | April 1, 2021 | March 31, 2031 | 566,771.20 |
| Ozamiz City | April 1, 2011 | March 31, 2026 | 105,742.68 |
| San Pablo | May 11, 2011 | May 10, 2026 | 113,558.44 |
| San Pedro | November 1, 2021 | October 30, 2031 | 112,680.61 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Las Piñas-BF Resort | May 1, 2011 | April 30, 2026 | 105,840.27 |
| 168 Mall | February 1, 2021 | January 31, 2026 | 152,557.41 |
| Iloilo-Iznart | June 1, 2021 | May 31, 2031 | 132,380.01 |
| Paseo de Magallanes | April 1, 2021 | March 31, 2031 | 119,452.27 |
| Cebu-Mandaue North Road | October 1, 2021 | September 30, 2031 | 125,079.99 |
| Davao-Toril | December 7, 2011 | December 6, 2026 | 51,840.55 |
| Antipolo-ML Quezon | December 1, 2011 | November 30, 2026 | 74,057.92 |
| Tuguegarao City | August 1, 2021 | July 31, 2031 | 164,725.95 |
| Marikina-Gil Fernando | December 3, 2021 | December 2, 2031 | 160,000.00 |
| Greenhills Shopping Center | February 16, 2017 | February 15, 2022 | 238,868.18 |
| Cebu-Grand Cenia | March 1, 2012 | February 28, 2022 | 280,873.33 |
| Gil Puyat - F. B. Harrison | April 11, 2014 | April 10, 2029 | 45,378.90 |
| Taft-Nakpil | February 1, 2014 | March 31, 2024 | 187,613.39 |
| Acropolis | August 1, 2015 | July 31, 2025 | 302,456.85 |
| Taytay - Manila East | August 16, 2014 | August 15, 2024 | 150,296.38 |
| Caloocan-A. Mabini | April 1, 2014 | March 31, 2024 | 177,567.18 |
| Iloilo-Molo | November 1, 2013 | October 31, 2023 | 162,417.04 |
| Alabang-Commerce Ave. | February 17, 2014 | January 31, 2024 | 193,738.09 |
| Metropolitan Avenue | June 1, 2021 | May 31, 2024 | 155,676.04 |
| Ortigas-Rockwell | April 1, 2019 | March 31, 2024 | 154,073.57 |
| Pangasinan-San Carlos | October 1, 2013 | September 30, 2023 | 109,107.87 |
| Pasig Boulevard | September 5, 2011 | September 4, 2026 | 69,499.51 |
| Mayon | November 5, 2021 | November 4, 2031 | 211,648.84 |
| Tagum City | December 1, 2021 | November 30, 2031 | 82,737.50 |
| Don Antonio Heights | December 17, 2011 | December 16, 2026 | 151,264.46 |
| City Place Square | November 1, 2020 | October 31, 2022 | 209,214.96 |
| Baesa Town Center | December 1, 2021 | November 30, 2031 | 68,136.16 |
| Banawe-Sct. Alcaraz | December 17, 2021 | December 16, 2031 | 167,232.15 |
| Timog Ave. | December 1, 2021 | November 30, 2031 | 143,632.31 |
| West Service Road | August 15, 2011 | August 14, 2026 | 116,032.14 |
| Wilson | December 1, 2021 | November 30, 2031 | 211,096.63 |
| Chino Roces-Bagtikan | October 1, 2019 | September 30, 2024 | 149,917.42 |
| Sucat-Evacom | October 1, 2021 | September 30, 2031 | 124,903.64 |
| Banawe-N. Roxas | September 1, 2019 | August 31, 2027 | 228,438.00 |
| Baguio City-Session Rd. | January 16, 2012 | January 15, 2022 | 175,032.90 |
| EDSA Howmart | January 5, 2012 | January 4, 2022 | 140,653.75 |
| E. Rodriguez Ave. | January 12, 2012 | January 11, 2022 | 182,022.51 |
| Jose Abad Santos-Tayuman | June 1, 2012 | May 31, 2022 | 180,377.12 |
| Pampanga-Apalit | July 16, 2012 | July 15, 2027 | 114,825.08 |
| Ayala Ave-SGV | May 16, 2017 | May 15, 2022 | 303,865.07 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Marikina-Concepcion | April 1, 2012 | March 31, 2022 | 177,877.53 |
| Angeles-Balibago | August 7, 2012 | August 6, 2022 | 235,801.89 |
| Better Living-Peru | July 9, 2012 | July 8, 2022 | 206,843.76 |
| Ilocos Sur-Candon | June 16, 2012 | June 15, 2022 | 128,800.00 |
| Cebu-A.S. Fortuna | July 1, 2012 | June 30, 2022 | 136,136.70 |
| Cebu-M. Velez | August 1, 2012 | July 31, 2022 | 137,675.20 |
| Greenhills-Connecticut | January 1, 2021 | December 31, 2025 | 307,759.70 |
| Davao-C.M. Recto | May 15, 2012 | May 14, 2022 | 55,158.34 |
| EDSA-Muñoz | June 1, 2012 | May 31, 2022 | 123,569.00 |
| Kamias | January 5, 2012 | January 4, 2027 | 111,132.00 |
| Koronadal City | August 1, 2012 | July 31, 2022 | 139,347.38 |
| Pasay-D. Macapagal Blvd | June 1, 2019 | February 29, 2024 | 255,774.14 |
| Bacolod-Mandalagan | April 1, 2012 | March 31, 2022 | 125,893.27 |
| Las Piñas-Marcos Alvarez | July 1, 2012 | June 30, 2022 | 88,647.33 |
| Masambong | August 1, 2012 | July 31, 2022 | 165,474.98 |
| Masangkay | May 15, 2012 | May 14, 2022 | 157,201.26 |
| Gil Puyat-Pacific Star | May 16, 2017 | May 15, 2022 | 151,343.10 |
| Pagadian City | July 10, 2012 | July 9, 2027 | 110,745.32 |
| Palawan | July 15, 2012 | July 14, 2027 | 186,305.23 |
| Cebu-Park Mall | August 1, 2019 | July 31, 2022 | 135,858.87 |
| Rada | May 16, 2012 | May 15, 2022 | 255,985.70 |
| Roosevelt-Sto. Niño | July 1, 2012 | June 30, 2027 | 118,196.44 |
| San Fernando-Sindalan | July 15, 2012 | July 14, 2027 | 225,136.07 |
| Sucat-Kingsland | August 1, 2012 | July 31, 2022 | 167,046.88 |
| Taft Avenue | July 16, 2012 | July 15, 2022 | 248,212.51 |
| Tomas Mapua-Lope de Vega | July 1, 2012 | June 30, 2022 | 74,875.19 |
| T.M. Kalaw | July 1, 2012 | June 30, 2022 | 314,402.52 |
| UP Village | July 15, 2012 | July 14, 2022 | 124,417.31 |
| Benavidez | December 1, 2021 | November 30, 2031 | 166,798.81 |
| G. Araneta Ave. | March 1, 2012 | February 28, 2022 | 174,493.40 |
| Quiapo | August 1, 2021 | April 30, 2031 | 143,360.00 |
| 999 Shopping Mall | November 21, 2017 | November 20, 2022 | 253,186.21 |
| Amorsolo-Queensway | October 10, 2012 | October 10, 2022 | 145,948.96 |
| Makati Ave.-Juno | January 1, 2019 | December 31, 2025 | 336,237.50 |
| Eastwood City | March 1, 2017 | January 31, 2022 | 470,604.89 |
| North EDSA | May 16, 2012 | May 14, 2022 | 218,633.86 |
| BF Homes-Aguirre | September 1, 2012 | August 29, 2027 | 77,756.84 |
| Quezon Ave-Dr. Garcia | April 16, 2012 | April 15, 2022 | 239,316.07 |
| J.P. Rizal | March 1, 2012 | February 28, 2022 | 120,170.13 |
| Grace Park-7th Ave. | May 21, 2012 | May 20, 2022 | 151,268.38 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Bacoor-Molino | June 7, 2012 | August 9, 2022 | 122,544.26 |
| Davao-Bajada | May 1, 2012 | April 30, 2027 | 765,482.70 |
| Pasay-Libertad | March 1, 2012 | February 28, 2022 | 150,090.71 |
| Ayala Ave-Rufino | September 1, 2012 | August 31, 2022 | 226,436.00 |
| Batangas-Bauan | July 1, 2012 | June 30, 2022 | 143,878.02 |
| Alabang Entrata | May 1, 2018 | April 30, 2023 | 325,055.64 |
| Boni Avenue | July 1, 2012 | June 30, 2022 | 155,132.82 |
| Boracay | April 16, 2016 | April 15, 2026 | 221,327.30 |
| Pangasinan-Rosales | October 1, 2012 | September 30, 2022 | 140,653.76 |
| Cagayan de Oro-Cogon | May 21, 2012 | May 20, 2022 | 165,475.01 |
| Mindoro-Calapan | August 1, 2012 | July 31, 2022 | 106,064.10 |
| Cavite-Naic | August 1, 2012 | July 31, 2024 | 62,053.13 |
| Cavite-Tanza | August 1, 2012 | July 31, 2027 | 26,801.91 |
| Cebu-Fuente Osmeña | September 1, 2012 | August 31, 2022 | 259,382.86 |
| Cebu IT Park | September 30, 2012 | September 29, 2022 | 140,659.79 |
| Cebu-Colon | August 1, 2012 | July 31, 2022 | 112,286.63 |
| Cebu-Minglanilla | September 16, 2012 | September 15, 2022 | 113,798.74 |
| Cebu-Talisay | October 1, 2012 | September 30, 2022 | 85,766.12 |
| Cebu-A.C. Cortes | August 16, 2012 | August 15, 2022 | 105,797.33 |
| Cebu-Basak Pardo | August 1, 2012 | July 31, 2022 | 113,019.44 |
| Cebu-Freedom Park | September 16, 2012 | September 15, 2022 | 115,716.20 |
| Commonwealth | November 1, 2012 | October 31, 2022 | 121,708.56 |
| Cubao-Araneta Center | September 2, 2012 | September 1, 2022 | 281,846.55 |
| Dagupan-A.B. Fernandez | November 1, 2012 | October 31, 2027 | 115,743.15 |
| Dasmariñas | August 1, 2012 | July 31, 2022 | 142,511.12 |
| Davao-J.P. Laurel | September 7, 2012 | November 20, 2027 | 99,293.07 |
| Davao-Panabo City | June 8, 2012 | June 7, 2022 | 99,966.15 |
| H.V. Dela Costa | July 15, 2017 | July 14, 2027 | 144,212.33 |
| Legaspi-Dela Rosa | October 1, 2012 | September 30, 2022 | 384,482.86 |
| Bataan-Dinalupihan | November 1, 2012 | October 31, 2027 | 75,279.87 |
| Dumaguete City | August 16, 2012 | June 30, 2022 | 185,220.00 |
| ElCano | July 1, 2012 | June 30, 2022 | 219,951.04 |
| Fairview | June 15, 2012 | June 14, 2022 | 103,552.84 |
| Pampanga-Guagua | November 1, 2012 | October 31, 2022 | 109,395.56 |
| Bacolod-Hilado | August 1, 2012 | July 31, 2022 | 52,124.63 |
| Iloilo-Jaro | July 1, 2012 | June 30, 2022 | 98,142.79 |
| Julia Vargas | September 1, 2012 | August 31, 2022 | 321,431.90 |
| Benguet-La Trinidad | October 1, 2012 | September 30, 2022 | 127,918.22 |
| Lagro | July 1, 2012 | June 30, 2027 | 95,801.33 |
| Loyola Heights-Katipunan | November 1, 2012 | October 31, 2022 | 191,948.32 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Malabon-Rizal Avenue | September 1, 2012 | August 31, 2027 | 60,304.30 |
| Marikina-J.P. Rizal | June 16, 2012 | June 15, 2022 | 197,625.31 |
| Meycauayan-Malhacan | September 1, 2012 | August 31, 2022 | 209,549.15 |
| Ormoc City | September 1, 2012 | August 31, 2022 | 137,068.47 |
| Ortigas-Garnet | July 15, 2012 | July 14, 2022 | 236,784.81 |
| Tarlac-Paniqui | November 1, 2012 | October 31, 2032 | 45,456.13 |
| San Lorenzo-A. Arnaiz | October 8, 2012 | October 7, 2022 | 463,330.03 |
| Pasig-Valle Verde | August 1, 2012 | July 31, 2022 | 197,067.99 |
| Pasig Rosario | July 15, 2012 | July 14, 2022 | 114,614.73 |
| Pasig-Santolan | July 1, 2012 | June 30, 2022 | 94,809.13 |
| The Fort-South of Market | September 16, 2014 | September 15, 2024 | 217,437.54 |
| Nueva Ecija-San Jose | August 1, 2012 | July 31, 2022 | 74,463.75 |
| Nueva Vizcaya-Solano | September 1, 2012 | August 31, 2027 | 74,463.75 |
| Surigao City | September 1, 2012 | August 31, 2022 | 127,187.69 |
| Tagbilaran City | January 1, 2017 | December 31, 2026 | 102,561.54 |
| Novaliches-Talipapa | October 1, 2012 | September 30, 2022 | 227,520.49 |
| Batangas-Tanauan | September 1, 2012 | August 31, 2027 | 45,387.43 |
| The Fort-F1 | September 1, 2012 | August 31, 2022 | 406,434.90 |
| Vigan | November 1, 2012 | October 31, 2022 | 143,531.34 |
| Zamboanga-Canelar | July 16, 2012 | July 15, 2022 | 158,523.02 |
| Las Piñas-Almanza | August 1, 2012 | July 31, 2027 | 179,847.08 |
| Greenhills-North | February 15, 2013 | February 14, 2023 | 361,937.00 |
| Mandaluyong - Wack-Wack | June 1, 2016 | May 31, 2026 | 115,716.20 |
| Sucat-Kabihasnan | October 1, 2013 | September 30, 2022 | 229,930.19 |
| Gil Puyat-Dian | January 28, 2013 | January 27, 2023 | 134,998.10 |
| A. Bonifacio-Balingasa | February 1, 2013 | January 31, 2023 | 105,254.12 |
| Bicutan-East Service Rd | February 27, 2013 | February 26, 2023 | 134,869.58 |
| Kalentong | November 1, 2012 | December 31, 2022 | 148,927.51 |
| Juan Luna-Pritil | October 1, 2012 | September 30, 2022 | 99,285.01 |
| Visayas Avenue | February 15, 2013 | February 14, 2023 | 220,633.35 |
| Bukidnon-Valencia | March 5, 2013 | March 4, 2023 | 107,259.11 |
| Bulacan-Plaridel | March 1, 2013 | February 29, 2028 | 82,646.31 |
| Laguna - Cabuyao | March 1, 2014 | February 29, 2024 | 160,811.48 |
| Cavite City | February 18, 2013 | February 17, 2028 | 56,284.02 |
| Davao-Buhangin | January 25, 2013 | January 24, 2023 | 141,835.72 |
| Grace Park-11th Ave. | October 1, 2012 | September 30, 2022 | 319,633.18 |
| Legazpi City | July 1, 2014 | June 30, 2024 | 160,232.90 |
| Nueva Ecija-Gapan | February 1, 2013 | January 31, 2028 | 92,913.30 |
| Valenzuela-Dalandanan | November 1, 2012 | December 31, 2022 | 164,903.73 |
| Alabang Hills | December 20, 2012 | February 3, 2023 | 168,804.21 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Marikina-Parang | February 25, 2013 | February 24, 2023 | 113,908.13 |
| Navotas-M. Naval | August 1, 2013 | July 31, 2033 | 69,477.71 |
| Ongpin | March 1, 2013 | May 31, 2023 | 324,981.10 |
| Ylaya-Padre Rada | June 1, 2013 | May 31, 2023 | 171,869.45 |
| Banawe-Kaliraya | August 17, 2013 | August 16, 2023 | 236,392.87 |
| Pangasinan-Lingayen | October 1, 2013 | September 30, 2023 | 83,722.48 |
| Bulacan-Balagtas | June 1, 2013 | May 31, 2028 | 74,057.92 |
| Subic Bay | May 1, 2013 | July 31, 2023 | 160,811.48 |
| Cavite-Trece Martires | April 25, 2013 | April 24, 2023 | 181,234.54 |
| Laguna-Biñan | March 27, 2013 | March 26, 2023 | 126,808.64 |
| Batangas-Lemery | April 16, 2013 | April 15, 2023 | 136,446.10 |
| Bacolod-Araneta | September 26, 2013 | September 25, 2023 | 51,571.18 |
| Roxas City | July 1, 2013 | July 31, 2023 | 57,916.25 |
| Kalibo | April 19, 2013 | April 18, 2023 | 94,557.15 |
| Tacloban City-Marasbaras | May 30, 2013 | July 30, 2023 | 111,079.43 |
| Davao-Digos | April 25, 2013 | June 24, 2023 | 96,174.08 |
| Perea | April 16, 2013 | April 15, 2023 | 286,652.74 |
| General Luis-Kaybiga | August 11, 2013 | August 10, 2028 | 51,051.26 |
| Antique-San Jose | August 5, 2013 | October 18, 2023 | 78,797.62 |
| Batangas-Rosario | July 17, 2013 | July 16, 2023 | 112,568.03 |
| Grace Park-3rd Ave. | October 1, 2013 | September 30, 2023 | 100,060.47 |
| Isabela-Ilagan | October 1, 2013 | September 30, 2033 | 73,180.80 |
| La Union-Agoo | December 1, 2013 | November 30, 2028 | 74,057.92 |
| Ilocos Norte-San Nicolas | September 16, 2013 | September 15, 2023 | 100,246.12 |
| San Fernando-JASA | October 20, 2013 | October 19, 2028 | 166,356.38 |
| Cavite-Silang | July 21, 2013 | July 20, 2023 | 105,303.64 |
| Davao-Agdao | August 8, 2013 | October 6, 2023 | 78,797.62 |
| Davao-McArthur Matina | July 10, 2013 | September 22, 2023 | 73,877.22 |
| Project 8-Shorthorn | October 1, 2013 | September 30, 2023 | 150,643.44 |
| Jupiter-Paseo de Roxas | July 15, 2013 | July 14, 2023 | 315,190.49 |
| Dipolog City | November 20, 2013 | September 19, 2023 | 141,835.72 |
| General Santos-Pioneer | July 25, 2013 | September 22, 2023 | 151,565.93 |
| Tordesillas | July 11, 2013 | July 10, 2023 | 125,319.74 |
| Blumentritt-Rizal Ave | August 1, 2013 | July 31, 2023 | 133,955.97 |
| Greenhills-Promenade | October 1, 2018 | September 30, 2023 | 323,070.26 |
| Chino Roces-La Fuerza | October 31, 2013 | October 30, 2023 | 283,955.12 |
| Gil Puyat-Salcedo Vill. | September 16, 2013 | September 15, 2023 | 145,803.81 |
| Catbalogan City | August 13, 2013 | October 11, 2023 | 84,426.03 |
| Batangas-Nasugbu | August 22, 2013 | August 21, 2023 | 87,674.52 |
| Juan Luna-Binondo | September 16, 2013 | September 15, 2023 | 182,022.51 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Leviste | November 1, 2013 | October 31, 2023 | 304,248.95 |
| Paz M. Guazon | December 1, 2013 | November 30, 2023 | 156,557.21 |
| Sampaloc-J. Figueras | April 1, 2014 | March 31, 2024 | 180,108.85 |
| Del Monte-D. Tuazon | February 15, 2014 | February 14, 2024 | 154,700.80 |
| Valenzuela-Gen. T. De Leon | January 1, 2014 | December 31, 2024 | 64,324.59 |
| E. Rodriguez Ave.-Cubao | November 15, 2013 | November 14, 2023 | 114,819.39 |
| MIA Road | October 29, 2013 | October 28, 2023 | 138,127.73 |
| Las Pinas- J. Aguilar Ave. | March 18, 2014 | March 17, 2024 | 198,740.83 |
| Malolos | December 25, 2013 | December 24, 2023 | 56,284.02 |
| Nueva Ecija-Talavera | January 1, 2014 | December 31, 2028 | 47,336.96 |
| Zambales-Iba | December 25, 2013 | December 24, 2028 | 51,051.26 |
| Kawit-Centennial | April 14, 2014 | April 13, 2024 | 74,963.59 |
| Batangas-Sto. Tomas | April 7, 2014 | April 6, 2029 | 51,051.26 |
| Sorsogon City | September 26, 2013 | September 25, 2023 | 122,523.03 |
| Silay | October 6, 2013 | October 17, 2028 | 51,051.26 |
| Davao-Quirino | October 1, 2013 | September 30, 2023 | 122,984.40 |
| Davao-Magsaysay | September 17, 2013 | September 16, 2028 | 38,288.45 |
| Cagayan de Oro-Carmen | January 29, 2014 | January 28, 2024 | 134,009.56 |
| Cagayan de Oro-Lapasan | November 5, 2013 | November 18, 2023 | 105,532.53 |
| Kidapawan | September 13, 2013 | November 11, 2023 | 84,426.03 |
| Batangas - Balayan | March 7, 2014 | March 6, 2029 | 54,591.15 |
| General Santos City-Calumpang | February 1, 2014 | January 31, 2024 | 86,248.11 |
| The Fort-Active Fun | March 23, 2014 | March 22, 2024 | 494,553.53 |
| Pasay-Oceanaire | August 1, 2014 | September 30, 2024 | 277,882.23 |
| Pateros | March 16, 2014 | March 15, 2024 | 127,646.00 |
| Bulacan-San Jose Del Monte | June 1, 2014 | May 31, 2029 | 124,275.11 |
| Sta. Rosa | May 1, 2019 | April 30, 2024 | 222,264.00 |
| Pedro Gil | April 16, 2014 | June 15, 2022 | 300,181.42 |
| Mayon-Dapitan | September 1, 2014 | August 31, 2024 | 126,351.87 |
| Bataan-Mariveles | May 1, 2014 | April 30, 2029 | 12,355.47 |
| Kamuning | May 20, 2014 | May 19, 2024 | 112,754.90 |
| E. Rod.-Welcome Rotonda | May 15, 2014 | May 14, 2024 | 120,072.57 |
| Xavierville | June 21, 2016 | June 20, 2024 | 170,341.05 |
| Tabaco City | May 19, 2014 | May 18, 2024 | 120,054.41 |
| Ortigas-ADB Avenue | October 1, 2014 | September 30, 2024 | 302,922.51 |
| A. Mabini-R. Salas | August 15, 2014 | August 14, 2024 | 225,136.07 |
| P. Ocampo Avenue | September 11, 2014 | September 10, 2024 | 142,586.18 |
| Montalban-Rizal | September 1, 2014 | August 31, 2024 | 100,749.14 |
| Timog-Mother Ignacia | October 1, 2014 | September 30, 2024 | 242,785.64 |

| Branch/Building | Commencement Date | Expiration Date | Monthly Rent |
|---|---|---|---|
| Aurora Blvd.-Anonas | September 4, 2014 | September 3, 2024 | 142,586.18 |
| Boni Serrano Ave. | November 10, 2014 | November 9, 2024 | 139,247.93 |
| Cabanatuan-Maharlika | January 5, 2015 | April 15, 2030 | 80,482.19 |
| Kalayaan-Matalino | March 1, 2015 | February 28, 2035 | 222,661.30 |
| Legaspi-Aguirre | April 15, 2015 | April 28, 2025 | 337,346.74 |
| Tarlac-Concepcion | May 1, 2015 | April 30, 2030 | 69,644.67 |
| Bulacan-Sta. Maria | May 1, 2015 | April 30, 2025 | 121,550.63 |
| Tarlac-McArthur Highway | May 1, 2015 | April 30, 2030 | 57,576.61 |
| Pangasinan-Mangaldan | June 1, 2015 | May 31, 2025 | 152,213.36 |
| Batangas City-Pallocan | June 1, 2015 | May 31, 2025 | 89,339.71 |
| Isabela-Roxas | January 16, 2016 | January 15, 2026 | 66,150.00 |
| Laguna-Sta. Cruz | October 19, 2015 | October 18, 2025 | 89,993.85 |
| Calamba-National Road | September 1, 2015 | August 31, 2025 | 194,481.00 |
| Bacolod-East | August 1, 2015 | July 31, 2025 | 132,237.60 |
| Davao-Diversion Road | June 16, 2015 | August 15, 2025 | 64,038.70 |
| Pangasinan-Alaminos | July 1, 2015 | June 30, 2025 | 129,799.88 |
| Candelaria | August 11, 2015 | August 10, 2030 | 52,500.00 |
| Iloilo-Diversion | June 1, 2016 | May 31, 2026 | 80,262.00 |
| Baguio-Legarda | September 16, 2015 | September 15, 2025 | 259,825.56 |
| Tacloban City-J. Romualdez | October 19, 2015 | October 18, 2025 | 157,033.75 |
| Butuan-P. Burgos | September 1, 2015 | August 31, 2025 | 146,615.78 |
| San Mateo | September 16, 2015 | September 15, 2030 | 79,071.87 |
| Cavite-Rosario | October 26, 2015 | October 25, 2025 | 178,679.42 |
| Davao-Ma-a | March 1, 2016 | February 28, 2026 | 81,682.02 |
| The Fort-BGC Corporate Center | April 15, 2016 | December 31, 2021 | 315,047.55 |
| Pampanga-Clark | September 1, 2016 | August 31, 2026 | $ 2,187.91 |
| Tacurong | May 1, 2016 | April 30, 2026 | 106,895.04 |
| Cebu-SRP Il Corso | August 1, 2019 | July 31, 2029 | 126,672.00 |
| Tagaytay | February 16, 2017 | April 30, 2027 | 177,477.88 |
| Alabang-Frabelle | November 15, 2016 | November 15, 2026 | 668,761.33 |
| The Fort - B3 Bonifacio High St. | July 1, 2021 | June 30, 2031 | 388,264.80 |
| Ortigas-Orient Square | April 1, 2017 | March 31, 2027 | 790,573.04 |
| Cagayan de Oro-Pueblo de Oro | May 29, 2017 | May 28, 2027 | 143,035.20 |
| The Fort-PSE Tower | January 15, 2018 | December 14, 2027 | 268,384.17 |
| Festival Mall-Expansion Wing | March 15, 2018 | April 30, 2023 | 234,074.57 |
| Gil Puyat-Washington | December 1, 2019 | January 31, 2025 | 228,475.52 |
| The Fort-Brilliance Center | October 1, 2020 | September 30, 2030 | 499,100.00 |

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eafs@bir.gov.ph
To Dela Pena, Francis Solomon P.
Cc Dela Pena, Francis Solomon P.

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Hi EAST WEST BANK CORPORATION,

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Company TIN: **003-921-057**

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eastwest

**STATEMENT 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

**EAST WEST BANKING CORPORATION**
EastWest Bank Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig, M.M.
Telephone number 8575-3888 | Email: service@eastwestbanker.com | www.eastwestbanker.com
A member of the FILINVEST Group

**SUBSCRIBED AND SWORN** to before me on this ___3 0 MAR 2022___ at ___Makati City___ City, affiant exhibited to me his/her ID ____________________ issued at ____________________________ on ______________________

DOC. NO.: 440
PAGE NO.: 90
BOOK NO.: XI
SERIES NO.: 2022

ATTY. LOURDES A. ONA
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-53 until December 31, 2021
Notarial Commission extended up to June 30, 2022
Per SC B.M No. 3795 dated September 28, 2021
Office Address: 2264 Pasong Tamo Extension Makati City
Roll No. 38397/ IBP Lifetime No. 02701
PTR No. 3852929 January 6, 2022 Makati City

# C O V E R   S H E E T
**for**
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| A | S | 0 | 9 | 4 | - | 0 | 0 | 2 | 7 | 3 | 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|

C O M P A N Y   N A M E

**EAST WEST BANKING CORPORATION**

PRINCIPAL OFFICE *( No. / Street / Barangay / City / Town / Province )*

**THE BEAUFORT, 5TH AVENUE COR.**
**23RD ST. BONIFACIO GLOBAL CITY**
**TAGUIG CITY**

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| **AFS** | | |

C O M P A N Y   I N F O R M A T I O N

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| **www.eastwestbanker.com** | **8575-3888** | |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| **107** | **April 22** | **December 31** |

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| **Minda L. Cayabyab** | **MLCayabyab@eastwestbanker.com** | **8575-3390** | |

CONTACT PERSON's ADDRESS

**The Beaufort, 5th Avenue cor. 23rd Street, Fort Bonifacio Global City, Taguig City**

***NOTE 1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2 :*** *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

# 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.

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.

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 Arce

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

# EAST WEST BANKING CORPORATION AND SUBSIDIARIES

## 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.*

# EAST WEST BANKING CORPORATION AND SUBSIDIARIE
## STATEMENT 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.*

# EAST WEST BANKING CORPORATION AND SUBSIDIARIES

## 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** | | | | | | |
| *Items that will not be reclassified to profit or loss in subsequent periods:* | | | | | | |
| 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) |
| *Items that may be reclassified to profit or loss in subsequent periods:* | | | | | | |
| 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.*

# EAST WEST BANKING CORPORATION AND SUBSIDIARIES
## 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 | Fair Value Reserves on Financial Assets at FVTOCI | Remeasurement Losses on Retirement Plan | Cumulative Translation Adjustment | Total Equity |
| **Balance at January 1, 2021** | **₱22,499,754** | **₱5,065,059** | **₱936,635** | **₱27,080,614** | **₱189,936** | **(₱402,661)** | **₱113,206** | **₱55,482,543** |
| Net income | – | – | – | **4,515,036** | **–** | **–** | **–** | **4,515,036** |
| Other comprehensive income | – | – | – | – | **(328,757)** | **191,166** | **(510,354)** | **(647,945)** |
| Total comprehensive income | – | – | – | **4,515,036** | **(328,757)** | **191,166** | **(510,354)** | **3,867,091** |
| 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** | **₱22,499,754** | **₱5,065,059** | **₱946,618** | **₱31,585,667** | **(₱138,821)** | **(₱211,495)** | **(₱397,148)** | **₱59,349,634** |
| | | | | | | | | |
| **Balance as at January 1, 2020** | ₱22,499,754 | ₱5,065,059 | ₱928,708 | ₱20,580,707 | ₱28,328 | (₱124,788) | ₱89,565 | ₱49,067,333 |
| 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 | 161,608 | (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** | ₱22,499,754 | ₱5,065,059 | ₱936,635 | ₱27,080,614 | ₱189,936 | (₱402,661) | ₱113,206 | ₱55,482,543 |
| | | | | | | | | |
| **Balance as at January 1, 2019, as restated** | ₱22,499,754 | ₱5,065,059 | ₱921,655 | ₱14,345,822 | (₱10,293) | (₱77,991) | (₱94,822) | ₱42,649,184 |
| 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 | 38,621 | (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** | ₱22,499,754 | ₱5,065,059 | ₱928,708 | ₱20,580,707 | ₱28,328 | (₱124,788) | ₱89,565 | ₱49,067,333 |

*See accompanying Notes to Financial Statemen*

**Parent Company**

**Year Ended December 31, 2021**

| | Common Stock | Additional Paid in Capital | Surplus Reserves | Surplus | Fair Value Reserves on Financial Assets at Fair Value Through Other Comprehensive Income | Remeasurement Losses on Retirement Plan | Cumulative Translation Adjustment | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2021** | ₱22,499,754 | ₱5,065,059 | ₱936,635 | ₱27,080,614 | ₱189,936 | (₱402,661) | ₱113,206 | ₱55,482,543 |
| Net income | – | – | – | 4,515,036 | – | – | – | 4,515,036 |
| Other comprehensive income | – | – | – | | (328,757) | 191,166 | (510,354) | (647,945) |
| Total comprehensive income | – | – | – | 4,515,036 | (328,757) | 191,166 | (510,354) | 3,867,091 |
| 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** | ₱22,499,754 | ₱5,065,059 | ₱946,618 | ₱31,585,667 | (₱138,821) | (₱211,495) | (₱397,148) | ₱59,349,634 |
| | | | | | | | | |
| **Balance at January 1, 2020** | ₱22,499,754 | ₱5,065,059 | ₱928,708 | ₱20,580,707 | ₱28,328 | (₱124,788) | ₱89,565 | ₱49,067,333 |
| 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 | 161,608 | (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** | ₱22,499,754 | ₱5,065,059 | ₱936,635 | ₱27,080,614 | ₱189,936 | (₱402,661) | ₱113,206 | ₱55,482,543 |
| | | | | | | | | |
| **Balance at January 1, 2019, as restated** | ₱22,499,754 | ₱5,065,059 | ₱921,655 | ₱14,345,822 | (₱10,293) | (₱77,991) | (₱94,822) | ₱42,649,184 |
| 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 | 38,621 | (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** | ₱22,499,754 | ₱5,065,059 | ₱928,708 | ₱20,580,707 | ₱28,328 | (₱124,788) | ₱89,565 | ₱49,067,333 |

*See accompanying Notes to Financial Statements.*

# EAST WEST BANKING CORPORATION AND SUBSIDIARIES

## 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.*

## 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

- o There is no substantive change to other terms and conditions of the lease.

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):

- o Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- o Relief from discontinuing hedging relationships
- o 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:

- o 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
- o 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
  - o Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - o Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - o 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 FCDU 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.

*FCDU*

As at the reporting date, the assets and liabilities of the FCDU 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 FCDU 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.

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.

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’.

*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.

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 unlikeliness 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.

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"

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.

<u>SSURA</u>
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.

<u>Offsetting Financial Instruments</u>
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 dation 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.

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.

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.

<u>Intangible Assets</u>
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.

<u>Card Acquisition Costs</u>
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.

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.

<u>Revenue Recognition</u>
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.

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 thetransition 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.

<u>Expense Recognition</u>
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.

*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.

<u>Provisions and Contingencies</u>
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.

<u>Debt Issue Costs</u>
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.

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.

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## 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:

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.

<u>Estimates</u>

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.

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 whichwere 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.

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, fess, 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.

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## 4. **Financial Risk Management Objectives and Policies**

<u>Risk Management</u>
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 over-all 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.

*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 (ISPPIA) 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.

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.

<u>Credit Concentration</u>
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) | **₱15,800,317** | **₱15,800,317** | **₱15,800,317** | **₱-** | ₱15,819,273 | ₱15,819,273 | ₱15,819,273 | ₱- |
| 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 |
| | **₱231,666,383** | **₱120,813,825** | **₱91,940,499** | **₱139,725,884** | ₱261,346,223 | ₱146,420,609 | ₱103,195,313 | 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) | **₱15,800,317** | **₱15,800,317** | **₱15,800,317** | **₱-** | ₱15,819,273 | ₱15,819,273 | ₱15,819,273 | ₱- |
| 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 |
| | **₱206,641,597** | **₱120,693,394** | **₱91,884,239** | **₱114,757,358** | ₱237,363,805 | ₱146,267,353 | ₱103,133,172 | ₱134,230,633 |

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 | **₱981,418** | **100%** | **₱981,418** | **–** | **₱981,418** | ₱529,135 | 100% | ₱529,136 | – | ₱529,136 |
| 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 |
| | **₱12,793,100** | | **₱4,094,864** | **₱–** | **₱4,094,864** | ₱7,781,563 | | ₱2,459,771 | ₱– | ₱2,459,771 |

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

*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 | **₱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* | **11,659,198** | **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% |
| | **₱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.*

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 | **₱25,784,739** | **₱28,765,380** | **₱13,304,419** | **₱16,579,678** |
| 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 | ₱25,628,061 | ₱27,928,040 | ₱13,978,102 | ₱15,105,972 |
| 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***** | **Total** |
| | **Amount** | **%** | | | | |
| Private households with employed persons | **₱138,747,581** | **61.33** | **₱-** | **₱-** | **₱-** | **₱138,747,581** |
| 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 | **₱213,562,586** | | **₱95,696,532** | **₱66,532,801** | **₱501,729** | **₱376,293,648** |

* *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*** | Total |
| | Amount | % | | | | |
| Private households with employed persons | ₱173,883,247 | 67.66 | ₱- | ₱- | ₱- | ₱173,883,247 |
| 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 | ₱243,716,429 | | ₱77,395,886 | ₱57,894,998 | ₱488,640 | ₱379,495,953 |

* *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.*

| | Parent Company 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Loans and Receivables* | | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| | Amount | % | | | | |
| Private households with employed persons | **₱118,672,972** | **59.09** | **₱-** | **₱-** | **₱-** | **₱118,672,972** |
| Financial intermediaries | **7,424,539** | **3.70** | **95,241,752** | **2,268,089** | **-** | **104,934,380** |
| Government and foreign sovereign | **394,938** | **0.20** | **-** | **55,087,325** | **-** | **55,482,263** |
| Real estate, renting and business activity | **27,856,517** | **13.87** | **-** | **1** | **-** | **27,856,518** |
| Wholesale and retail trade, repair of motor vehicles | **17,795,690** | **8.86** | **-** | **-** | **-** | **17,795,690** |
| Manufacturing | **7,297,635** | **3.63** | **-** | **125** | **-** | **7,297,760** |
| Electricity, gas, steam and air-conditioning supply | **5,908,949** | **2.94** | **-** | **964,825** | **-** | **6,873,774** |
| Other service activities | **2,676,852** | **1.33** | **-** | **1,900,078** | **-** | **4,576,930** |
| Holding | **66,504** | **0.03** | **-** | **4,105,002** | **-** | **4,171,506** |
| Accommodation and food service activities | **3,324,811** | **1.66** | **-** | **540,767** | **-** | **3,865,578** |
| Transportation and storage | **2,322,920** | **1.16** | **-** | **-** | **-** | **2,322,920** |
| Construction | **1,693,806** | **0.84** | **-** | **-** | **-** | **1,693,806** |
| Administrative and support service activities | **1,486,993** | **0.74** | **-** | **-** | **-** | **1,486,993** |
| Agriculture, fisheries and forestry | **875,639** | **0.44** | **-** | **-** | **-** | **875,639** |
| Others**** | **3,041,080** | **1.51** | **-** | **-** | **494,998** | **3,536,078** |
| | **200,839,845** | **100.00** | **95,241,752** | **64,866,212** | **494,998** | **361,442,807** |
| Allowance for credit losses (Note 15) | **12,039,245** | | **4,549** | **11,619** | **-** | **12,055,413** |
| Total | **₱188,800,600** | | **₱95,237,203** | **₱64,854,593** | **₱494,998** | **₱349,387,394** |

* *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.*

| | Parent Company 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Loans and Receivables* | | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| | Amount | % | | | | |
| Private households with employed persons | ₱150,902,068 | 64.88 | ₱- | ₱- | ₱- | ₱150,902,068 |
| Financial intermediaries | 7,807,984 | 3.36 | 76,934,332 | 2,139,417 | - | 86,881,733 |
| Government and foreign sovereign | 419,769 | 0.18 | - | 49,743,540 | - | 50,163,309 |
| Wholesale and retail trade, repair of motor vehicles | 29,657,176 | 12.75 | - | - | - | 29,657,176 |
| Real estate, renting and business activity | 16,591,510 | 7.13 | - | 1 | - | 16,591,511 |
| Electricity, gas, steam and air-conditioning supply | 6,547,430 | 2.81 | - | 4,426,037 | - | 10,973,467 |
| Manufacturing | 6,661,325 | 2.86 | - | 125 | - | 6,661,450 |
| Other service activities | 3,052,182 | 1.31 | - | - | - | 3,052,182 |
| Accommodation and food service activities | 3,118,274 | 1.34 | - | - | - | 3,118,274 |
| Transportation and storage | 2,428,513 | 1.04 | - | - | - | 2,428,513 |
| Construction | 1,784,418 | 0.77 | - | - | - | 1,784,418 |
| Agriculture, fisheries and forestry | 1,015,635 | 0.44 | - | - | - | 1,015,635 |
| Administrative and support service activities | 618,429 | 0.27 | - | - | - | 618,429 |
| Holdings | - | - | - | - | - | - |
| Others**** | 1,988,203 | 0.86 | - | - | 483,081 | 2,471,284 |
| | 232,592,916 | 100.00 | 76,934,332 | 56,309,120 | 483,081 | 366,319,449 |
| Allowance for credit losses (Note 15) | 12,674,402 | | 110 | 30,932 | - | 12,705,444 |
| Total | ₱219,918,514 | | ₱76,934,222 | ₱56,278,188 | ₱483,081 | ₱353,614,005 |

* *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.*

### *Geographic Segmentation*

The distribution of the Group's and Parent Company's financial assets by geographic region as of December 31, 2021 and 2020 follows:

| | Consolidated 2021 | | | | |
|---|---|---|---|---|---|
| | Loans and Receivables | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| Philippines | **₱226,149,364** | **₱78,862,947** | **₱45,529,043** | **₱425,324** | **₱350,966,678** |
| Asia (excluding Philippines) | **31,369** | **190,914** | **2,348,428** | **782** | **2,571,493** |
| Australia | **-** | **4,518,059** | **-** | **-** | **4,518,059** |
| Europe | **26,960** | **1,529,485** | **2,992,667** | **12,259** | **4,561,371** |
| North America | **30,217** | **-** | **1,395,435** | **-** | **1,425,652** |
| South America | **-** | **-** | **-** | **-** | **-** |
| USA | **-** | **10,599,676** | **14,278,847** | **63,364** | **24,941,887** |
| | **226,237,910** | **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** |
| | **₱213,562,586** | **₱95,696,532** | **₱66,532,801** | **₱501,729** | **₱376,293,648** |

* *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)*

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 2020 | | | | |
| | Loans and Receivables | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| Philippines | ₱256,773,374 | ₱67,908,416 | ₱23,103,726 | ₱399,908 | ₱348,185,424 |
| Asia (excluding Philippines) | 145,601 | 166,466 | 12,195,758 | 134 | 12,507,959 |
| Australia | - | 323,995 | - | - | 323,995 |
| Europe | - | 533,755 | - | 21,931 | 555,686 |
| North America | 79,274 | - | 3,032,792 | - | 3,112,066 |
| South America | 10,100 | - | 385,920 | - | 396,020 |
| USA | - | 8,463,364 | 19,207,734 | 66,667 | 27,737,765 |
| | 257,008,349 | 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 |
| | ₱243,716,429 | ₱77,395,886 | ₱57,894,998 | ₱488,640 | ₱379,495,953 |

* *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)*

| | **Parent Company** | | | | |
|---|---|---|---|---|---|
| | **2021** | | | | |
| | **Loans and Receivables** | **Loans and Advances to Banks*** | **Investment Securities**** | **Other Financial Assets***** | **Total** |
| Philippines | **₱200,751,299** | **₱78,403,617** | **₱43,850,835** | **₱418,593** | **₱323,424,344** |
| Asia (excluding Philippines) | **31,369** | **190,914** | **2,348,428** | **782** | **2,571,493** |
| Australia | - | **4,518,059** | - | - | **4,518,059** |
| Europe | **26,960** | **1,529,485** | **2,992,667** | **12,259** | **4,561,371** |
| North America | **30,217** | - | **1,395,435** | | **1,425,652** |
| South America | - | - | - | - | - |
| USA | - | **10,599,676** | **14,278,847** | **63,364** | **24,941,887** |
| | **200,839,845** | **95,241,751** | **64,866,212** | **494,998** | **361,442,806** |
| Allowance for credit losses (Note 15) | **12,039,245** | **4,549** | **11,619** | - | **12,055,413** |
| | **₱188,800,600** | **₱95,237,202** | **₱64,854,593** | **₱494,998** | **₱349,387,393** |

* *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)*

| | Parent Company | | | | |
|---|---|---|---|---|---|
| | 2020 | | | | |
| | Loans and Receivables | Loans and Advances to Banks* | Investment Securities** | Other Financial Assets*** | Total |
| Philippines | ₱232,357,942 | ₱67,446,752 | ₱21,486,916 | ₱394,349 | ₱321,685,959 |
| Asia (excluding Philippines) | 145,600 | 166,466 | 12,195,758 | 134 | 12,507,958 |
| Australia | - | 323,995 | - | - | 323,995 |
| Europe | - | 533,755 | - | 21,930 | 555,685 |
| North America | 79,274 | - | 3,032,792 | - | 3,112,066 |
| South America | 10,100 | - | 385,920 | - | 396,020 |
| USA | - | 8,463,364 | 19,207,734 | 66,668 | 27,737,766 |
| | 232,592,916 | 76,934,332 | 56,309,120 | 483,081 | 366,319,449 |
| Allowance for credit losses (Note 15) | 12,674,402 | 110 | 30,932 | - | 12,705,444 |
| | ₱219,918,514 | ₱76,934,222 | ₱56,278,188 | ₱483,081 | ₱353,614,005 |

* *Includes Due from BSP, Due from Other Banks and Interbank loans recaivables 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)*

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposures according to the Group's portfolios:

Internal Credit Risk Rating System

The Parent Company employs a credit scoring system for borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors, such as financial condition and (b) qualitative factors, such as management quality and industry outlook.

For corporate loans, the financial condition assessment focuses on profitability, liquidity, working capital management, and leverage. Management quality determination is based on the borrower's strategies, management competence and skills, and management of banking relationship while industry outlook is evaluated based on its importance to the economy, growth, industry structure and relevant government policies. Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), that ranges from 1 to 6. A borrower may be downgraded when it exhibits the characteristics of a classified account described below, in which case it will be assigned a risk rating ranging from 7 to 10.

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 | • low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness<br>• has ready access to adequate funding sources<br>• high degree of stability, substance and diversity<br>• of the highest quality under virtual economic conditions |
| 2 | Strong | • low probability of going into default in the coming year<br>• access to money markets is relatively good<br>• business remains viable under normal market conditions<br>• strong market position with a history of successful financial performance<br>• financials show adequate cash flows for debt servicing and generally conservative balance sheets |
| 3 | Good | • sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate<br>• financial performance is good and capacity to service debt remains comfortable<br>• cash flows remain healthy and critical balance sheet ratios are at par with industry norms<br>• reported profits in the past three years and expected to sustain profitability in the coming year |
| 4 | Satisfactory | • clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance<br>• normally have limited access to public financial markets<br>• able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period<br>• combination of reasonably sound asset and cash flow protection |

| Rating | Description | Account/Borrower Characteristics |
|---|---|---|
| 5 | Acceptable | • risk elements for the Parent Company are sufficiently pronounced, but would still be able to withstand normal business cycles<br>• immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period<br>• there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection |
| 5B | Acceptable | • 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<br>• continuous decline in revenues and margins due to competition<br>• substantial or unexplained build-up in borrowings with banks financing bulk of working capital and capex requirements coupled by substantial dividends pay-outs<br>• chronically tight cash flows with operating income negative or barely enough for debt servicing<br>• with past record of past due loans with other banks, cancelled credit cards and court cases |
| 6 | Watchlist | • with identified disruptions that may negatively affect performance but are likely to be resolved within the year<br>• deteriorating revenue, net income, margins, leverage which may lead to loss on credit exposure if trends are not reversed<br>• thin margin business with high debt burden with increase in debt level not commensurate to growth in revenues and funding requirements |
| 7 | Special Mention | • not meeting expectations on business projections and/or repayment schedule<br>• experienced sudden and unexpected adverse event which is likely to affect business operations and eventually loan repayment<br>• maxed out lines with banks and availments evergreen with minimal payments made over time<br>• some payment defaults but with probability to revert to current<br>• loan has been restructured but conditions that fully met<br>• litigation is being contemplated |
| 8 | Substandard | • net loss for the last 2 years that have eroded capital substantially with no clear prospects of a turnaround or capital infusion from owners<br>• evergreen for 2 years with lines with all creditors maxed-out and no clear source of repayment due to chronic tightness in cashflows<br>• recurring past due status due to cashflow problems with no definite commitment to pay or restructure<br>• restructured but not complied<br>• with serious flaws in Type A documentation that have surfaced after loan release<br>• collection case filed |

| Rating | Description | Account/Borrower Characteristics |
|---|---|---|
| 9 | Doubtful | • continuing losses that have totally wiped out equity<br>• 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<br>• 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<br>• with assets for liquidation but full recovery of principal uncertain due to marketability and outstanding claims |
| 10 | Loss | • business is non-operational and loans are considered absolutely uncollectible due to presence of fraud and major build-up of claims and litigation<br>• 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 to10).

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+<br>AA<br>AA-<br>A+<br>A<br>A-<br>BBB+<br>BBB |

| Credit quality | Description | Credit rating |
|---|---|---|
| Standard Grade | These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations. | BBB-<br>BB+<br>BB<br>BB-<br>B+<br>B<br>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 | | | |
|---|---|---|---|---|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **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** |

*(Forward)*

| | 2021 | | | |
|---|---|---|---|---|
| | Gross carrying amount | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **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 Loaans and Branch Loans*
***Include DepEd loans, Employee loans, Salary loans, 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*** | | | | |
| 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** | | | |
|---|---|---|---|---|
| | **Gross carrying amount** | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **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 Loaans and Branch Loans*
***Include DepEd loans, Employee loans, Salary loans, 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*** | | | | |
| 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)*

| | 2020 | | | |
|---|---|---|---|---|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **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 Loaans 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** | | | |
| Credit Score | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **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** |

| Credit Score | 2020 Gross carrying amount Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **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:

| **Credit Score** | **2021 Gross carrying amount Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| **Due from BSP** | | | | |
| Investment Grade | **₱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** |

| 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** | **Risk Buckets** | | | | | | |
| | **Deduction** | **0%** | **20%** | **50%** | **75%** | **100%** | **150%** | **Total** |
| 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 | Risk Buckets | | | | | | |
| | Deduction | 0% | 20% | 50% | 75% | 100% | 150% | Total |
| Credit risk exposure after risk mitigation | | | | | | | | |
| On-balance sheet assets | ₱12,769,756 | ₱78,473,165 | ₱5,844,787 | ₱55,837,112 | ₱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 | ₱56,412,780 | ₱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 | Risk Buckets | | | | | | |
| | Deduction | 0% | 20% | 50% | 75% | 100% | 150% | Total |
| 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 | Risk Buckets | | | | | | |
| | Deduction | 0% | 20% | 50% | 75% | 100% | 150% | Total |
| 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.

*Analysis of financial assets and liabilities by remaining contractual maturities*

The tables below present the maturity profile of the financial assets and liabilities of the Group and of the Parent Company (reflected in thousands) which it uses to manage its liquidity risk. It is based on its internal methodology to determine the expected date the financial asset will be realized, or the financial liability will be settled. This is done through cash flow measurement and projections using contractual undiscounted cash flows or derived from the behavioral assumptions for the assets or liabilities. This approach is used to properly estimate future cash flows and enable the Group to proactively manage its liquidity requirement.

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | | | | | | |
| | **On demand** | **Up to 1 month** | **>1 to 3 months** | **>3 to 6 months** | **>6 to 12 months** | **Beyond 1 year** | **Total** |
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents* | **₱85,887,825** | **₱17,518,984** | **₱–** | **₱–** | **₱–** | **₱–** | **₱103,406,809** |
| Investments and trading securities** | – | **12,265,206** | **10,490,666** | **1,704,237** | **1,375,689** | **61,627,544** | **87,463,342** |
| Loans and receivables*** | **23,846,838** | **30,051,949** | **13,148,516** | **15,887,244** | **22,195,948** | **187,426,674** | **292,557,169** |
| Other assets | **3,698** | **118,445** | **1,013** | **-** | **-** | **315,210** | **438,366** |
| | **109,738,361** | **59,954,584** | **23,640,195** | **17,591,481** | **23,571,637** | **249,369,428** | **483,865,686** |
| **Financial Liabilities** | | | | | | | |
| Deposit liabilities**** | **245,923,876** | **43,853,454** | **13,451,370** | **5,492,893** | **11,179,215** | **8,630,446** | **328,531,254** |
| Bills and acceptances payable | – | – | – | – | – | – | – |
| Bonds payable | – | **14,094** | **26,824** | **41,373** | **83,655** | **3,711,327** | **3,877,273** |
| Subordinated debt | – | **5,802** | **11,042** | **17,030** | **34,435** | **1,524,928** | **1,593,237** |
| Lease liability | **2,831,696** | **171,982** | **183,585** | **268,234** | **437,321** | **2,683,424** | **6,576,242** |
| Other liabilities | – | – | – | – | **4,526,168** | **41,029** | **4,567,197** |
| Contingent liabilities***** | – | **4,614,807** | **6,492,196** | **3,174,738** | **3,191,088** | – | **17,472,829** |
| | **₱248,755,572** | **₱48,660,139** | **₱20,165,017** | **₱8,994,268** | **₱19,451,882** | **₱16,591,154** | **₱362,618,032** |

* Consist of cash and cash other items, due from BSP, due from other banks and Interbank loans receivables and SPURA
*** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, and unearned discounts classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | | | | | | |
| | On demand | Up to 1 month | >1 to 3 months | >3 to 6 months | >6 to 12 months | Beyond 1 year | Total |
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents* | ₱50,153,480 | ₱35,811,092 | ₱– | ₱– | ₱– | ₱– | ₱85,964,572 |
| Investments and trading securities** | – | 22,452,377 | 4,472,043 | 1,401,939 | 637,478 | 49,465,770 | 78,429,607 |
| Loans and receivables*** | – | 29,241,457 | 21,368,067 | 20,431,855 | 34,879,526 | 175,180,006 | 281,100,911 |
| Other assets | 66,945 | 140,536 | – | – | – | 281,159 | 488,640 |
| | 50,220,425 | 87,645,462 | 25,840,110 | 21,833,794 | 35,517,004 | 224,926,935 | 445,983,730 |
| **Financial Liabilities** | | | | | | | |
| Deposit liabilities**** | 210,745,306 | 75,923,595 | 19,437,740 | 5,364,401 | 1,630,580 | 20,066,669 | 333,168,291 |
| Bills and acceptances payable | 678,795 | 5,578,412 | 7,367 | 179 | 13,412 | 126,091 | 6,404,256 |
| Bonds payable | – | 13,875 | 27,750 | 41,625 | 83,250 | 3,885,559 | 4,052,059 |
| Subordinated debt | – | 5,729 | 11,458 | 17,188 | 34,375 | 1,636,098 | 1,704,848 |
| Lease liability | – | 152,624 | 177,179 | 260,215 | 518,306 | 3,037,817 | 4,146,141 |
| Other liabilities | 26,786 | 587,167 | – | – | 4,529,275 | 40,794 | 5,184,022 |
| Contingent liabilities***** | – | 5,745,731 | 9,375,179 | 6,144,218 | 2,773,621 | 1,127 | 24,039,876 |
| | ₱211,450,887 | ₱88,007,133 | ₱29,036,673 | ₱11,827,826 | ₱9,582,819 | ₱28,794,155 | ₱378,699,493 |

*** Consist of cash and cash other items, due from BSP, due from other banks and Interbank loans receivables and SPURA
*** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of interest rate swap receivables, forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

| | Parent Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | | | | | | |
| | On demand | Up to 1 month | >1 to 3 months | >3 to 6 months | >6 to 12 months | Beyond 1 year | Total |
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents* | ₱85,364,394 | ₱17,518,984 | ₱– | ₱– | ₱– | ₱– | ₱102,883,378 |
| Investments and trading securities** | – | 12,255,723 | 10,472,617 | 1,676,399 | 1,319,402 | 59,254,342 | 84,978,483 |
| Loans and receivables*** | 23,273,522 | 30,259,980 | 12,579,371 | 14,970,268 | 19,538,320 | 159,784,861 | 260,406,322 |
| Other assets | 2,935 | 118,445 | 1,013 | - | - | 309,242 | 431,635 |
| | 108,640,851 | 60,153,132 | 23,053,001 | 16,646,667 | 20,857,722 | 219,348,445 | 448,699,818 |
| **Financial Liabilities** | | | | | | | |
| Deposit liabilities**** | 225,514,103 | 43,853,454 | 13,451,370 | 5,492,893 | 11,179,215 | 8,630,446 | 308,121,481 |
| Bills and acceptances payable | – | – | – | – | – | – | – |
| Bonds Payable | – | 14,094 | 26,824 | 41,373 | 83,655 | 3,711,327 | 3,877,273 |
| Subordinated debt | – | – | – | – | – | – | – |
| Lease liability | 2,831,696 | 162,941 | 165,800 | 241,554 | 385,453 | 2,431,223 | 6,218,667 |
| Other liabilities | – | – | – | – | 4,097,451 | 41,029 | 4,138,480 |
| Contingent liabilities***** | - | 4,614,807 | 6,492,196 | 3,174,738 | 3,191,088 | – | 17,472,829 |
| | ₱228,345,799 | ₱48,645,296 | ₱20,136,190 | ₱8,950,558 | ₱18,936,862 | ₱14,814,025 | ₱339,828,730 |

*** Consist of cash and cash other items, due from BSP, due from other banks and Interbank loans receivables and SPURA
*** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

| | Parent Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | | | | | | |
| | On demand | Up to 1 month | >1 to 3 months | >3 to 6 months | >6 to 12 months | Beyond 1 year | Total |
| **Financial Assets** | | | | | | | |
| Cash and cash equivalents* | ₱49,199,254 | ₱35,811,092 | ₱– | ₱– | ₱– | ₱– | ₱85,010,346 |
| Investments and trading securities** | – | 22,452,377 | 4,472,043 | 1,401,939 | 637,478 | 47,848,994 | 76,812,831 |
| Loans and receivables*** | – | 28,279,690 | 19,615,638 | 17,858,088 | 29,533,521 | 157,615,732 | 252,902,669 |
| Other assets | 66,392 | 140,536 | – | – | – | 276,153 | 483,081 |
| | 49,265,646 | 86,683,695 | 24,087,681 | 19,260,027 | 30,170,999 | 205,740,879 | 415,208,927 |
| **Financial Liabilities** | | | | | | | |
| Deposit liabilities**** | 208,911,973 | 58,482,299 | 17,878,785 | 5,349,714 | 1,628,138 | 20,066,669 | 312,317,578 |
| Bills and acceptances payable | 678,795 | 5,578,412 | 7,367 | 179 | 13,412 | 126,091 | 6,404,256 |
| Bonds Payable | – | 13,875 | 27,750 | 41,625 | 83,250 | 3,885,559 | 4,052,059 |
| Subordinated debt | – | – | – | – | – | – | – |
| Lease liability | – | 143,855 | 159,866 | 235,164 | 468,591 | 2,723,878 | 3,731,354 |
| Other liabilities | 26,786 | 587,167 | – | – | 4,214,609 | 40,974 | 4,869,536 |
| Contingent liabilities***** | – | 5,745,731 | 9,375,179 | 6,144,218 | 2,773,621 | 1,127 | 24,039,876 |
| | ₱209,617,554 | ₱70,551,339 | ₱27,448,947 | ₱11,770,900 | ₱9,181,621 | ₱26,844,298 | ₱355,414,659 |

*** Consist of cash and cash other items, due from BSP, due from other banks and Interbank loans receivables and SPURA
*** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of interest rate swap receivables, forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

The Parent Company manages liquidity by maintaining sufficient liquid assets in the form of cash and cash equivalents, investment securities and loan receivables. As of December 31, 2021, and 2020, ₱102.34 billion (44.97%) and ₱95.29 billion (37.68%) respectively, of the Parent Company's total gross loans and receivables had remaining maturities of less than one (1) year. The total portfolio of trading and investment securities is comprised mostly of sovereign-issued securities that have high market liquidity. With the above presented liquidity profile, the Group remains to be inhibited from liquidity risk that it cannot adequately manage.

## Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Parent Company treats exposures to market risk as either for trading or accrual or balance sheet exposure. The market risk for the trading portfolio is measured using Value at Risk (VaR). Interest rate risk of accrual portfolios in the Banking Book are measured using Earnings at Risk (EaR).

*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 |

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 | | | | | |
|---|---|---|---|---|---|---|
| | **USD** | **CNY** | **EUR** | **JPY** | **Other Currencies*** | **Total** |
| **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 | | | | | |
|---|---|---|---|---|---|---|
| | USD | SGD | JPY | EUR | Other Currencies* | Total |
| **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 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** |
| **RBU** | | | | | |
| *Financial assets:* | | | | | |
| 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%** |
| *Financial liabilities:* | | | | | |
| 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** | | | | | |
| *Financial assets:* | | | | | |
| 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%** |
| *Financial liabilities:* | | | | | |
| 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** | | | | | |
| *Financial assets:* | | | | | |
| 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% |
| *Financial liabilities:* | | | | | |
| 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** | | | | | |
| *Financial assets:* | | | | | |
| 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% |
| *Financial liabilities:* | | | | | |
| 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 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** | | | | | |
| *Financial assets:* | | | | | |
| 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%** |
| *Financial liabilities:* | | | | | |
| Deposit liabilities | **0.51%** | **0.64%** | **0.71%** | **3.86%** | **4.44%** |
| Bills payable and SSURA | – | – | – | – | – |
| Bonds payable | – | – | – | – | **4.50%** |
| Subordinated debt | – | – | – | – | – |
| **FCDU** | | | | | |
| *Financial assets:* | | | | | |
| 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%** |
| *Financial liabilities:* | | | | | |
| 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** | | | | | |
| *Financial assets:* | | | | | |
| 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% |
| *Financial liabilities:* | | | | | |
| Deposit liabilities | 0.71% | 0.88% | 1.37% | 1.67% | 1.40% |
| Bills payable and SSURA | – | – | – | – | – |
| Bonds payable | – | – | – | – | 4.50% |
| Subordinated debt | – | – | – | – | – |

*(Forward)*

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Up to 1 month | >1 month to 3 months | >3 months to 6 months | >6 months to 12 months | >12 months |
| **FCDU** | | | | | |
| *Financial assets:* | | | | | |
| 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% |
| *Financial liabilities:* | | | | | |
| 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** | | | | | |
|---|---|---|---|---|---|---|
| | **Up to 1 month** | **> 1 to 3 months** | **> 3 to 6 months** | **>6 to 12 months** | **>12 months** | **Total** |
| **Financial assets:** | | | | | | |
| Cash and cash equivalents | **₱41,518,984** | – | – | – | – | **₱41,518,984** |
| 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** | **(₱953,885)** | **₱2,817,802** | **₱12,211,581** | **(₱67,493,930)** | **₱97,139,327** | **₱43,720,895** |

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

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 month | > 1 to 3 months | > 3 to 6 months | >6 to 12 months | >12 months | Total |
| **Financial assets:** | | | | | | |
| Cash and cash equivalents | ₱35,811,092 | ₱– | ₱– | ₱– | ₱– | ₱35,811,092 |
| 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** | (₱22,348,449) | (₱3,309,916) | ₱8,786,856 | ₱23,513,119 | ₱108,191,259 | ₱114,832,869 |

**** 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 | | | | | |
|---|---|---|---|---|---|---|
| | **Up to 1 month** | **> 1 to 3 months** | **> 3 to 6 months** | **>6 to 12 months** | **>12 months** | **Total** |
| **Financial assets:** | | | | | | |
| Cash and cash equivalents | **₱41,518,984** | **₱–** | **₱–** | **₱–** | **₱–** | **₱41,518,984** |
| 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 | **₱15,122,263** | **₱1,598,704** | **₱ 9,553,366** | **(₱72,641,793)** | **₱83,384,332** | **₱37,016,872** |

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

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Up to 1 month** | **> 1 to 3 months** | **> 3 to 6 months** | **>6 to 12 months** | **>12 months** | **Total** |
| **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 ΔEVE of the Group ranges from (₱3.9 billion) to (₱21.79 billion) in 2021. The Group's ΔEVE 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.

*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 | | | | |
| | | 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 | **₱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 Securties | **1** | **1** | **1** | **–** | **–** |
| | **41,660,568** | **41,660,568** | **41,660,568** | **–** | **–** |
| | **45,732,826** | **45,732,826** | **45,717,419** | **15,407** | |

*(Forward)*

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | |
| | | 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 for which fair values are disclosed** | | | | | |
| Financial assets | | | | | |
| Investment securities at amortized cost: | | | | | |
| Government securities | **₱18,976,453** | **₱18,987,980** | **₱18,987,980** | **₱–** | **₱–** |
| 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** |
| | **₱281,525,104** | **₱317,599,654** | **₱66,544,421** | **₱15,407** | **₱251,039,826** |
| Financial liabilities | | | | | |
| Derivative liabilities** | **₱212,691** | **₱212,691** | **₱–** | **₱212,691** | **₱–** |
| **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** |
| | **₱335,191,716** | **₱338,276,914** | **₱–** | **₱212,691** | **₱338,064,223** |

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

| | 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 Securties | 1 | 1 | 1 | – | – |
| | 29,471,707 | 29,471,707 | 29,471,707 | – | – |
| | 37,025,336 | 37,025,336 | 36,995,299 | 30,037 | - |

*(Forward)*

| | 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 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** | **₱-** |

*(Forward)*

| | 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 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'*

| | Parent Company | | | | |
|---|---|---|---|---|---|
| | 2020 | | | | |
| | | 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 | ₱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 | – |

*(Forward)*

| | Parent Company | | | | |
|---|---|---|---|---|---|
| | 2020 | | | | |
| | | Fair Value | | | |
| | Carrying Value | Total | Quoted Prices in active market (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **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:

| **Interest Rate Swaps** | **2021** | 2020 |
|---|---|---|
| Notional amount | $– | $20,000 |
| Derivative assets | ₱– | ₱21,930 |
| Derivative liabilities | – | 92,147 |

| **Futures** | **2021** | 2020 |
|---|---|---|
| Notional amount | $– | $16,993 |
| Derivative assets | ₱– | ₱1,874 |
| Derivative liabilities | – | – |

| **Foreign Currency Forwards and Swaps** | **2021** | 2020 |
|---|---|---|
| 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;

(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** | | | | | |
|---|---|---|---|---|---|---|
| | **Retail Banking** | **Corporate Banking** | **Consumer Banking** | **Treasury and Trust** | **Elimination Items** | **Total** |
| **Statement of Income** | | | | | | |
| Net Interest Income: | | | | | | |
| Third Party | **₱6,663** | **₱1,451** | **₱11,363** | **₱5** | **₱1,544** | **₱21,027** |
| Intersegment | **–** | **745** | **–** | **355** | **(1,100)** | **–** |
| | **6,663** | **2,197** | **11,363** | **360** | **444** | **21,027** |
| Non-interest Income | **1,179** | **190** | **2,700** | **153** | **1,526** | **5,748** |
| Revenue - Net of Interest Expense | **7,843** | **2,387** | **14,063** | **513** | **1,970** | **26,774** |
| Non-interest Expense | **(6,796)** | **(1,264)** | **(11,173)** | **(740)** | **(697)** | **(20,669)** |
| Income Before Income Tax | **1,047** | **1,123** | **2,890** | **(228)** | **1,273** | **6,105** |
| Provision for Income Tax | **(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 | | | | | |
|---|---|---|---|---|---|---|
| | Retail Banking | Corporate Banking | Consumer Banking | Treasury and Trust | Elimination Items | Total |
| Statement of Income | | | | | | |
| Net Interest Income: | | | | | | |
| Third Party | ₱6,349 | ₱1,134 | ₱14,166 | (₱106) | ₱4,960 | ₱26,503 |
| Intersegment | – | 987 | – | 506 | (1,493) | – |
| | 6,349 | 2,121 | 14,166 | 400 | 3,467 | 26,503 |
| Non-interest Income | 1,462 | 25 | (84) | 5,570 | (393) | 6,580 |
| Revenue - Net of Interest Expense | 7,811 | 2,146 | 14,082 | 5,970 | 3,074 | 33,083 |
| Non-interest Expense | (6,843) | (1,119) | (15,812) | (980) | (1,311) | (26,065) |
| Income Before Income Tax | 968 | 1,027 | (1,730) | 4,990 | 1,763 | 7,018 |
| Provision for Income Tax | (470) | (264) | 1,039 | (323) | (492) | (510) |
| Net Income for the Year | ₱498 | ₱763 | (₱691) | ₱4,667 | ₱1,271 | ₱6,508 |

*(Forward)*

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Retail Banking | Corporate Banking | Consumer Banking | Treasury and Trust | Elimination Items | Total |
| 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 | | | | | |
|---|---|---|---|---|---|---|
| | Retail Banking | Corporate Banking | Consumer Banking | Treasury and Trust | Elimination Items | Total |
| **Statement of Income** | | | | | | |
| Net Interest Income: | | | | | | |
| Third Party | ₱5,131 | ₱895 | ₱13,740 | (₱109) | ₱1,810 | ₱21,467 |
| Intersegment | – | 1,215 | – | 360 | (1,575) | – |
| | 5,131 | 2,110 | 13,740 | 251 | 235 | 21,467 |
| Non-interest Income | 1,865 | 309 | 3,370 | 1,368 | (20) | 6,892 |
| Revenue - Net of Interest Expense | 6,996 | 2,419 | 17,110 | 1,619 | 215 | 28,359 |
| Non-interest Expense | (7,339) | (837) | (10,405) | (857) | (1,010) | (20,448) |
| Income Before Income Tax | (343) | 1,582 | 6,705 | 762 | (795) | 7,911 |
| Provision for Income Tax | (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.

## 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 facilty 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 | 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 |
| | **₱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 |

## 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 deferment 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.

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** | | | | |
| Subsidiaries | | | | |
| EWRB | **₱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 | **–** | – |
| Joint Venture | | | | |
| 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 | – |

| | Investment in Subsidiaries | | Investment in a Joint Venture | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| 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

*EWRB*
The Parent Company's investment cost in EWRB amounted to ₱521.00 million as of December 31, 2021 and 2020. EWRB 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 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 | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Buildings** | **Furniture, Fixtures and Equipment** | **Leasehold Improvements** | **ROU Asset** | **Total** |
| **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** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Buildings** | **Furniture, Fixtures and Equipment** | **Leasehold Improvements** | **ROU Asset** | **Total** |
| **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 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Buildings | Furniture, Fixtures and Equipment | Leasehold Improvements | ROU Asset | Total |
| **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 | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Buildings** | **Furniture, Fixtures and Equipment** | **Leasehold Improvements** | **ROU Asset** | **Total** |
| **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 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Buildings | Furniture, Fixtures and Equipment | Leasehold Improvements | ROU Asset | Total |
| **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** | | | | | | |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Buildings | Furniture, Fixtures and Equipment | Leasehold Improvements | ROU Asset | Total |
| 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.

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** |

| | 2021 | | |
|---|---|---|---|
| | **Land** | **Buildings and Improvements** | **Total** |
| 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 |
| 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 |

| | 2020 | | |
|---|---|---|---|
| | Land | Buildings and Improvements | Total |
| 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 ₱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** | | | | | |
|---|---|---|---|---|---|---|
| | **Goodwill** | **Branch Licenses** | **Customer Relationship** | **Core Deposits** | **Capitalized Software** | **Total** |
| **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 | | | | | |
|---|---|---|---|---|---|---|

| | Goodwill | Branch Licenses | Customer Relationship | Core Deposits | Capitalized Software | Total |
|---|---|---|---|---|---|---|
| **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** | | | | | |
|---|---|---|---|---|---|---|
| | **Goodwill** | **Branch Licenses** | **Customer Relationship** | **Core Deposits** | **Capitalized Software** | **Total** |
| **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 | | | | | |
|---|---|---|---|---|---|---|
| | Goodwill | Branch Licenses | Customer Relationship | Core Deposits | Capitalized Software | Total |
| **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.

*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 |
| **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 |

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 peropertes 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 |

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| 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 between stages | **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 between stages | 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)*

| | 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)*

| | 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.*

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)*

| | 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)** | **(3,15)** |
| 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)*

| | 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 |

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** |
| uMovements 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** |

*(Forward)*

| | 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)*

| | 2020 | | | |
|---|---|---|---|---|
| | Gross carrying amount | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 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** |
| uMovements 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 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **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)*

| | 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.*

## 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** | **Carrying Value** 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 P9.44 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 |
| | **₱98,150** | ₱3,568,803 |

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:

| | | Consolidated | | Parent Company | |
|---|---|---|---|---|---|
| | Face value | **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:

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.

<u>Lower Tier 2 unsecured subordinated notes due 2027</u>
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.

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 |

| | 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 | ₱7,641,626 | ₱– | ₱7,641,626 | ₱8,076,124 | ₱– | ₱8,076,124 |
| 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 | 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 | 19,046,220 | 19,148,793 | 567,413 | 18,746,408 | 19,313,821 |
| Loans and receivables - gross (Notes 9 and 15) | 57,135,308 | 139,651,667 | 196,786,975 | 91,190,637 | 133,964,991 | 225,155,628 |
| Other assets - gross (Notes 14 and 15) | 185,756 | 309,242 | 494,998 | 206,928 | 276,153 | 483,081 |
| | 206,024,434 | 159,007,129 | 365,031,563 | 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 | – | 1,430,882 | 1,430,882 |
| Deferred tax assets (Note 25) | – | 3,719,088 | 3,719,088 | – | 4,677,278 | 4,677,278 |
| Goodwill and other intangible assets - gross (Note 13) | – | 8,309,403 | 8,309,403 | – | 8,562,222 | 8,562,222 |
| Other assets - gross (Notes 14 and 15) | 851,377 | 3,505,234 | 4,356,611 | 652,445 | 1,383,898 | 2,036,343 |
| | 851,377 | 32,172,543 | 33,023,920 | 652,445 | 32,738,055 | 33,390,500 |
| | 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 | ₱214,696,077 | ₱171,191,305 | ₱385,887,382 |
| **Financial liabilities:** | | | | | | |
| Deposit liabilities (Note 16) | ₱294,159,725 | ₱13,209,895 | ₱307,369,620 | ₱291,116,299 | ₱18,064,940 | ₱309,181,239 |
| 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 |
| | ₱303,229,615 | ₱20,182,027 | ₱323,411,642 | ₱304,883,152 | ₱25,521,687 | ₱330,404,839 |

## 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.

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 | **₱58,065,319** | ₱54,690,481 | **₱58,065,387** | ₱54,698,856 |
| 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 | **₱49,643,195** | ₱45,883,502 | **₱42,735,659** | ₱40,320,613 |

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 lll 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% |

| | 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:

a. 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.

b. 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.

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 | **₱1,411,000** | ₱591,706 | ₱683,167 | **₱1,391,868** | ₱572,029 | ₱706,524 |
| 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 |
| | **₱6,287,660** | ₱5,701,812 | ₱5,987,527 | **₱5,882,686** | ₱5,350,034 | ₱5,657,443 |

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.

<u>Relevant Tax Updates</u>
*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 | **₱386,384** | ₱2,468,134 | ₱1,943,147 | **₱ (47,047)** | ₱2,085,456 | ₱1,586,314 |
| 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) |
| | **₱1,590,239** | ₱510,158 | ₱1,668,634 | **₱ 1,106,647** | ₱115,957 | ₱1,507,778 |

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 is as follows:

Excess MCIT

| Inception Year | Amount | Used Amount | Expired Amount | Balance | Expiry Year |
|---|---|---|---|---|---|
| 2018 | ₱1,014 | ₱1014 | ₱– | ₱– | 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 (bbbb) 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: | | | | | | |
| Nondeductible 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 |

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.

| | Parent Company | | EWRB | | QMIS | | Group | |
|---|---|---|---|---|---|---|---|---|
| Increase (Decrease) | **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 |

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:

| | 2021 | | |
|---|---|---|---|
| **Category** | **Amount/ Volume** | **Outstanding Balance** | **Terms and Conditions/Nature** |
| **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 |

| Category | Amount/ Volume (2020) | Outstanding Balance (2020) | Terms and Conditions/Nature (2020) |
|---|---|---|---|
| **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:

| | 2021 | | |
|---|---|---|---|
| **Category** | **Amount/ Volume** | **Outstanding Balance** | **Terms and Conditions/ Nature** |
| **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 |

| Category | Amount/ Volume (2020) | Outstanding Balance (2020) | Terms and Conditions/ Nature (2020) |
|---|---|---|---|
| **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.

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*

| December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria | | |
| Financial assets recognized at end of reporting period by type | Gross carrying amounts (before offsetting) | Gross amounts offset in accordance with the offsetting criteria | Net amount presented in statements of financial position [a-b] | Financial Instruments | Fair value of financial collateral | Net exposure [c-d] |
| | [a] | [b] | [c] | [d] | | [e] |
| **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** |

| December 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria | | |
| Financial assets recognized at end of reporting period by type | Gross carrying amounts (before offsetting) | Gross amounts offset in accordance with the offsetting criteria | Net amount presented in statements of financial position [a-b] | Financial Instruments | Fair value of financial collateral | Net exposure [c-d] |
| | [a] | [b] | [c] | [d] | | [e] |
| 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*

| December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria | | |
| Financial assets recognized at end of reporting period by type | Gross carrying amounts (before offsetting) | Gross amounts offset in accordance with the offsetting criteria | Net amount presented in statements of financial position [a-b] | Financial Instruments | Fair value of financial collateral | Net exposure [c-d] |
| | [a] | [b] | [c] | [d] | | [e] |
| Derivative liabilities (Note 5) | **₱212,691** | **₱ -** | **₱212,691** | **₱ -** | **₱ -** | **₱212,691** |
| SSURA (Note 17) | **-** | **-** | **-** | **-** | **-** | **-** |
| Total | **₱212,691** | **₱-** | **₱212,691** | **₱-** | **₱-** | **₱212,691** |

| December 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria | | |
| Financial assets recognized at end of reporting period by type | Gross carrying amounts (before offsetting) | Gross amounts offset in accordance with the offsetting criteria | Net amount presented in statements of financial position [a-b] | Financial Instruments | Fair value of financial collateral | Net exposure [c-d] |
| | [a] | [b] | [c] | [d] | | [e] |
| 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 |

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, ₱160.20million 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 Janaury 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.

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.

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.

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.

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.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of East West Banking Corporation (the Bank) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 15, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Veronica Arce

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)
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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

**EAST WEST BANKING CORPORATION**
**INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**ANNEX I**

# EAST WEST BANKING CORPORATION

**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** |

**ANNEX II**

# EAST WEST BANKING CORPORATION AND SUBSIDIARIES

**Schedule of Financial Ratios**
**As of and 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% |
| Assey-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% |

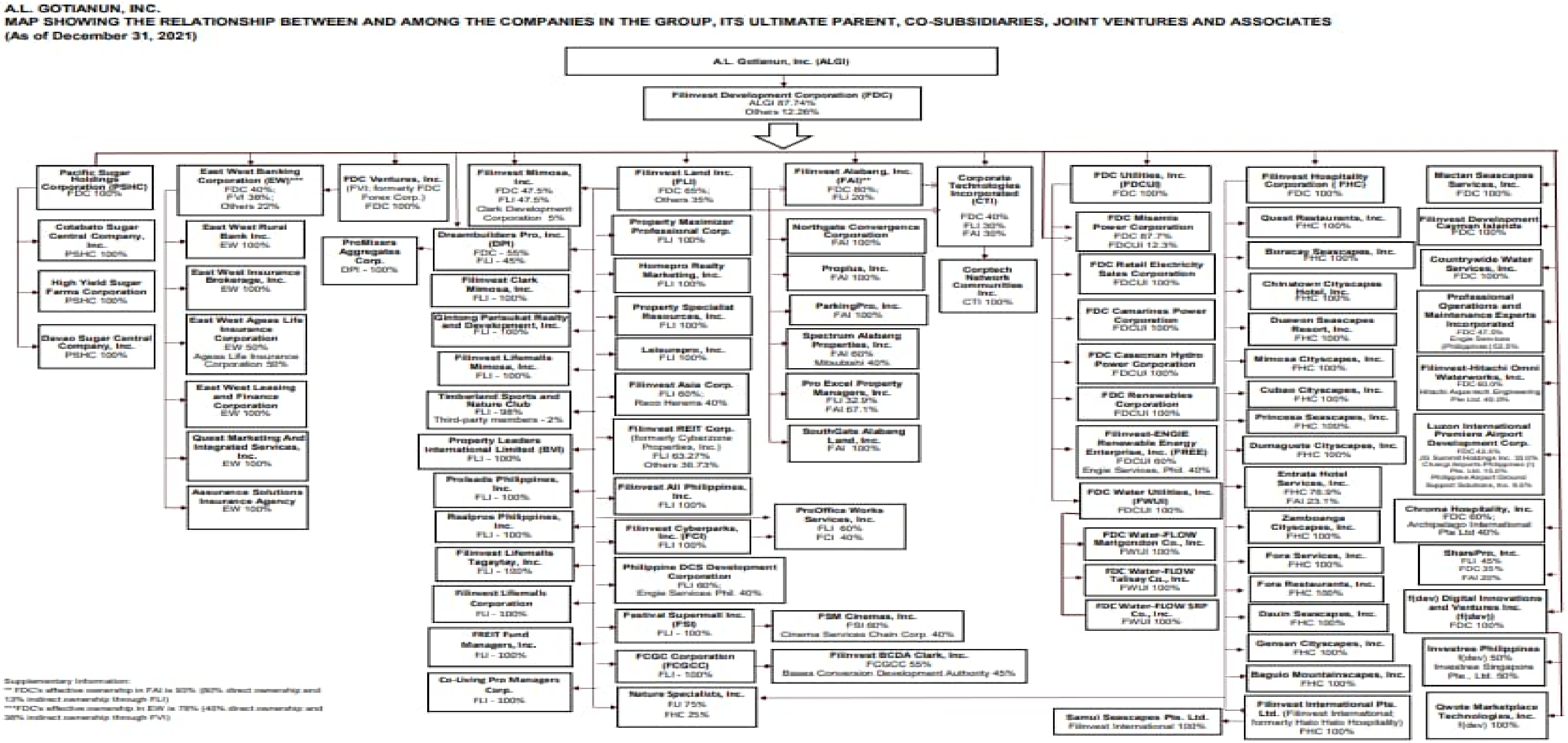
*1 Current assets divided by current liabilities*
*2 Total assets divided by total liabilities*
*3 Total liabilities divided by total equity*
*4 Total assets divided by total equity*
*5 Income before interest and taxes divided by interest expense*
*6 Net income divided by average total assets. Average 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*

ANNEX III

# EAST WEST BANKING CORPORATION AND SUBSIDIARIES

**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:



ANNEX IV

# EAST WEST BANKING CORPORATION AND SUBSIDIARIES

## 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**

| 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

| | Number of Shares | | | | | |
|---|---|---|---|---|---|---|
| | | | | Held by | | |
| Title of issue | Authorized | Issued and outstanding as shown under related statement of financial position | Reserved for options, warrants, conversion and other rights | Related parties | Directors, Officers and Employees | Others |
| East West Banking Corporation - common shares | 4,500,000 | 2,249,975 | – | 1,751,653 | 45,051 | 451,831 |

SGV
Building a better working world

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Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of East West Banking Corporation (the Bank) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated March 15, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

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
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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

# EAST WEST BANKING CORPORATION

Annual & Sustainability Report 2021

**Table of Contents**

## Accelerated Transformation for a Future-Ready You

Improving operational efficiency. For years, this was the main focus of banks, and it was enough to drive profitability and overall growth.

Then COVID-19 came. Suddenly, client expectations and consumer behaviors changed, regulations tightened, technology-driven innovations accelerated, and new competition from non-banks changed the game.

The global pandemic not only accelerated transformation around the world; it also brought the future to the NOW.

In this 2021 Annual and Sustainability Report, themed "Accelerated Transformation for a Future-Ready You," EastWest shares the highlights of its past year's performance, as well as its ongoing initiatives to meet the challenges to its business today so that it can help its customers, people, and other stakeholders tackle the future with more confidence.

## Our Report

As a responsible financial institution that takes pride in being one of the fastest-growing Philippine banks, EastWest strives to positively contribute to the transformation of the local economy, the environment, and society to ensure a future that benefits all.

To guide us in this journey, we published this Annual and Sustainability Report that discloses our Economic, Environmental, Society and Governance (EESG) performance, which includes our non-financial performance across the EESG aspects of our business for the reporting period January 1 to December 31, 2021.

This report was prepared in accordance with the Securities and Exchange Commission's Sustainability Reporting Guidelines for Publicly Listed Companies under Memorandum Circular No. 4, Series of 2019. It also uses the Global Reporting Initiative (GRI) Standards reporting guidelines as reference.

**Scope**
The Report covers the financial and non-financial performance of all operations of the EastWest enterprise, including its subsidiaries EastWest Rural Bank, Inc. and EastWest Insurance Brokerage, Inc. It does not include the performance of EastWest Ageas Life Insurance Corporation (Troo), a joint venture with Ageas International Insurance Inc.

For feedback on our report, contact: *ir@eastwestbanker.com*.

## Who We Are

Since opening our doors to the public on August 1, 1994, the name EastWest has become synonymous with steady growth.

We offer products and services to consumers and the corporate middle market through our stores, digital platforms such as EastWest Online and Mobile Banking, and alternative delivery channels such as ATMs and chat banking. Over the years, we have been making strides in providing products and services that answer the ever-changing needs of our chosen market, and making banking more accessible and convenient for our clients through EastWest Online Banking and the EastWest Mobile Banking App.

Supporting our growth is our parent company, Filinvest Development Corporation (FDC), one of the country's leading conglomerates which has interests in banking, real estate, hospitality and tourism, power generation, infrastructure, and sugar.

We are committed to make our customers' dream a reality by accelerating our transformation initiatives so that we will remain relevant, responsive, and resilient now and into the future.

As a testament to our ability to fulfill our commitment, EastWest was again ranked among the region's well-established banks, according to The Asian Banker's 500 Strongest Banks in Asia Pacific 2021 list. The recognition also further solidified our position as one of the strongest in the country.

### EastWest at a Glance (2021)

| Customers Served | Products and Services | Delivery Channels | Business | People |
|---|---|---|---|---|
| Retail customers (Consumers)<br><br>Medium-sized Corporates | Deposits<br>Cards<br>Wealth Management<br>Investments<br>Trust<br>Forex<br>Insurance<br>Remittance<br>Cash Management<br>Treasury<br>Loans<br>Insurance brokerage | Stores: 490 including EWRB Store-lites<br><br>ATMs: 584 | Since 2012, EastWest has been trading under the symbol 'EW' in the Philippine Stock Exchange (PSE). | Workforce: 6,877*<br><br>Male-Female Ratio: 36%-64%<br><br>**inclusive of consultants and contractual employees* |
| | | Online and mobile banking: ~648,000 users | Subsidiaries:<br><br>EastWest Rural Bank, Inc. (100% owned) | Percentage of workforce in work from home: 44% |

| | | | | |
|---|---|---|---|---|
| | | | EastWest Insurance Brokerage, Inc. (100% owned)<br><br>EastWest Leasing Corp. (100% owned)<br><br>Troo (50% owned) | |
| | | Mobile banking app (Komo): ~328,000 downloads | 6th largest credit card issuer in the Philippines (based on receivables)<br><br>Among the top Private Lending Institutions for Government Teachers' Salary Loan<br><br>One of the largest in auto financing<br><br>Asian Banker 500 Strongest Banks in Asia<br><br>Asian Banker 500 Largest Banks in Asia | |

## Geographical Presence

EastWest & EastWest Rural Bank Stores (including Store-lites) - 490
Onsite ATMs - 399
Offsite ATMs – 185

*Creative visualization of the Bank's presence in the Philippines*

## Vision

To be a world-class bank anchored on service excellence in our chosen markets

## Mission

**For our chosen markets:** By providing them with excellent service in the delivery of integrated and innovative products, responsive to their current and future financial needs, at the best value.

**For our employees:** By continuously providing them with opportunities to develop their full potential and by giving recognition and rewards commensurate to their contribution.

**For our community:** By committing ourselves to improving the quality of life of those around us through the support for various charities and involvement in outreach activities.

**For our regulators:** By uncompromisingly adhering to the highest standards of business ethics and corporate governance.

**For our shareholders:** By managing the bank professionally and prudently to consistently achieve optimal possible returns.

## 2021 Highlights

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Profitability (in Millions Php) | | | |
| Net Interest Income | 21,027 | 26,503 | 21,467 |
| Trading income | 1,939 | 5,485 | 1,393 |
| Fees & Other Income | 4,045 | 1,395 | 5,838 |
| Net Revenues | 27,010 | 33,383 | 28,698 |
| Operating Expenses | 16,520 | 16,230 | 16,405 |
| Provision for Losses | 4,149 | 9,834 | 4,042 |
| Provision for Taxes | 1,590 | 510 | 1,669 |
| Net Income | 4,515 | 6,508 | 6,242 |
| Balance Sheet Data (in Millions Php) | | | |
| Assets | 404,762 | 408,202 | 406,324 |
| Consumer Loans | 155,277 | 186,696 | 197,772 |
| Corporate Loans | 60,589 | 58,831 | 71,333 |
| Low Cost Deposits (CASA) | 244,989 | 228,787 | 186,785 |
| High Cost Deposits | 81,856 | 100,269 | 117,941 |
| Capital | 59,350 | 55,483 | 49,067 |
| Key Financial Ratios (in%) | | | |
| Return on Equity | 7.9 | 12.3 | 13.7 |
| Return on Assets | 1.1 | 1.6 | 1.6 |
| Net Interest Margin | 6.5 | 8.1 | 6.9 |
| Cost-to-Income Ratio | 61.2 | 48.6 | 57.2 |
| Capital Adequacy Ratio | 15.6 | 13.8 | 12.9 |
| Common Equity Tier 1 (CET1) Ratio | 14.5 | 12.6 | 10.4 |
| Per common share data (in Php) | | | |
| Net Income Per Share: | | | |
| Basic | 2.0 | 2.9 | 2.8 |
| Diluted | 2.0 | 2.9 | 2.8 |
| Book Value Per Share | 26.4 | 24.7 | 21.8 |
| Others | | | |
| Cash Dividend Declared (in millions Php) | - | - | - |
| Stock Dividends Declared (in million Php) | - | - | - |
| Headcount* | 7,281* | 7,518 | 7,803 |
| Officers | 3,093 | 3,146 | 3,176 |
| Staff | 4,188 | 4,372 | 4,627 |

**This includes employee count of Quest Marketing and Integrated Services, Inc., another subsidiary of EastWest, which is not covered in the scope of the rest of this Annual Report*

# Message from the Chairman
# **Transforming for Our Future**

If 2020 was the year we steeled our nerves because of the threats of COVID-19, 2021 was when we became hopeful that things would start turning around.

Higher vaccination coverage and less worry that the health system is getting overwhelmed all pointed to encouraging signs, prompting the government to ease mobility restrictions and allow businesses to open at full capacity in 2021. The increase in business activity, coupled with higher public spending and household consumption, enabled the Philippine economy to start its recovery from the reverse its 9.5% contraction in 2020 and post a 5.7% GDP growth in 2021. That sets the stage for its full recovery to bring us to 2019 GDP level this 2022.

Overall, the pandemic had been difficult to economic actors. The economic backlash resulted in job losses, business closures, and lower productivity. Fortunately, while much uncertainties remain and we continue to be watchful for potential new threats from the pandemic, we are starting to see the horizon better. We really hope this continues so that the country can recover almost 3 years of lost opportunities, and get back to its status as among the fastest growing economy in the region.

The pandemic also brought about the need for faster transformation. This call for transformation is very evident in banks like EastWest.

## Transforming for our customers

Now that customer behavior has shifted to using digital payment and banking platforms, we expanded our digital capabilities and massively increased the number of our online banking users. Our customers who used to go to our stores now come to know and appreciate our online and mobile banking channels. As we transform customer experiences, we aim to create value by keeping our products and services consistently relevant to our customers' ever evolving needs.

While this was largely anticipated, the pace of the digital evolution accelerated during the pandemic. It affirms our decision to keep our store count at 490, including our Rural Bank's store-lites, and shift our investment priority to non-store distribution channels. Our aspiration is to accelerate our digitalization to provide more and more digital banking services.

### Transforming for our people

Digital transformation, however, is just one aspect. While technology enables us to offer more seamless, convenient, and safe transactions, this is only one part of the entire customer experience journey. The other part involves unseen aspects that are crucial in delivering our product or service in a way that wins our customers' hearts and minds. Our employees play a vital role in this aspect.

As such, we focus on building talent capacity, competency, and connection as fundamental elements to our sustainability. We ensure talents' leadership and functional competencies are developed in time and employee engagement programs are in place. Our goal is to continuously deepen our bench of capable and energized talents who will drive our future growth as well as our subsidiaries'.

With several training programs available in the Bank, EastWestbankers will gain the right competencies, knowledge, and skills to be able to explain what products and services are available. In the end, our customers benefit from having products tailor-fit to their financial needs, as well as services delivered in a way that are efficient, satisfactory, and convenient. We are also making sure we have a succession of leaders in pursuit of the same vision and aspirations for EastWest.

COVID-19 has also accelerated behavioral changes in the way we work and live, sometimes also blurring the distinction. While working from home enables us to minimize the risk of exposure to the virus, it also affects employee productivity and mental health. No organization to date has yet perfected the work-from-home (WFH) situation, even organizations like EastWest that takes great pride in being one of the most WFH-ready local banks.

We in EastWest continue our efforts to find the right balance between Office work and WFH for jobs where it is appropriate. We continue to refine our response to the question: How do we exactly do justice to the organization and our customers with the different combination of work arrangements? We need to seek ways to transform our ability to work under different working conditions and accordingly adopt the needed retooling, upskilling, and management practices.

Aside from the skillset, competencies and work arrangements of our EastWestbankers, we also have to be very mindful of their health and well-being so they, too can be future-ready for whatever situation the Bank may face. Vaccinations for COVID-19 were offered to all EastWestbankers, third-party hires, and employees' family and friends. On top of the vaccination program, the Bank also provided wellness programs and health reminders. We are always looking for various ways to ensure the well-being of our employees because they are the lifeblood of our organization.

## Transforming for our business

Any transformation will not be complete without improving the way we do things. We have to do away with convoluted processes and systems and harness technology to increase convenience and customer satisfaction. We are upgrading our core banking system to enable us to seize emerging opportunities as the economy recovers and as digital channels become the norm for our customers.

Organizational transformation also demands a change in mindset. We need to be even more innovative, so we have to be more focused on areas where we can really do very well. We are expanding our consumer offerings to remain a consumer-focused bank.

In this period of rapid change, we also have to be more adaptive to new things if we are to make our business even more successful. To be adaptive is to focus on making our people more competent through the Bank's RED – role clarity, environment and development framework, and our other competency development programs. Alongside these programs, we also ensure that we have efficient and seamless processes and systems that help make our employees become more productive. This way, we consistently enable employees in making our customers happy.

## Transforming for the future

In embarking on all these transformations, our goal is simple: sustainability.

COVID-19 not only raised expectations for companies to drive positive change; it also made us focus on the long haul, which gets more challenging because of disruptions like the pandemic.

Looking at the bigger picture on a global standpoint, we see that the megatrends happening in the world in the next decade have not significantly changed despite the pandemic clearly derailing our short-term outlook. We are still able to map out our strategy as a sustainable business by keeping tabs on these trends that may impact our future:

1) The shift in the economic power to China and the so-called “E7” emerging markets from the G7 economies;
2) Climate change and resource scarcity;
3) Rapid advancement of technology;
4) Changes in demographics and social change; and
5) Rapid urbanization.

These five megatrends all have an impact on the Philippines given that:
1) We are geographically located near China and Indonesia (one of the E7);
2) We are the country most at risk from a climate crisis;
3) We are among the most active digital users in the world;
4) We have a young population that would propel our future growth; and
5) We have a rapidly growing urban population equivalent to nearly half of our total population.

To meet the demands of the future as a sustainable business, we need a competent workforce, the right systems and processes, products and services that are relevant to the needs, and happy customers — it is as simple as that.

We want to be a successful, sustainable and future-ready organization that’s why we have to accelerate transformation. Some goals may take longer to achieve, but we will persevere and sustain with clarity of vision. When we become successful in building the kind of organization that has the endurance to last, then we will make the most difference to our customers, our employees, our shareholders, and to the larger society.

Because of COVID-19, we gained a shared understanding of a universal truth: We are all in this together.

On behalf of the Board of Directors of EastWest, thank you for your support during another extraordinary year. We look forward to the day when we can meet again in person and toast to new beginnings.

**JONATHAN T. GOTIANUN**
**Chairman**

## Q&A with the Vice Chairman and CEO
# Ready for the Recovery, Ready for the Future

With the COVID-19 pandemic still raging in 2021, many businesses, including banks, remained under pressure due to declining business, incomes, rising client expectations, regulatory demand, and emerging competition from non-bank players, fintech, and telcos.

EastWest realized it had to strive for operational maturity to surmount these odds. Its operations must be grounded in the latest technology, armed with people who know how to use it to be future-ready. A lofty goal perhaps, but one that is worth aiming for, as **CEO Antonio C. Moncupa Jr.** bares in this interview.

### How would you compare EastWest's performance in 2021 vs. 2020?

Given the Philippine economy's circumstances, I would consider the Bank's performance acceptable.

Our net income stood at Php4.5 billion in 2021. This is lower than what we were accustomed to. In 2020, we were a positive outlier – we had the highest return on equity (ROE) at 12.3%. While we did not make it among the top 3 in terms of profitability — the first time in five years — in 2021, our ROE of 7.9% was still within the industry range. The important thing is that the balance sheet is intact and ready for growth, with its capital ratios the highest in years.

### What external and internal factors significantly impacted the Bank's 2021 performance?

It is the pandemic consequences that largely informed our performance. Industry bank lending grew by only 4.8% in 2021 from a year ago. And that was from a low base as 2020 saw a 0.9% decline from 2019. This is a dismal figure compared to typical industry pre-pandemic growth. The 2021 growth mainly was on business loans. Consumer loans declined by 5.9%. Since we have a much more significant proportion of consumer loans to total loans than any other bank, we ended with a decline in total loans.

Our divergent results from the rest of the banks – in 2020, the industry ROE declined to around 6% while EastWest went up to 12.3%; in 2021, the industry went up to about 9% while the Bank was down to 7.9%, is due to the difference in our balance sheet profile. Consumer loans run-offs or maturities outpaced new booking while business loans increased.

In sum, these two – the tepid overall loans growth and our unique consumer-heavy balance sheet impacted earnings. We expect the same trend this year. Consumer loans growth will be more tepid than business loans this year. However, in 2023, we should be back and would have regained a good part of the pandemic-induced loan volume decline. And with it, converge again with the industry trend and get closer to the above-industry ROE.

**If 2020 was a game-changer because of the COVID-19 global pandemic, what lessons did you learn and apply in 2021?**

The pandemic affirmed that risk management pays off. When we do our business, we must always remember that whatever happens, we should put balance sheet resiliency above anything else. Profitability can fluctuate if unexpected events like COVID-19 happen. The important thing is to keep the 'goose that lays the golden egg' safe and intact.

Then there are lessons in business continuity. The pandemic also affirmed that we are in a technology-driven business. Those who can respond to this truth are more prepared to continue to provide banking services to their customers in emergencies. The pandemic showed that our once in a while boast that we have one of the better technology infrastructures has some truth to it. EastWest is one of the most work-from-home banks during the pandemic.

The pandemic also manifested the truth that we get the most from interacting with co-workers. Working from home is great but working with co-workers is better in accomplishing more. Synergies do exist.

These lessons – balancing productivity and practicality, will be very useful as we look into some form of hybrid work arrangement for jobs where it is appropriate. And there is a good number of it. We were looking into hybrid even before the pandemic to respond to the traffic situation and the resulting hassle and productivity-sapping long travel time.

**How did you prepare your workforce to meet the renewed challenges from the Omicron variant?**

To a great degree, Omicron is anti-climactic. Somehow, we knew it will be benign as the willing, which is almost all, have been vaccinated either through Filvax, the Filinvest Group vaccination program, or through the LGUs. Also, by the time it got to us, we had the benefit of experiences from other jurisdictions.

So, we knew that it is a more benign form than earlier variants. But nevertheless, the speed of its spread was a concern.

While EastWestbankers are safe, we had to implement our store contingency plans. Due to the high level of infection, we activated the "buddy store" plan where customers of stores that need to be closed to avoid further community infection are assigned to their 'buddy' store. We also identified 'must open stores,' or those most needed by our customers, and redeployed personnel from other stores. In addition, our stores did a lot of innovation to keep operations going.

**This year's theme for the Filinvest Group is "Accelerating Transformation." To what extent would you say EastWest has been doing this?**

You must be talking about digital. The Bank has recognized that transformation is the call of the hour. Either you get into it or be left behind. Even before the pandemic, it was clear that the digital march was unstoppable. The pandemic made it clearer and more urgent.

We realize that we need to make bigger strides. While we have our existing digital offerings, we know that we need something better to realize our goal to be an even more relevant bank. We have been working on significant digital initiatives that should put EastWest on a competitive digital footing. We are also updating more frequently our digital and technology roadmap. We need to make sure our offerings are attuned to the needs of our customers and are future-ready. These are very technical matters – open architecture, APIs, cloud-ready, etc., but bottom line, it has to be more efficient, competitive in product features, convenient, and safe for our customers. These things take time to build and will be an evolutionary process, not a one-shot 'get it done with' activity. We should start to roll out the enhanced platform offerings before the year ends.

**How do you measure the impact of your transformation?**

The only real measure of what we do is the vote of customers. We say customers are voting for EastWest when we are getting more customers, doing more transactions, and handling business volumes at a faster pace than our competitors. If you are not getting these results, you are not doing things right.

We recognize that this will not be a one-time election. This is the province of innovation and adaptation. We know we will be in a constant campaign mode.

It will be a continuous fine-tuning of our platforms and product and services offerings, bolting in new capabilities, and adopting new use cases. We know that we need to fight for every vote in these fast-paced digital times. And we will.

**What do you think will be the next wave in terms of digital?**

The direction, I think, is to make banking less obtrusive. This concept of embedded finance, where banking is seamlessly integrated into non-financial services like in ordinary apps, will likely land on our shores –be it taxi rides or investment platforms. E-commerce will expand, and with it, banking and payment services. There is also this open banking where customers will have full control of their data and direct it where to go.

These developments will revolutionize banking and could upend the status quo. It should also democratize banking. It will be good for customers as it intensifies competition. It will be more challenging for banks. The game will shift to who could offer better value and more convenience to customers. Currently, it is not easy to see the differences among banks. This time, it will be for real. Technology will make a big difference.

While we have our eyes set on the future, we also need to accelerate transforming the usual and common day-to-day banking and payments to digital. There is still a lot of work on loans and investments. We are indeed living in very interesting and exciting digital times.

**What is your outlook for the Philippine economy in 2022? For EastWest?**

We are increasingly becoming more confident that we have seen the worst of the pandemic, and we are now at the tail end of this crisis. The new normal, where we learn to live with the virus, is upon us. This is very positive for the Philippine economy. The economy should recover its pre-pandemic output within the year. And where the economy goes, so does banking. This is a big relief for everyone. All economic actors can go back to the business of business. The banking industry is also getting out of this pandemic even stronger, as seen in the healthy CET 1 capital ratio though earnings have suffered in the two pandemic years. Earnings can be recovered for as long as balance sheets remain healthy. And fortunately, it is.

The same goes for EastWest. We are coming out from the pandemic with our balance sheet intact and resilient. CET 1 ratio is much higher than the pre-pandemic level. However, the earning power of the balance sheet is diminished. Two years of less-than-stellar economy-wide loan growth and loan run-offs means lower loan levels and lower income. Unfortunately, this is more pronounced for EastWest, given its predisposition to consumer finance. The Bank saw its loan levels going lower than the industry. It's okay. We can grow again as we had in the past.

This means we in EastWest need to focus more on recovery and growth and get back to executing our plan to double our balance sheet in 5 years. Our projections indicate that 2022 will be a recovery year and we should be back to the pre-pandemic income level in 2023 as there is a lag between loan build-up and its impact on revenues and profits. We also expect the country's economic growth to be more pronounced in the second half. Overall, we expect revenue and profits to be low in the early part of 2022, particularly the first quarter, and steadily gain momentum as the year progress. We should show significant improvement in the 4th quarter of 2022.

**What do you think will enable EastWest to be future-ready to meet the challenges beyond this pandemic?**

Pandemic or no pandemic, we see two things that are critical in retail banking – growing to scale and risk management. It is not just any growth. It is a well-conceived growth that optimizes returns appropriate to the defined risk tolerance of the Bank. You need scale to be efficient. You need sound risk management to make sure you can survive any challenging situation like a pandemic or even a financial crisis. It is growth disciplined by risk management. It is risk-conscious growth.

Once the plans are set following these constructs, the critical factor is execution. We in EastWest believe that this execution game will be won or lost on how effective we are in harnessing the energy and talent of EastWestbankers. The Bank can procure the necessary tools and infrastructure it needs. But it's not an issue of resources. The issue is identifying where to go, what is required to get there, and how to get there fast. These entail having the right leaders with the vision and deep understanding of their business and the evolving environmental changes. And how they could mobilize their units, which depends on how they guide the capability building of their organizations, instill a shared sense of purpose, and adapt the behavioral norms we all agreed to.

If we, as management, are up to the challenge by setting the execution direction effectively and taking care of our people, we should be able to face any challenge with calmness and confidence.

## OPERATIONAL HIGHLIGHTS

Accelerated transformation for a future-ready you is not just a commitment to our customers, but an evident undertaking that is reflected in our business in 2021.

The Bank's CASA ratio improved to 75% from 70% the previous year. This improvement in funding mix led to lower costs that tempered the drop in interest income. The BSP-issued rate interest cap continues to help drive steady deposit growth for the Bank despite the challenges that come with the pandemic.

EastWest' s unique business model where more than 70% of its loan portfolio comes from consumer loans, has been affected by the industry's slow recovery. The Bank made a strategic decision to focus growing minimal risk assets as Auto, Home and Personal loans are still in recovery. The credit cards business, however, continues to have a steady growth as the Bank goes back to 2019 levels. We adopted a well-measured lending stance that resulted to lower loan volumes. The pandemic-induced elevated loan losses are largely accounted for and the Bank expects lower loan loss provisions on the existing portfolio in 2022. We are looking forward to making up for lost ground now that we are largely done with the high loan loss provisions and have prepared for the reopening of the economy.

## Transforming for Our Customers

As we accelerate our journey towards recovery, EastWest is continuously transforming customer experiences by creating value through our products and services tailor-fit to their needs; making our service fast and efficient; and enabling access to safe and secure delivery channels.

Guided by EastWest's Service Pillars, several transformational efforts were implemented to help our valued customers be future-ready.

**Personable**

To ensure our relationship with our valued customers are well-maintained and strengthened, the following initiatives were implemented:

- Launched new EastWest corporate website for a better customer experience
- Offered eligible loans customers payment holiday programs with term extensions and lower monthly amortization amounts
- Catered to the life and non-life insurance needs of enterprises by EastWest Insurance Brokerage Inc. (EWIB), to help clients deal with operational challenges during the pandemic
- Offered travel insurance with COVID-19 coverage to employees, their families, and bank clients traveling abroad through EWIB
- Launched Troo's healthcare solutions: Troo Health, an all-in-one health solution that has both life protection and HMO coverage; Kaiser Troo Max, a comprehensive health plan with life insurance coverage
- Sustained the EastWest Priority Lifestyle Series webinars to help increase client engagement with relevant lifestyle enhancing interests like culinary lessons, hosting and tablescaping tutorials, interior design, real estate portfolio diversification, and even feng shui readings

**Dependable**

To assure seamless and reliable service to our customers, especially virtually, the following digital initiatives were continuously improved:

- <u>EastWest Online and Mobile Banking</u>
  Our online banking facility enables our customers to perform transactions such as managing their account, transferring funds, paying bills, depositing EastWest checks or turning their debit card on

and off without visiting an EastWest store. Total users grew by 29% at ~647,000 vs. 2020's ~502,000, with 64% of the total users being active.

- ESTA
  Short for EastWest System Tech Assistant, ESTA is a virtual assistant chatbot on Facebook Messenger that allows EastWest credit cardholders to perform common credit card services and functions. These include balance transfer, convert-to-installment, and insta-cash. To use ESTA, customers simply have to send the ESTA Chatbot a message at ewlend.com/esta.

  Infographics

  Total Registration in ESTA Chatbot Since 2020
  Total ~186,000
  Active ~173,000

- EasyWay
  Banking transactions that still demand a physical visit to an EastWest store and cannot be done online or through the ATM, can be done more efficiently through EasyWay. These transactions include depositing cash, withdrawing large amounts of cash, and encashing a check. To help expedite in-store transactions at any EastWest store of choice, customers can use our EasyWay channel to book ahead via Facebook Messenger, SMS/Viber, or e-mail. Processing can start even before customers get to the store, helping reduce time spent in the bank. This is especially relevant during the pandemic, where customers prefer to be in and out to help minimize exposure to the virus. Customers can simply send a message to m.me/EastWestEasyWay on Messenger, +639479941880 via SMS/Viber, or to easyway@eastwestbanker.com with their transaction details.

**Proactive**

Apart from the digital platforms mentioned above, several projects were implemented to uphold our commitment to deliver a seamless and meaningful customer experience:

- Komo
  Transacting with a bank that's 100% digital is made possible via Komo (short for Kontrol Mo Ang Pera Mo). Customers can conveniently open a savings account or get an insurance plan on Komo.

Since it was launched in August 2020, making EastWest one of the first local banks to offer a fully digital banking service, Komo has grown its user base to 70,000 users, almost 80% of whom were active as of end-2021. It continues to be relevant to customers in terms of savings as it generated close to Php1 Billion worth of user deposits by December 31, 2021.

- Digitalization projects focused on providing a seamless customer journey
  - Availability of digitized account opening forms to enhance customer onboarding experience (via EastWest stores and EasyWay);
  - Enrollment of personal and SME/business customers to EastWest online and mobile banking channels using alternative means like deposit account number, aside from debit and credit card numbers;
  - Enablement of Priority Centers to accept digitally transmitted instructions and client documents
  - Online or mobile access for time deposit functionalities that are usually only available over-the-counter including customized tenor setting upon booking, provision for rollover instructions, and full pre-termination and partial pre-termination of customers' peso time deposit placements, among other features;
  - Option for customers to change their PesoNet fund transfer limit via EastWest Online or EastWest Mobile; and
  - Bulk upload of fund transfers/payment requests for business clients using Instapay and PesoNet;

- Customer Service projects to continuously improve service efficiency:
  - Relaunched Customer Satisfaction (CSAT) reporting which improved data analytics and focused on customer-centric activities such as Customer Handling Workshop and Call Listening.
  - Upgraded the Interactive Voice Response System (IVRS) to efficiently connect our customers to the appropriate IVRS option
  - Implemented the Waiver Automation Tool, reducing customer effort which eliminated the need for follow up calls on Annual Membership Fee reversal requests.
  - Launched the EastWest Online Back Office Tool which empowered our CSRs to handle online issues at point of contact, thus promoting First Contact Resolution (FCR).
  - Upgraded the e-mail system to further enhance workflow and efficiency.

## Consumer Protection

We continue to promote a culture of fair dealings with our customers as we live out our behavioral norms which are also outlined in our Code of Conduct and Ethics. Aside from addressing customers' needs, the need to heighten efforts to empower and protect the interests and rights of our customers is more prominent, now that the pandemic has accelerated the shift to digital channels especially with data protection and fraud risks that come with it.

We expanded customer touchpoints such as ESTA, our consumer loans chatbot, and through social media and digital platforms to accommodate customer inquiries, requests, or concerns.

We continue raising customers' financial awareness on ways to safeguard their account from fraud and cyber threats, in addition to managing a strong IT system and strictly reinforcing adherence to the Data Privacy Act.

Amidst the challenges during the pandemic, we offered accessible means to have complete, clear and accurate information about our products and services through regular reviews of marketing materials and product information.

To further tighten our customer complaints handling mechanism in 2021, the Bank formed a Customer Experience unit which aims to further understand our customers and their experiences with the Bank to help reinforce and embed the customer-centricity mindset within the organization. Our efforts and resources are directed toward improving the way we capture, track, monitor, resolve, analyze, and report customer issues received across our various touchpoints. This was done through the initiation of the complaints management project aimed at identifying emerging issues that may pose risks and threats to customer's rights, implementing corrective and preventive resolution, and driving continuous improvement in customer experience.

Despite the lockdown restrictions, we found ways to equip all our employees with the necessary trainings to help build their competencies while developing a customer-centric mindset. We constantly review our service level availability to keep it relevant, competitive, and reflective of our end-to-end process. We continuously listen to our customers through customer feedback initiatives such as the customer satisfaction survey and welcome check surveys for deposit, auto loan, credit card, personal loan, mortgage and Priority Banking customers.

## Financial Inclusion

Through our subsidiary and our affiliate, EastWest continues to create opportunities for the underserved to become part of the formal banking channels.

EastWest Rural Bank's (EWRB) Komo, a digital banking service, offers high rates with minimal to low fees. Its mobile-only business model is what allows their customers to enjoy one of the highest interest rates from a local bank today. This means that Komo gets to return the savings from lower overhead cost to customers in the form of high interest rates on their savings account.

EWRB and Troo partnered to offer insurance products to the teaching community, EWRB's main clientele. This customer-focused program aims to help teachers understand the importance of establishing a financial safety net, protecting themselves and loved ones from financial difficulties in case uncertainties happen. From October 2021, Troo's insurance products were introduced to teachers as an added-value proposition.

In 2021, EWRB also sustained its support to the Department of Education (DepED) through the Brigada Eskwela "Bayanihan para sa Paaralan" program and its donation of digital boxes or TV-based instruction videos that will support DepED's distance learning program, particularly for K3 learners in the National Capital Region.

EastWest commits to continuously modify, improve and develop products, services, and systems along with the ever-evolving needs of our valued customers and the Filipino people.

## Feature: Benby Enterprise, Inc.

# Tried and Tested Transformation Partner

Benby is a world-class distributor and marketer of diverse consumer goods. They started way back in 1988, with one international brand to distribute and made available in the Philippines.

Today, they have grown to a giant force in the  industry and currently boast 50+ brands in their impressive portfolio - including brands you know and love like  Frito-Lay, Quaker, Ferrero, M&M's, Hershey's, Loacker, Kraft Heinz, Campbelle's, Arnotts, Pedigree, 3M Scotch Brite, Minoila and Lee Kum Kee. In fact, their goal of providing quality products to every Filipino household continues as their products are currently available in the biggest retailers to food service/hotels, down to the small retailers in the country.

Its impressive success would not be possible through the leadership of Ms. Evelyn Yap, the company continues to push for continued sustainable growth - eyeing a bigger, better and bolder future in the years to come.

However, just like every business out there, the pandemic swept through the entire world and disrupted everything - from daily operations, ways of working and supply constraints - no business was spared.

Benby quickly reacted to this challenge and adapted to the new environment: implementing employee well-being programs, flexible working arrangements, shuttle services, vaccination drives, and improved HMO benefits.

Innovation was also a major strategy of the company, pushing for automation, fast tracking their digital transformation and focusing on other key financial measures to ensure profitability. One of its innovations is the BenbyMart, an online shop that allows retail clients to purchase Benby products from the comfort of their homes.

One of those financial measures they needed to address wouold be the flow of money - collecting payments was a big challenge mainly because of the decrease mobility of people.
Thankfully, Benby found a steady and equally innovative partner like EastWest. Having been a client of EastWest for more than a decade now, it was easy for Benby to entrust its countering and collections with the Bank. EastWest went the extra mile to assist the company during this trying time. It volunteered to collect checks from Benby's trade agents within the metro, the Bank dedicated a messenger for Benby's collection activities.

During the pandemic, Benby also started making forex payments to its international suppliers to improve trade partner relationships. It again relied on EastWest by helping the company do spot trades.  It also utilized EastWest's online banking tools, current and savings accounts, and telegraphic transfers to its partners abroad. This is especially helpful to Benby since they did not need to go to other banks to get different foreign currencies before they complete these spot trades and telegraphic transfers in EastWest since the Bank has several foreign currencies available.

In good times or bad, EastWest has proven to be reliable and trustworthy, and Benby is looking forward to continue building on this relationship in the future. With a tried and tested financial partner by their side, Benby is now more confident than ever in continuing to be a world-class distributor in the post pandemic era.

# Transforming for Our People

At the heart of our agenda to become a sustainable business is the enhancement of our human capital. Our employees are the most essential element to uphold the transformation for our customers with continued service excellence and success. They feed our aspirations to pursue sustainable growth and make a difference in the lives of our customers and in society.

As such, we focus on building talent capacity, competency, and connection as fundamental elements to our sustainability. We ensure talents' leadership and functional competencies are developed in time and employee engagement programs are in place. Our goal is to continuously deepen our bench of capable and energized talents who will drive our future growth as well as our subsidiaries'.

## Talent Capacity

As of December 31, 2021, the EastWest group which includes EastWest, EastWest Insurance Brokerage, and EastWest Rural Bank had 6,876 employees, majority of whom are employed full time and on a permanent basis. Our total workforce contracted by 5.8% compared to 2020.

Employee Profile — infographics
Female employees accounted for **64%** of our workforce in 2021 and **53%** of those in executive position.

By Gender

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Male | 2,444 | 2,505 | 2,081 |
| Female | 4,432 | 4,657 | 4,300 |
| Total | **6,876** | **7,162** | **6,381** |

By Employment Category

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Executive (AVP and up) | 234 | 246 | 246 |
| Manager (Senior Manager and Manager) | 617 | 855 | 560 |
| Supervisor (Senior Assistant Manager, Assistant Manager, and Junior Officer) | 2,184 | 2,012 | 2,044 |
| Rank & File | 3,809 | 4,042 | 3,501 |
| Contractual | 21 | 7 | 4 |
| Consultant | 11 | 0 | 26 |

| Total | 6, 876 | 7,162 | 6,381 |
|---|---|---|---|

*Note: The Bank changed the classification of employment categories vs. previous reports to be more relevant and accurate to our ranking system. Moving forward, the table above will be the Bank's employment categorization.*

By Gender and Employee Category

| Category | Ranks | Female | Male | Total |
|---|---|---|---|---|
| Executive | AVP and up | 125 | 109 | 234 |
| Manager | SM | 115 | 101 | 216 |
| | M | 223 | 178 | 401 |
| Supervisor | SAM | 393 | 269 | 662 |
| | AM | 425 | 348 | 773 |
| | JO | 434 | 315 | 749 |
| Rank & File | R&F | 2,697 | 1,112 | 3,809 |
| Contractual | Contractual | 13 | 8 | 21 |
| Consultant | Consultant | 7 | 4 | 11 |
| | | 4,432 | 2,444 | 6,876 |

### Salaries and Benefits

Our full-time employees receive competitive salary and benefit packages. The lowest salary in the Bank is 7% higher than the statutory minimum wage in NCR, 30% higher in Region VII (Cebu), and 31% higher in Region X (Davao). Among the benefits we provide are the following: medical care coverage; group life and accident insurance; retirement benefits; paid leaves for vacation, illness, maternity/paternity, solo parent, emergency, birthday, and other leaves; housing, car, and salary loans; funeral assistance; and rice and medicine allowance.

We also offer performance-related rewards, such as merit increases and profit sharing, linked to the results of the annual performance evaluation per employee.

### Freedom of Association

There are no collective bargaining agreements in place within the EastWest group.

## Talent Capability

Continuous talent development is essential to cultivating a highly skilled workforce. We aim to have a strong bench of competent and engaged talents ready to occupy critical roles. To this end, we put in place an extensive employee development program at various levels, which employ a mix of classroom training as well as learning by doing such as on-the-job training, cross-posting, and coaching and mentoring.

Through our Learning and Development Team, we offer a wide array of professional development programs that aim to nurture talent and help employees build skills and capabilities so that they can fulfill their potential. We have specific learning and development programs in place to train candidates to become Store Managers, Service Managers, Business Development Sales Officers and Account Officers.

Our Learning Everywhere Anytime Platform (LEAP), which we introduced prior to the pandemic in 2020, continued to provide key programs via remote learning, including the New Employees Orientation Program, Basic Store Operations, and a range of mandatory courses. LEAP enabled us to deliver training virtually and outside of the traditional classroom format.

In 2021, we delivered **close to 300,000 hours of training, which was 24% higher** than in 2020 as a result of the Work from Home arrangement that favored virtual learning.

Total Hours of Training,* by Gender

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Male | 92,059 | 79,328 | 93,640 |
| Female | 205,323 | 161,007 | 255,014 |
| Total | 297,382 | 240,335 | 348,654 |

Average Hours of Training per Employee,* by Gender

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Male | 48.9 | 25.0 | 45.7 |
| Female | 55.1 | 23.1 | 60.6 |
| Average | 52.0 | 24.1 | 53.2 |

** Permanent employees*

**Notable Training Programs in 2021**

| **Training Program** | **Description** |
|---|---|
| New Employees Orientation Program (NEOP) | To introduce new employees, through a 3-day orientation, to the Bank, its vision, mission and core values, and equip them with the fundamental knowledge needed to perform their tasks. |
| Compliance Regulatory Training | For newly hired store personnel to be acquainted with the Anti-Money Laundering Act before they are deployed to their respective units. |
| Basic Store Operations (BSO) | For the new staff in our Stores to gain foundational knowledge on areas needed to perform basic and actual store transactions. |
| Start-Up Training for Service Managers | For new Service Managers to learn their key duties and responsibilities, systems operated in-store, and basic internal controls based on the BSP's Manual of Regulations for Banks, among others. |

| | |
|---|---|
| Business Development Sales Officer Development Program | For Sales Associates to progress to the role of Sales Officer, based on qualifications approved by the Learning Council of the Retail Banking Group, through this comprehensive, three-month training program. |
| Project Carbon Training | To establish an EastWest Sales Culture, covering products, sales, coaching sessions and Sales Management Monitoring System training. |
| Level-Up Performance Coaching Workshop | To address sales performance by aligning Division Heads and Store Managers in the ongoing transformation to Project Carbon and enable them to appropriately support their direct reports and institutionalize the Bank's Sales Process. |
| Thriving in The Digital Sales Process | To introduce and establish our new Digital Sales Processes to our Division Heads and Officers, providing an overview of mapping, prospecting, appointment-setting, sales calls, cross-selling, and closing. |
| Sales Revolution Product Focus | To familiarize all Stores Sales about the various products being offered to customers. |

In addition, we continue to support the training programs of our management and senior staff. In 2021, 26 Division Heads in Retail Banking Group and various HR People Managers underwent a training on 21st-Century Leadership, Coaching for Growth with focus on performance, and another on Career Development.

A training on giving and receiving feedback using the OILS model (Observation, Impact, Listening, Suggestion) plus Team Management was also conducted. The "7 Steps of McKinsey Problem Solving" was also given to various HR Managers and team leads, including self-discovery sessions to heighten self-awareness and awareness of one's impact to others as we work together as a team.

At the organizational level, we introduced a tool to support the conduct of regular performance and career conversations between an Immediate Supervisor and a direct report through the use of an Outcomes-Based Plan worksheet where goal setting and planned interventions need to be identified and enabled. We also held regular check-ins throughout the year to monitor employee progress. Beyond training, all regular employees take part in an annual performance evaluation. We also offer merit increases and profit sharing to reward employees based on the results of their performance reviews.

## Talent Connection

Employee engagement is a fundamental risk to the sustainability of any business. Having enough headcount and possession of critical skillsets are not enough to guarantee success unless people are empowered and engaged.

In 2021, we logged an attrition rate of 16.35%, higher than 10.7% in 2020, but lower than 23.1% in 2019. Employee turnover for the year was at 948, comprised of 634 female non-executives and 314 male non-executives. This was due to various reasons such as resignation, termination, retirement, death, non-regularization, and end of fixed-term employment.

### Succession

We have a succession planning policy and implementation guidelines to ensure that a steady pipeline of talents is ready to take on any vacated critical roles or fill up new roles opened up by new business opportunities.

### Diversity and Inclusion

EastWest, along with the rest of the Filinvest Group, are well recognized for actively promoting diversity and inclusion. Women occupy significant posts in the organization's leadership and management. In 2021, the Board of Directors consisted of three women out of 10 members. Women comprised more than half (53.5%) of our Senior Management team. This high female-to-male ratio in EastWest's employee base is due to the Bank sufficiently establishing itself as a meritocracy and does not see any gender bias.

Gender Breakdown by Employment Category

| Employment Category | 2021 | % |
|---|---|---|
| Executives (non-Board of Directors) | **245** | 100 |
| Male | 114 | 46.5 |
| Female | 131 | 53.5 |
| Non-executives | **6,500** | 100 |
| Male | 2,247 | 34.6 |
| Female | 4,253 | 65.4 |

## Health, Safety, and Well-Being

With the ongoing COVID-19 pandemic, safeguarding the health and safety of our customers, employees, and the communities in which we operate, continue to be our top priority.

FilVax aims to achieve herd immunity for the Filinvest Group's 15,000 employees, drivers, messengers, utility workers, and security guards assigned to Filinvest properties and workspaces all over the country. This program was also made available to friends and family of the Group's employees. As of end-2021, 85% or 5,831 of our workforce had been fully vaccinated. Of the total, 16% were inoculated under the Filinvest group-wide vaccination program, FilVax, while 68% availed of the vaccinations from their local government units.

In addition, we provide health insurance, group life insurance, and retirement benefits to all fulltime employees to help guard their wellness. This has been a part of the benefits we offer even prior to the pandemic.

## Transforming for Our Business

Along with transforming for our customers and our people, it is critical that the business transforms at the same accelerated pace. EastWest recognizes the need to sustain resilience while enhancing operational efficiency to win in the next-normal environment.

In addition to accelerating the transformation of our customer journeys and people, we are also enabling our business to better meet the needs of all our stakeholders, improving our agility and responsiveness of our operations without necessarily increasing costs. This includes automating processes or developing self-service systems such as the following initiatives in 2021:

- Upgraded perimeter firewall defense and scale remote access platform: We upgraded and eliminated single points of failure and capacity chokepoints to make our network perimeter firewall capacity and capability more robust. This allows a smoother remote working experience and improves overall connectivity of all Bank stakeholders, including clients that use the Bank's online channels. This enablement assures seamlessness in service to our customers despite the employees being in different locations.

- Internal process enhancements made to give customers quicker resolutions and consequently reduce the volume of complaints:

    - Automated ATM Reconciliation: We implemented a more proactive management of ATM reconciliation activities as we now have a better view of all potential transactions that need to be reconciled instead of relying on customer reports and complaints, thus improving turnaround time.

    - PesoNet Processing Enhancements: We enhanced our ability to complete inward PesoNet processing to resolve delays that negatively affect customer experience. This allowed us to regularly meet PCHC service level standards, and align us with the industry-wide standard of multiple batch settlements and crediting cutoffs.

    - Improvements in Foreign Currency Check Clearing: A centralized online clearing process was implemented, to receive, scan, and transmit to our partner bank (Wells Fargo), thereby improving turnaround time. This also effectively decentralized the process to the stores through the clearing hubs, and improved back-office processing.

- Operational improvements:

    - Automated Collection of Clearing Charges: We further enhanced our ability to collect clearing charges against zero account balances and settle uncollected PCHC clearing charges upon funding. This improves our ability to collect and the efficiency of our internal resources.

- Implementation of Virtual Settlement Account: An ongoing initiative to create seamless transactions for loan accounts and improve management standards in the Bank’s subsidiary ledger/general ledger.

- Automation of Tellers’ Allowance Crediting: We enhanced our manual payout and payroll processes. By improving accuracy and turn-around time to complete over-the-counter transactions, as well as back-office processing, we have further improved the overall employee experience.

Feature

# Cybersecurity: Not Just for Experts

The Philippines remains a hotbed for cybercrimes. According to the estimate of the Bankers Association of the Philippines (BAP), more than Php1 billion worth has fallen to the hands of criminals due to online fraud and scams.

Kaspersky, a global leader in cybersecurity solutions and services, ranked the Philippines 4th most targeted by web threats in its 2021 global ranking. It also estimated that one out of three internet users in the country had been scammed while a separate study by Cisco revealed that 57% of all small and medium enterprises had been hacked or penetrated by fraudsters, according to a report by the Philippine Daily Inquirer.

In the face of constantly evolving threats to information security and personal, sensitive data of customers everywhere, EastWest's Information Security and Data Privacy Office (ISDPO) believes the best defense is vigilance.

In 2021, cyberattacks across the banking and financial industry escalated in various forms due to wider digital adoption during the pandemic lockdowns. The following are common signs or types of attacks:

• Things that are too good to be true. An example is when you see an advertisement in social media, giving extremely low rates on loans, or you receive an e-mail that says you won a very handsome reward from a bank.

• Scare tactics. Example: You receive a text message that your credit card or bank account was compromised and you need to click on an 'emergency recovery link' to prevent your account from being terminated or deactivated

• Rogue mobile apps. These applications copy banks' mobile applications so users would be enticed to install them in their phones. Upon installation, it is used to steal account data.

• Business E-mail Compromise. The hacker targets employees who access company funds and convinces the victims to transfer money into a bank account controlled by the hacker.

While there are many other schemes in the market, the objective is all the same: to get the client's account details and gain access to it.

And because of the acceleration of digital trends, cybersecurity also has to adjust to the cyber terrain. Banks need to move from cybersecurity to cyber resilience — an entity's ability to continuously deliver the intended outcome despite adverse cyber events.

To lay the groundwork to become a future-ready organization, EastWest recognizes the primary role of cybersecurity in its sustainable growth: to protect the customer's assets.

Cybersecurity ensures that both the sensitive data of the Bank and its clients' is safe and secure. When designing and developing software, we must always take security into account. The Bank adopts a security-by-design approach to developing digital applications by ensuring that its ISDPO participates even in the early stages of the software development life cycle.

As customers continue to shift to digital platforms in the next normal, the Bank's IT security ~~is to~~ maximizes the current technology in place, while being agile to make the upgrades when necessary. In addition, the Bank constantly revisits its information security policies and ensures that it adjusts to the new normal.

But cybersecurity is not just the domain of the experts. This is why the Bank continuously provides customers with proper education on digital products and security features by sending communications on account safety and more, in order for them to be able to spot fraud attempts at the onset. EastWestbankers are also constantly equipped with knowledge on protecting customers' information and assets through regular communications on information security, as well as online modules for data privacy.

## Sustainability at EastWest

EastWest continues to manage the various Economic, Environmental, Social and Governance (EESG) aspects that are relevant to both its business and its various stakeholders. It continues to assess business risks, identifies and undertakes impactful interventions that curb the negative impacts and enhance the positive impacts of its operations. It also adheres to the transparent disclosure of its performance on topics of interest to stakeholders, both internal and external.

EastWest is currently aligning and developing with its parent and controlling shareholder Filinvest Development Corporation a sustainability framework and a set of commitments on specific sustainability areas. This will ensure maximum impact on certain aspects of EESG and drive sustainability initiatives to enhance non-financial performance and manage business risks. This framework will reference, not only Global Reporting Initiative (GRI) Standards, but also the prevailing and emergent sustainability frameworks and international reporting guidelines.

We are further strengthening and integrating sustainability principles into our corporate culture, particularly in the implementation of good governance practices embedded in our Employee Code of Discipline and Ethics (Code of Conduct), Whistleblowing Policy, Ethics-Direct initiative, Equal Opportunity policy, Consumer Protection program, and employee grievances mechanism.

**Materiality**

EastWest performed a materiality assessment with stakeholders in a limited format due to the COVID-19 related restrictions in 2021. This exercise consisted mainly of validation exercises on the results of the materiality assessment done in 2019 and benchmarking with peers.

Material Topics

| Economic | Environmental | Social | Governance |
|---|---|---|---|
| Economic value distributed (e.g., wages and benefits, payments to providers of capital, taxes paid) | Environmental compliance<br><br>Environmental housekeeping (resource use, waste management and emissions) | Employee and customer health and well being<br><br>Employee development and engagement | Regulatory compliance<br><br>Risk management<br><br>Anti-corruption and business ethics |

| | | | |
|---|---|---|---|
| Jobs generated<br><br>Financing support to identified market segments, including SMEs | | Customer data privacy and protection<br><br>Service resilience, including cybersecurity<br><br>Disclosure and transparency<br><br>Community engagement and social investments | |

The disclosure on these material topics can be found throughout this Annual and Sustainability Report, not just in the Sustainability section.

**Sustainability Governance**

EastWest's Board of Directors is responsible for setting the overall EESG strategy, evaluating EESG- and business-related risks, incubating and implementing sustainability initiatives, measuring performance and impact, and communicating to stakeholders.

The Senior Management team, as risk owners, develop and implement a risk management response and ensure that controls are in place. With the finalization of a sustainability framework, a governance structure on sustainability matters will ensure the full integration of sustainability principles and commitments into corporate strategy and day-to-day decision making.

We expect our Sustainable Financing Framework to be published by May 2022, in accordance with the Bangko Sentral ng Pilipinas' directive and aligned with the environmental, social, and sustainability bond principles of the International Capital Markets Association. The Framework will outline the criteria with which environmentally and socially beneficial projects of our clients are reviewed and approved for financing, and how environmental impacts arising from these projects will be measured, evaluated, and reported.

For more information on our governance, please refer to the Risk Management and Corporate Governance Sections of this Annual Report.

## Stakeholder Engagement

| Key Stakeholder | Concerns | Responses/Channels of Engagement |
|---|---|---|
| Employees | • Employee headcount, competencies and engagement<br>• Occupational health and safety | • Learning and development program, including online trainings, on-the-job training, job rotation and coaching/mentoring;<br>• Competitive salary and benefits;<br>• COVID-19 protocols; and<br>• Work from Home arrangements |
| Customers | • Consumer protection<br>• Data privacy<br>• Service reliability<br>• Health and safety | • Provision of online banking tools/digital solutions;<br>• Development of innovative products and services;<br>• e-Statements of Account;<br>• Cybersecurity program;<br>• Data privacy trainings for employees; and<br>• COVID-19 protocols in stores and offices |
| Regulators | • Regulatory compliance<br>• Transparency<br>• Good governance | Compliance with permit renewals and mandatory disclosures/reports |
| Industry Peers | Regulatory risk | Common advocacies |
| Investors | • Business Risks<br>• Good governance<br>• Transparency | • Risk management<br>• Corporate disclosures |
| Local Community and Environment | • Local community concerns<br>• Environmental impact | • Community social investments;<br>• Relationship management |

| | | |
|---|---|---|
| | | • Environmental housekeeping |

## **Social**

We value the welfare of our customers, employees, as well as the communities we are present in as they are major contributors to the success of the Bank.

For more information on our Social performance, please refer to the Transforming for our People section of this Annual Report.

## **Environment**

We uphold the pressing responsibility of protecting the environment through water and energy conservation programs we have put in place. We do our share
in carbon reduction and ensuring socio-economic stability through programs that make our value chain eco-friendly, socially responsible, and consistent with
the sustainability goals we have purposely set to achieve going forward.

We are also committed to comply with all environmental rules and regulations by the Department of Environment and Natural Resources (DENR) and the Laguna Lake Development Authority (LLDA) for offices located within the Laguna Lake region, as well as with the environmental policies by local government units in areas where EastWest operates. As of end-2021, the DENR and LLDA regulators have not issued EastWest or its subsidiaries any Notice of Violation related to any environmental rules and regulations. There are no pending cases for investigation or resolution, and no fines and penalties have been imposed.

As a financial institution whose operations are mainly undertaken in an office setting, our environmental impacts are mostly associated with energy and water consumption and waste generation.

Electricity Consumption and Scope 2 Greenhouse Gas Emissions*

| | **2021** | **2020** | **2019** |
|---|---:|---:|---:|
| Electricity consumption, by kilowatt hours | 2,824,341 | ~69,000 | 2,587,284 |
| Scope 2 emissions (as CO2 equivalent) | 2,011 | 49.14 | 1,843 |

**Only cover EastWest Headquarters*

Electricity is sourced from the local energy utility, Meralco, the emission factor of which reflects that of the Luzon grid at 0.7122 tons CO2 per MWH of electricity. EastWest's greenhouse gas emissions are mainly under Scope 2 of the Greenhouse Gas Protocol, i.e., indirect emissions from the purchase of electricity from the grid.

The lower figures for 2020 are attributed to the strict lockdowns at the start of the pandemic while the 2021 figures reflect the return of a skeleton workforce to office premises for the remainder of the year, except for the weeks when the COVID-19 Delta variant was prevalent. (The electric consumption of a partially occupied office by a skeleton workforce is almost the same as a fully occupied office.)

Water Consumption and Wastewater Generation

| | **2021** | **2020** | **2019** |
|---|---:|---:|---:|
| Water consumed | 13,337 cubic meters | Not reported | Not reported |
| Wastewater generated* | 7,069 | Not reported | Not reported |

**The Bonifacio Global City had an average of 0.53 sewage return factor for the year 2021, according to the water utility.*

Water consumed in the EastWest Head Office is sourced from the east zone water utility concessionaire in Metro Manila. The water supplied to the Beaufort location originates from the Angat-Ipo-LaMesa water source which is a sustainable surface water body replenished by annual rainfall. The wastewater generated is collected by the Bonifacio Global City's (BGC) sewerage system and conveyed via force mains to an offsite facility for full treatment by the water utility. Applying the utility's sewage return factor on water consumption, the estimated wastewater generation attributable to EastWest's headquarters' operations was 7,069 cubic meters for 2021.

Environmental data management protocols for EastWest stores across the country are still under development, delayed by the mobility restrictions from the continuing pandemic and the specific nature of store operations which pose a challenge on data generation. EastWest stores are usually located in rented commercial spaces, either in stand-alone buildings or inside malls, where electricity, water and waste data are not necessarily available or attributable to store operations, e.g. shared toilets among tenants and centralized garbage collection within a mall.

Environmental initiatives from 2020 continued into the following year, particularly the intensified efforts to convert from printed credit card statements of account into electronic (PDF) versions sent via email. The conversion to e-Statement of Account (eSOA) led to the avoidance of printing of around 12 million pages and avoidance of fuel burned by motorcycle couriers delivering to customers' doorsteps. As of end-2021, 94% of active EastWest credit cardholders have enrolled in eSOA.

We will continue to explore other avenues where positive environmental impacts can be realized, beyond mere environmental housekeeping, but through the financing of projects that have intended environmental and social outcomes.

## Economic

### Responsible Supply Chain

We recognize that our operational success is dependent on the many enterprises that support the Bank from day to day, through the provision of goods and services.

When vetting new suppliers, we consider their environmental performance, efforts to avoid any forced or child labor in their operations, their approach to labor and human rights issues, and their mechanisms to ensure that bribery and corruption do not occur in their company or in relation to ours.

The Bank takes a similar stance as its parent company, FDC to support local enterprises and local supply chains by engaging the local Philippine market. This involves building strategic relationships and partnerships with suppliers and through the championing of small and medium enterprises where our operations are located. Our store network is designed to encourage banking locally. Through our suppliers, we also invest in the local market and support small and medium enterprises (SMEs).

EastWest partners with SharePro, a shared services subsidiary of FDC In 2021, to handle all procurement requests of the Bank. SharePro operationalizes the centralized Supply Chain Management of the Filinvest Group, along with other corporate services, and oversees the implementation of a Supplier Accreditation Program which was established in 2015. The program outlines ways in which the Group can maintain quality management by checking for various International Organization for Standardization (ISO), Department of Environment and Natural Resources (DENR), and Occupational Safety & Health Act (OSHA) certifications or programs in place, and by requesting data on the sources of materials delivered to the subsidiaries. Regular reviews and vendor performance assessments are also conducted to ensure potential supply chain partners comply with local laws and the operating subsidiaries' requirements, and a process for blacklisting is established.

In the coming years, we seek to improve our understanding of the impact our operations have on our supply chain and suppliers. We will also assess ESG risks and opportunities relative to the relationships and impacts we have on our suppliers and overall value chain.

## Embedding a risk management culture

2021 remained to be a year in crisis because of the continuing threat of COVID-19. As mobility restrictions remained in place for the most part of the year, the crisis continued to disrupt the local and global economies and people's livelihoods. For EastWest, this warranted a shift in strategy to capital preservation and greater focus on risk management. Tempered risk taking and active credit risk management were key to keep disruptions at bay.

With the heightened uncertainty, the Bank continues to strengthen its dynamic and forward-looking risk models to gain insights on the potential impact of prevailing macroeconomic views on its balance sheet. As established risk models heavily rely on historical experience for predicting future outcomes, regular assessment was necessary to ensure a robust process for risk estimation, especially as the Bank draws assumptions from its pandemic experience. With particular focus on credit risk being the largest exposure of the Bank, these existing risk models went through continuous review and enhancement to best capture prospective economic conditions in determining credit defaults and losses. Key improvements in the models, assumptions, and stress test exercises were employed to reasonably estimate credit losses and reflect a capital position that takes into account the risks on the portfolio, while being aligned with regulatory capital standards and providing sufficient coverage for the Bank's risk-taking activities.

While the Bank is optimistic about the future, the resurgence of COVID-19 cases driven by new and highly transmissible variants still poses a threat to its business goals. Regular monitoring of economic developments and significant macroeconomic indicators remain to be its utmost priority to navigate through one of the most challenging risk environments in history.

**Risk Management Structure**
Risk management is everyone's responsibility and takes place in all processes and operations throughout the organization. The Bank's Board of Directors is ultimately responsible for the governance of risk with the Senior Management having the mandate of efficient and effective execution of the risk management discipline or primary owners of risks and internal controls.

**Risk Factors**
Credit risk remains to be the principal risk exposure in our business, followed by operational risk, interest rate risk in the banking book, and market risk in the trading book. It also recognized marginal risk exposures to liquidity, credit concentration, compliance, reputational, and strategic risks. In addition to these risks inherent in banking, it also considers other risks borne out by more stringent industry regulations.

*Capital Risk*
This is the risk faced when a company loses the value of its capital, which consequently puts it into a situation of having inadequate capital to cover for its risk exposures. The Bank mitigates this risk by implementing capital risk management to ensure capital is preserved, and shareholder value is maximized while maintaining capital ratios compliant with the minimum prescription of the BSP.

*Credit Risk*
This arises when borrowers fail to meet credit obligations based on agreed terms, may it be repaying a loan or meeting a contractual obligation. In recent years, credit risks were classified based on the age of the loan portfolio or their doubtfulness. Under Philippine Financial Reporting Standards 9, however, banks should produce models on estimating losses on the portfolio. This compels banks to forecast potential loss up to the entire life cycle of a loan account or portfolio.

The Bank's credit risk remains manageable in 2021, underpinned by the satisfactory levels of asset quality, credit concentration, collateral, loss rate levels but, more importantly, adequacy of loss coverage.

It mitigates credit risk by applying credit scorecards and minimum acceptance criteria for every customer product, and the Internal Credit Risk Rating System (ICRRS) for corporate clients. It also uses a Board-approved Credit Risk Management Manual as guidance in performing credit evaluation for retail customers and credit underwriting for corporate clients. The Bank regularly monitors key credit risk indicators and conduct stress tests based on internally determined and BSP-prescribed stress scenarios.

*Market Risk and Interest Rate Risk*
Market risk arises as the fair value or future cash flows of financial instruments fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Interest rate risk is the risk to current or anticipated earnings or capital arising from movements in interest rates. This can potentially hurt the financial results and capital of the bank arising from positions in the banking book. Interest rate risk arises due to changes in market interest rates, which have an impact on profitability. The major factors that lead to increased interest rate risk are the volatility of interest rates and mismatches between the interest reset dates on assets and liabilities.

*Operational Risk*
This risk relates to potential loss arising from systems, people, processes, and external events while in the conduct of our business and operations. Lapses and failures in delivery and performance of our functions and operations, after all, are not without consequences.

We address this risk by espousing close collaboration among the different units of the Bank, gathering pertinent operational risk data, producing the likelihood and business impact matrix for every risk category, and simulating the operational risk loss for individual events. An Operational Risk Management Manual also prescribes the Bank's risk appetite and tolerance for operational risk. Every month, there is monitoring and reporting of key risk indicators to the Risk Management Committee.

**Relevant BSP Circulars in 2021**

- BSP Circular 1114: Guidelines on Reputational Risk Management
  The Bank has been proactive in managing its reputational risk. Reputational risk management is embedded in its Operational Risk Management Framework which is already in place even before the issuance of BSP Circular 1114 on 16 October 2021. As per internal evaluation performed to compare the Bank's existing policies and processes with the BSP prescriptions, it was observed that prescriptions are already in place and that the Bank is already compliant. There were no adverse reputational risk events that transpired during 2021. In case this type of risk event occurs, the Bank is guided by the aforementioned Framework to manage reputational risk, its impact and potential losses.

- BSP Circular 1128: Environmental and Social Risk Management Framework
  EastWest remains committed to managing both its traditional and emerging risks, including environmental and social risks, by establishing its own Environmental and Social (E&S) Risk Management Framework and reviewing its existing policies and processes to evaluate if it meets the requirements of the regulation. The framework shall set the foundation for the various units of the Bank to align with and to ensure an effective, consistent and timely management and reporting of any exposure to E&S Risks, as well as to ensure compliance with regulatory prescriptions.

**Risk outlook**

The latter part of 2021 offered signs of economic recovery for the country as vaccination efforts intensified and new daily COVID-19 infections were kept in check. The gradual easing of quarantine restrictions also supported a rebound in economic activity. This bullish outlook is supported by a downtrend in non-performing loans and the improvement in bank lending activity, showing that excess liquidity freed up by accommodative monetary policy rates are gradually being utilized.

With an overall positive outlook for 2022, the Bank is gearing up to meet its growth agenda while continuously monitoring emerging risks. Its risk profile indicates an increase mainly in credit risk with the intention to focus on lending as the economy opens up. The Bank is expected to further increase its market share as well with the expansion of its loan portfolio while maintaining sufficient capital levels to cover for its risk exposures.

In anticipation of emerging challenges, the Bank needs to further enhance its enterprise-wide risk management culture, where people are able or empowered to manage the risks that come with their business and operations. It has made progress increasing awareness and recognition in this regard. Another challenge is to go beyond compliance or recognition, particularly in leveraging and integrating risk tools into the day-to-day business or operational processes employed in the Bank.

EastWest continued to foster an effective risk culture through initiatives that raise risk appreciation in 2021. To further advance the Bank's risk consciousness and risk management capability, the Risk Management Development Program under the EastWest Academy commenced its conceptualization, planning and development stages in 2021. The preliminary steps surfaced the level of risk maturity of the various business and operating units and skill, and competency gaps of risk management practitioners. These insights are essential inputs in designing the awareness, learning, and development programs to ensure that appropriate interventions will be put in place towards further progression of the risk management discipline across the organization. Once the Risk Management Development Program is launched, it will be a permanent staple in the organization to sustain the risk management culture as a source of competitive advantage supportive of growth and profitability that is sustainable for the Bank.

## Corporate governance beyond the pandemic

Corporate governance used to be viewed mostly from the lens of compliance officers and regulators. However, the COVID-19 global pandemic has given rise to pressures and demands from various stakeholder groups, increased expectations of engagement with societal and environmental factors, coupled with uncertainty about the future. These factors complicate board decision making and challenge traditional models of governance.

EastWest strives to adeptly adjust to governance issues that emerged during the pandemic even as it continued to improve its approach to corporate governance that will sustain its business over the long-term.

The Bank strictly adheres to corporate governance principles, guided by its Corporate Governance Manual which was last revised on March 2022. The Manual outlines the definitions of corporate governance, nomination and election, meetings and quorum requirements. It also enumerates the duties of Board members, Board committees, and key officers and employees, and features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness.

**Governance Structure**

Corporate governance starts at the top. The Bank's Board of Directors and Senior Management team foster critical exchange of views and objective judgement. They set the tone and ensure that mechanisms for full disclosure, and protection of the rights and equitable treatment of shareholders are in place.

***Board of Directors***

As the highest-governing body in EastWest, the Board provides stewardship, sets the direction, and performs general oversight of our management and operations.
It approves our overall strategy and makes decisions based on our core values and principles, emphasizing long-term performance.

The Board is also responsible for fostering our long-term success and securing the Bank's sustained competitiveness in a manner consistent with its fiduciary responsibility. It is committed to conduct itself with utmost honesty, integrity, and transparency in the discharge of its duties, functions, and responsibilities. It holds regular and special meetings to discuss our strategic direction and performance, as well as policies and developments in the areas of risk management, IT, governance, and relevant operational functions.

The Board is composed of 11 directors, majority of whom are non-executive directors. Nominated and voted by shareholders every year, each director serves a one-year term until the election of another set of directors.

Through its Corporate Governance and Compliance Committee, the Board ensures that all directors are qualified for election based on their integrity, physical fitness, competence, education, moral standing in the community, and relevant business or banking experience, among others. It does not discriminate against gender, age, and ethnic, political, religious, or cultural backgrounds.

***Independent Directors***

Four of the 11 Board members are independent directors whose role is to provide independent judgment, outside experience, and objectivity to the Board. They do not have more than five board seats in other publicly listed companies.

***Executive and Non-Executive Roles***

The roles of the Chairman, Mr. Jonathan T. Gotianun, and the Vice Chairman and CEO, Mr. Antonio C. Moncupa Jr., are clearly distinct and separate. Being a non-executive director, Mr. Gotianun is not involved in the day-to-day operations of the Bank but advises Senior Management on matters related to strategy and policy. Providing leadership in the Board of Directors, he presides over the Board and stockholders' meetings, ensuring that the Board takes an informed decision in all matters affecting the Bank and its shareholders.

As Vice Chairman and CEO, Mr. Moncupa ensures that the strategic goals set by the Board are met. He has direct and immediate supervision over the long-term and daily operations and management of EastWest and executes the administrative and operational policies approved by the Board.

Meanwhile, Ms. Isabelle Gotianun Yap is a Special Projects Officer at the Executive Management Office (EMO). The EMO develops and reviews top-level strategies along with the rest of the Bank's Senior Management, and supports the CEO in handling the Bank's various projects.

*Board Self-Evaluation*

All directors undergo a regular self-evaluation to allow them to assess their conduct in accordance with their mandate and responsibilities as a member of the Board, as well as of their respective Board-level committees. This ensures the continued effectiveness of the Board in contributing to our long-term sustainability and success.

In aid of proper self-evaluation, each director is required to accomplish at least three self-assessment sheets: one as an individual director, for the Board, and for the Board Committee as a member. Each sheet delves into specifics, such as the clarity and relevance of the Board and committee functions, as well as their effectiveness in conducting meetings, making constructive use of available reports, and discussing concerns, which may impact on their responsibilities as Director and member of a committee.

*Board Training*

Directors need to be adequately qualified, individually and collectively, and have a good understanding of both the business and regulatory environments. To ensure that each member contributes effectively to the Board, new directors receive appropriate induction training, and all directors attend an annual training on Corporate Governance. Directors also receive regular updates on regulatory changes and market developments and are encouraged to attend relevant training programs to develop and refresh their knowledge and skills.

*Board Remuneration*

The Bank's model for compensating directors and executives follows best practices for good governance. It establishes formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors, depending on our particular needs.

No director is allowed to participate in deciding on his remuneration. Each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation and continuing review of our overall strategy and performance. Remunerations given to directors which were approved by the Board Remuneration Committee amounted to Php21.54 million in 2021. Executive Directors and Filinvest Development Corporation-affiliated Directors continue to waive their professional fees.

**Type of Directorship and number and percentage of shares held by the Directors**

| Directors | Type of Directorship | Shares Held by Directors | | |
|---|---|---|---|---|
| | | | Percentage of Shares Held | Number of Shares |
| **Jonathan T. Gotianun** | Non-Executive | Direct | 0.00% | 19 |
| Chairman since 2007 | | Indirect | 0.80% | 18,010,637 |
| **Antonio C. Moncupa Jr.** | Executive | Direct | 0.33% | 7,333,554 |
| Director and Chief Executive Officer since 2007 and Vice Chairman since 2017 | | Indirect | 0.00% | - |
| **Lourdes Josephine Gotianun-Yap** | Non-Executive | Direct | 0.02% | 539,629 |
| Director since 2000 | | Indirect | 0.75% | 16,987,247 |
| **Mercedes T. Gotianun** | Non-Executive | Direct | 0.00% | 15 |
| Director since 1995 | | Indirect | 0.06% | 1,320,981 |
| **Isabelle Therese G. Yap** | Executive | Direct | 0.00% | 10,005 |
| Director since 2019 | | Indirect | 0.01% | 136,400 |
| **Wilson L. Sy** | Non-Executive | Direct | 0.00% | 15,000 |
| Director since 2016 | | Indirect | 0.03% | 697,365 |
| **Jose Maria G. Hofileña** | Independent | Direct | 0.00% | 5 |
| Independent Director since 2019 | | Indirect | 0.00% | - |
| **Francis H. Jardeleza** | Independent | Direct | 0.00% | 5 |
| Independent Director since 2021 | | Indirect | 0.00% | - |
| **Gregorio U. Kilayko** | Independent | Direct | 0.00% | 5 |
| Independent Director since April 2019 | | Indirect | 0.00% | - |
| **Armando L. Suratos** | Independent | Direct | 0.00% | 5 |
| Independent Director since 2021 | | Indirect | 0.00% | - |

*Retirement and Succession*

Directors are elected by shareholders and thus should not be removed simply because of their age. As long as board directors are able to effectively perform their functions, they are eligible to stay on the Board. In line with this, the Bank's retirement policy for the Board is not based on age but on their capabilities to carry out their function.

The Corporate Governance and Compliance Committee evaluates the fitness of the nominees for the Board. Upon election, a director serves for a term of one year subject to re-election the following year. Independent directors shall serve a maximum cumulative term of nine years, after which the independent directors can no longer be re-elected as such in the Bank. However, they may continue to qualify for nomination and election as a regular director. Notwithstanding the term limit for the independent directors, there is no fixed term limit for the regular directors.

*Shareholder Communication*
The Board and Senior Management keep shareholders abreast of developments in the Bank through its annual shareholders' meeting, annual report, general information sheet, quarterly financial reports, news releases, and corporate disclosures. The Bank's website provides extensive information about the Board, its mandate, the Board committees and their charters, and its directors.

**Board Meetings**
The Board holds a meeting for organizational purposes immediately after election every calendar year and has regular meetings once a month. Special meetings of the Board may be called at any time by the Chairman or by the Vice Chairman, or upon written request of at least a majority of the directors. EastWest has seven Board-level committees created to assist the Board in performing its duties and responsibilities and ensure efficiency and focus.

For the second year since the COVID-19 global pandemic started, directors continued to exercise their role and responsibilities to the Bank by virtually attending and voting in Board meetings. The Board utilized video conferencing as an alternative mode of communication, which was allowed under the Securities and Exchange Commission's Memorandum Circular No. 6.

*Board Attendance*
The Bank held 14 Board meetings in 2021, broken down as: 12 Regular Board Meetings (January to December 2021), one Special Board Meeting (March 11, 2021), and one Organizational Meeting (April 23, 2021).

| Board of Directors | No. of Meetings Attended | Percentage of Attendance to the Board Meetings (total of 14 meetings) |
|---|---|---|
| Jonathan T. Gotianun | 14 | 100% |
| Antonio C. Moncupa Jr. | 14 | 100% |
| L. Josephine G. Yap | 14 | 100% |
| Mercedes T. Gotianun | 14 | 100% |
| Isabelle G. Yap | 14 | 100% |
| Wilson L. Sy | 14 | 100% |
| Nelson M. Bona*** | 7 | 64% |
| Paul A. Aquino* | 4 | 100% |
| Carlos R. Alindada* | 4 | 100% |
| Gregorio U. Kilayko | 14 | 100% |
| Atty. Jose Maria G. Hofileña | 13 | 92% |
| Atty. Armando L. Suratos** | 10 | 100% |
| Justice Francis H. Jardeleza** | 10 | 100% |
| Jerry G. Ngo**** | 3 | 100% |

**Resigned as of April 23, 2021*
***Joined the Bank as of April 23, 2021*
**** Resigned as of September 30, 2021*
*****Joined the bank as of September 30, 2021*

*Board Committees*
Pursuant to the Bank's Corporate Governance Manual, its Board created each of the following committees and appointed Board members thereto.

Each member of the respective committees named below has been holding office as of the last Annual Stockholders' Meeting which was on April 23, 2021 and will serve until his successor shall have been elected and qualified.

*Executive Committee*
The Executive Committee is empowered to direct the business of the Bank vested by law in the Board of Directors insofar as such powers and authority may be lawfully delegated to the Executive Committee, including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

The Executive Committee is composed of five members and meets weekly or as often as it may be necessary to address all matters referred to it. In 2021, the Bank held 36 Regular Executive Committee Meetings from January to December 2021.

| Executive Committee Member | No. of Meetings Attended | Percentage of Attendance (total of 36 meetings) |
|---|---|---|
| Jonathan T. Gotianun<br>*Chairman* | 36 | 100% |
| *Members* | | |
| Antonio C. Moncupa Jr. | 35 | 97% |
| Lourdes Josephine G. Yap | 36 | 100% |
| Isabelle G. Yap | 35 | 97% |
| Jacqueline S. Fernandez | 36 | 100% |

*Corporate Governance and Compliance Committee (CGCC)*
The Corporate Governance and Compliance Committee leads the Bank and assists the Board in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of compliance programs, money laundering prevention programs 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 Board, all direct reports of the CEO and the President, regardless of rank, heads of Governance Units and other positions of the Bank requiring appointment by the Board of Directors.

The Committee oversees the annual performance evaluation of the Board, 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 the SEC Code of Corporate Governance for Publicly Listed Companies and BSP Manual of Regulations for Banks (MORB).

The Committee, composed of five members, four of whom are independent directors, including the Chairperson, meets every other month or when necessary. In 2021, 10 meetings (regular and special) were conducted and attended by Committee members.

| CGCC Member | No. of Meetings Attended | % Percentage of Attendance to the Meetings (total of 10 meetings) |
|---|---|---|
| Paul A. Aquino<br>*Chairman** | 4 | 100% |
| Justice Francis H. Jardeleza<br>*Chairman*** | 6 | 100% |
| *Members* | | |
| Jonathan T. Gotianun | 8 | 80% |
| Atty. Jose Maria G. Hofileña | 10 | 100% |
| Gregorio U. Kilayko* | 4 | 100% |
| Atty. Armando L. Suratos** | 6 | 100% |

**Member from January to March 2021*
***Member from May to December 2021*

*Related Party Transactions Committee (RPT Committee)*
The RPT Committee assists the Board in ensuring that transactions with related parties of the Bank 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.

The RPT Committee is composed of three members, two of whom are independent directors including the Chairperson. It meets every other month or whenever necessary to discuss and agree on matters to be endorsed to the Board for approval or confirmation. In 2021, eight meetings (regular and special) were conducted and attended by Committee members.

| RPT Committee Member | No. of Meetings Attended | Percentage of Attendance to the Meetings (total of 8 meetings) |
|---|---|---|
| Atty. Jose Maria G. Hofileña<br>*Chairman* | 8 | 100% |
| *Members* | | |
| Jonathan T. Gotianun | 6 | 75% |
| Paul A. Aquino* | 2 | 100% |
| Justice Francis H. Jardeleza** | 8 | 100% |

**Member from January to March 2021*
***Member from May to December 2021*

*Audit Committee*

The Audit Committee assists the Board of Directors in overseeing the Bank's financial reporting process, system of internal controls and the process for monitoring compliance with laws and regulations, and the code of conduct. It also provides reasonable assurance to the Board on the overall management of risks of the Bank. It is responsible for setting up the Internal Audit Division, and for appointing the Chief Audit Executive and an independent external auditor who both report to the Audit Committee. It monitors and evaluates the effectiveness and accuracy of the internal control system established throughout the Bank, through the Internal Audit Division.

The Internal Audit Division provides independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes. It functionally reports to the Audit Committee and administratively to the CEO. Internal Audit Division is independent to the Bank's other organizational units as well as of the personnel subject of the audit.

The Audit Committee has evaluated and confirmed the adequacy of the Bank's internal controls/risk management.

The Audit Committee, which consists of five members, four of whom are independent directors, meets once a month. In 2021, 12 regular meetings were conducted and attended by Committee members.

| Audit Committee Member | No. of Meetings Attended | % Percentage of Attendance to the Meetings (total of 12 meetings) |
|---|---|---|
| Carlos R. Alindada*<br>*Chairman* | 3 | 100% |
| Gregorio U. Kilayko**<br>*Chairman* | 12 | 100% |
| *Members* | | |
| Josephine Gotianun-Yap | 12 | 100% |
| Paul A. Aquino* | 3 | 100% |
| Atty. Jose Maria G. Hofileña | 12 | 100% |
| Atty. Armando L. Suratos*** | 9 | 100% |
| Justice Francis H. Jardeleza*** | 9 | 100% |

**Member from January to March 2021*
*** Chairman since April 2021*

**** Member from April 27 to December 31, 2021*

*Risk Management Committee (RMC)*
The Risk Management Committee assists the Board in fulfilling its responsibilities in managing the Bank's risk-taking activities. The RMC reviews and approves principles, policies, strategies, processes, and control frameworks pertaining to risk management. It also recommends to the Board any necessary modification or amendment to strategies and policies relative to risk management. Its functions include identifying and evaluating the Bank's risk exposures, estimating its impact to the organization and assessing the magnitude, direction and distribution of risks across the Bank, which it uses as basis in determining risk tolerances that it subsequently recommends to the Board for approval. RMC reports to the Board the overall risk exposures as well as the effectiveness of its risk management practices and processes while recommending further policy revisions when necessary.

The RMC, which meets every month, is composed of three members, of which two are independent directors, including the Chairperson. Members of the Committee possess adequate knowledge and understanding of the institution's risk exposures and expertise in developing appropriate risk policies and strategies. In 2021, 14 regular meetings were conducted and attended by all the Committee members.

| Risk Management Committee Member | No. of Meetings Attended | Percentage of Attendance to the Meetings (total of 14 meetings) |
|---|---|---|
| Gregorio U. Kilayko* | 14 | 100% |
| *Chairman* | | |
| Atty. Armando L. Suratos** | 11 | 100% |
| *Chairman* | | |
| *Members* | | |
| Carlos R. Alindada*** | 11 | 100% |
| Wilson L. Sy**** | 10 | 91% |
| Jerry G. Ngo***** | 3 | 100% |

**Chairman from January to March 2021*
***Chairman from April to December 2021*
****Member from January to March 2021*
*****Member from January to September 2021*

******Member from September to December 2021*

*Compensation Committee*

The Compensation Committee is composed of four members including the Bank's CEO, the President and one independent director. It ensures that the compensation policies and practices are consistent with the corporate culture, strategy and the business environment under which it operates. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

The Committee meets at least once a year and provides overall direction on the compensation and benefits strategy of the Bank. In 2021, one meeting was conducted and attended by Committee members.

| Compensation Committee Member | No. of Meetings Attended | Percentage of Attendance to the Meetings (total of 1 meeting) |
|---|---|---|
| Jonathan T. Gotianun *Chairman* | 1 | 100% |
| *Members* | | |
| Antonio C. Moncupa Jr. | 1 | 100% |
| Josephine Gotianun-Yap | 1 | 100% |
| Gregorio U. Kilayko | 1 | 100% |

*Trust Committee*

The Trust Committee assists the Board in fulfilling its responsibilities to oversee the proper management and administration of the Bank's trust and other fiduciary businesses. Duly constituted and authorized by the Board, the Committee acts within the sphere of authority as provided in the Bank's By-laws and/or as may be delegated by the Board. It undertakes such responsibilities but not limited to the following:

- Acceptance and closing of trust and other fiduciary accounts;
- Initial review of assets placed under the trustee's fiduciary custody;
- Investment, reinvestment and disposition of funds or property;
- Review and approval of transactions between trust and/or fiduciary accounts; and
- Review of trust and other fiduciary accounts to determine the advisability of retaining or disposing of the trust or fiduciary assets

and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

The Trust Committee also presides over the proper conduct of the Bank's Trust business, periodically reviewing the business development initiatives such as staffing and delineation of responsibility/accountability, proactive development and implementation of strategies for the cultivation of revenue streams and cost management, and application and monitoring of the proper performance benchmarks.

The Trust Committee is composed of five members, namely the President, Trust Officer and three directors. It meets once every quarter or more frequently as circumstances may warrant. In 2021, 5 regular meetings were conducted and attended by Committee members.

| Trust Committee Member | No. of Meetings Attended | Percentage of Attendance to the Meetings (total of 5 meetings) |
|---|---|---|
| Wilson L. Sy | 5 | 100% |
| *Chairman* | | |
| *Members* | | |
| Antonio C. Moncupa Jr. | 5 | 100% |
| Jonathan T. Gotianun | 3 | 60% |
| Jerry G. Ngo* | 2 | 100% |
| Raul Victor M. De Guzman | 5 | 100% |

**Member from September to December 2021*

### *Independent Audit*
Audit is an essential part of our governance framework and internal control system. Our Internal Audit, which performs year-round audits to check operational efficiency, and our external audit firm, which validates annually the accuracy of financial statements, work independently and collaboratively to examine and evaluate the controls in place and determine if they are working as intended.

### *Internal Audit*
Internal Audit (IA), which provides functional support to the Audit Committee, is mandated to evaluate the effectiveness as well as recommend appropriate courses of action to senior management and the Board to

improve the Bank's risk management, compliance, internal controls, and corporate governance processes.

**Cascading Compliance**

Compliance with corporate governance standards and regulatory guidelines and directives is a shared responsibility of everyone in the organization. Each employee is expected to have a working knowledge of all relevant laws, rules and regulations applicable to his assignment and must fulfill his tasks in compliance with the Bank's policies, code of conduct and standards of good governance.

The Compliance Office, headed by the Chief Compliance Officer, is vested with the role of designing the Bank's Compliance Program and overseeing and coordinating its effective implementation towards the sound management of compliance risks. It is also its responsibility to propagate the right compliance culture across the organization.

The Bank appointed Business Compliance Officers (BCOs) in every unit who are responsible for ensuring the consistent implementation in his unit of the Compliance Program and cascaded regulatory issuances. As designated by the Vice Chairman & CEO, the heads of business units are automatically assigned to perform this role, having the sole responsibility for efficiently running the day-to-day operations in his unit. The BCOs are each tasked to appoint a Deputy Business Compliance Officer (DBCO) to serve as their eyes on the ground and facilitate faster and easier coordination with the Bank's Compliance Division.

In addition, the governance units, namely Compliance, Risk Management, and Internal Audit, coordinate and work together in meeting the common governance, risk management and internal control goals of the Bank.

**Making Good Governance Work**

It is important for all our stakeholders that the Bank acts with integrity, transparency, and accountability. This commitment goes beyond the close of every banking day. EastWest strives to earn trust in the way it manages its business responsibly at every encounter.

**Corporate Governance Manual**

The strong focus on upholding the highest corporate governance principles is enshrined in EastWest's Corporate Governance Manual. The Manual was designed to define the framework of rules, systems, and processes governing the performance of the Board and EastWest management. It establishes the structure by which the Bank carries out corporate governance and serves as reference for all the members of the Board and Senior Management in the conduct of their duties and responsibilities.

Every member of the organization is made aware of these policies, and the Board of Directors and Senior Management commit themselves to the principles and best practices contained in this Manual.

An electronic copy of the Manual is available in EastWest's corporate website, *www.eastwestbanker.com*.

**Evaluation System and Compliance**
As part of its system for monitoring and assessing compliance with the Corporate Governance Manual and the SEC Code of Corporate Governance, each Board Committee is required to report regularly to the Board of Directors. In addition, the Corporate Governance Manual is subject to annual review or when necessary, as mandated by law or regulation.

The Chief Compliance Officer is responsible for determining and measuring compliance with the Corporate Governance Manual and the SEC Code of Corporate Governance. Any violation of the Bank's Corporate Governance Manual shall subject the responsible officer or employee to the penalties in accordance with the Bank's Code of Discipline and Ethics.

**Conflict of Interest**
EastWest seeks to ensure transparency and fairness in all its dealings with stakeholders and the public. It has established policies to prevent potential conflict of interest, which we have defined as any situation wherein its directors, officers, and employees have a competing interest against the Bank or its customers.

All directors, officers, and employees are prohibited from engaging in any transaction where their personal interests could compromise their judgement or ability to act in the best interest of the Bank or our customers.

The Code of Discipline and Ethics governs conflict of interest in all employees, and any inquiry into this matter is coursed through the Human Resources Group and duly discussed with the employee's direct supervisor and the Chief Compliance Officer.

**Dividend Policy**
Dividends may be declared from the surplus profits arising from the business of the Bank at such time and in such percentage as the Board of Directors may deem proper. No dividends may be declared that will impair the Bank's

capital. Stock dividends shall be declared in accordance with the law. The Board has set 20% to 30% of earnings will be declared as dividends. This policy has been put on hold in the light of the pandemic.

**Insider Trading**

As a publicly listed company, EasWest is governed by the rules of the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) in disclosing trading transactions from directors to principal officers. Its internal policy requires all these individuals to secure prior clearance in any trading transaction, as well as to inform the Investor Relations Office and the Office of the Corporate Secretary of the Bank on such trading transactions within one banking day after transaction execution.

Information is deemed properly disseminated via disclosures in the form of SEC filings, PSE disclosures, press releases, or placements on our website. Any of the Bank's directors, officers, and employees privy to sensitive or material information about the Bank, its products, or services are prohibited from pursuing agreements or transactions involving these products or services in his or another person's behalf.

Information is deemed properly disseminated via disclosures in the form of SEC filings, PSE disclosures, press releases, or placements on our website. We prohibit any of the Bank's directors, officers, and employees privy to sensitive or material information about our company, products, or services to pursue agreements or transactions involving those products or services on his or another person's behalf.

**Related Party Transactions**

EastWest formulated and implemented policies and procedures that would ensure the integrity and transparency of related party transactions (RPT) between and among the Bank and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers, and directors, and relevant parties. As these transactions may give rise to a conflict of interest, these are kept at an arm's length and such related party transactions are not afforded any special favor or treatment.

The RPT Committee conducts a periodic review of RPT policies and procedures, including materiality thresholds and internal limits and endorses revisions, if necessary, for Board approval and confirmation of the majority vote of stockholders.

**Anti-Money Laundering**

EastWest sees current policies to combat money laundering as an opportunity to increase its vigilance and knowledge of its customers. It continues to comply with the provisions of the Anti-Money Laundering Act (AMLA), with the Compliance Division overseeing its overall direction in this area. The Bank continued to strengthen its AML program and further enhanced transaction monitoring. It kept abreast of news and developments in the market that could create huge reputational risks apart from actual financial damage.

EastWest takes pride in having 100% awareness of its anti-money laundering policy in its ranks, as it is a foundational training course for each member of the organization. Even those not in the frontlines are required to take the course to know the basic rules and protect the business. In EastWest stores, specialized AML courses and briefings are conducted during service and sales clinics. This is to reinforce proper client identity process from onboarding to continuous monitoring of account activity and all other controls that ensure the Bank's protection against unlawful activity.

**Whistleblowing Policy**
EastWest's ethical culture is supported by an environment where concerns can be raised without fear of retaliation. It provides various means for raising concerns, including the ability to report them on an anonymous basis. All reports are investigated, and breaches of the Code of Discipline and Ethics are dealt with swiftly and decisively.

Its program, Ethics-Direct, encourages employees, clients, shareholders, and third-party partners to report any incident or knowledge of misconduct, irregularity, or breach of ethics that can go against the interest of the Bank and its stakeholders. Each whistleblower's identity is well-protected.

Various channels of communication – including direct supervisors and managers, a designated officer, and the Whistle Blowing committee – are open and ready to accommodate complaints and reports of undesirable acts and behavior.

**Selection and Remuneration Policy for Senior Management**
The selection of the Bank's Senior Management goes through a thorough process of evaluation. Candidates go through assessment by the Talent Management and Acquisition Head, Hiring Manager and Business or Functional Group Head concerned and the Group Head of HR based on set standards and parameters such as but not limited to knowledge, expertise and competencies required for the role, integrity and probity, experience and

training. The candidate's values are also appraised against those espoused by the Bank.

The candidate who has successfully met the selection criteria is endorsed for final assessment and hiring approval of the CEO and the Chairman.

The Bank does not have a separate remuneration policy for Senior Management, however, the Bank follows a Rewards Philosophy for EastWestbankers across all ranks. EastWest supports a high performing culture that promotes and rewards performance and recognizes potential through the implementation of total rewards programs that covers competitive pay policies and fundamental benefits to meet personal needs and support family requirements.

The EastWest Philosophy aims to implement differentiated rewards based on performance, potential and job criticality and for the Bank to remain competitive, especially for talents with high potential, consistent superior performance, and those occupying critical jobs.

**Retirement of Senior Officers**
The retirement age of Senior Officers is generally the same as with all other bonafide EastWestbankers as embodied in the Plan Rules and Regulations of the EastWest Employees' Retirement Plan. The normal retirement date for our employees is attainment of age 60 but there may be cases that call for late retirement, which the Bank will approve on a case-by-case basis.

# SUSTAINABILITY PERFORMANCE MATRIX

EastWest Bank's sustainability performance for the period 1 January 2021 to 31 December 2021 is reported in this Sustainability Performance Matrix with reference to the Global Reporting Initiative (GRI) Standards.

| GRI Standard | Disclosure | Section in the Report |
|---|---|---|
| GRI 2: General Disclosures 2021 (The organization and its reporting practices) | 2-1 Organizational Details | Who We Are |
| | 2-2 Entities included in the organization's sustainability reporting | Our Report |
| | 2-3 Reporting period, frequency, and contact point | Our Report |
| | 2-4 Restatements of information | Our Report |
| | 2-5 External assurance | About our Report, Page 2 |
| GRI 2: General Disclosures 2021 (Activities and workers) | 2-6 Activities, value chain and other business relationship | Who We Are |
| | 2-7 Employees | Transforming for Our People |
| GRI 2: General Disclosures 2021 (Governance) | 2-9 Governance structure and composition | Corporate Governance |
| | 2-10 Nomination and selection of the highest governance body | Corporate Governance |
| | 2-11 Chair of the highest governance body | Corporate Governance |
| | 2-12 Role of the highest governance body in overseeing the management impacts | Corporate Governance |
| | 2-13 Delegation of responsibility for managing impacts | Corporate Governance |
| | 2-14 Role of the highest governance body in sustainability reporting | Corporate Governance |
| | 2-15 Conflicts of interest | Corporate Governance |
| | 2-16 Communication of critical concerns | Corporate Governance |
| | 2-17 Collective knowledge of the highest governance body | Corporate Governance |
| | 2-18 Evaluation of the performance of the highest governance body | Corporate Governance |
| | 2-19 Remuneration policies | Corporate Governance |
| | 2-20 Process to determine remuneration | Corporate Governance |
| GRI 2: General Disclosures 2021 (Strategy, policies and practices) | 2-22 Statement of sustainable development strategy | Message from the Chairman |
| | 2-23 Policy commitments | Message from the Chairman, Q&A with the Vice Chairman and CEO |
| | 2-24 Embedding policy commitments | Q&A with the Vice Chairman and CEO |
| | 2-27 Compliance with laws and regulations | Corporate Governance |
| GRI 2: General Disclosures 2021 (Stakeholder Engagement) | 2-29 Approach to stakeholder engagement | Who We Are |
| | 2-30 Collective bargaining agreements | Transforming for Our People |
| GRI 3: Material Topics 2021 (Disclosures on Material Topics) | 3-1 Process to determine material topics | Our Report |
| | 3-2 List of material topics | Our Report |
| | 3-3 Management of material topics | Our Report |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | 2021 Highlights, Sustainability at EastWest |
| | 201-2 Financial implications and other risks and opportunities due to climate change | No data |
| | 201-3 Defined benefit plan obligations and other retirement plans | No data |
| | 201-4 Financial assistance received from government | There is no financial assistance received from the government. |
| | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | No data |
| | 202-2 Proportion of senior management hired from the local community | No data |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 Infrastructure investments and services supported | Sustainability at EastWest |
| | 203-2 Significant indirect economic impact | Sustainability at EastWest |
| GRI 204: Procurement Practices 2016 | 204-1 Proportion of spending on local suppliers | No data |
| GRI 205: Anti-Corruption 2016 | 205-1 Operations assessed for risks related to corruption | Corporate Governance |
| GRI 206: Anti-competitive Behavior 2016 | 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | Corporate Governance |
| GRI 301: Materials 2016 | 301-1 Materials used by weight or volume | Being a financial services company, EastWest does not use a large amount of materials in its ordinary course of business. |
| | 301-2 Recycled input materials used | |
| | 301-3 Reclaimed products and their packaging | |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organization | Sustainability at EastWest |
| | 302-2 Energy consumption outside of the organization | |
| | 302-3 Energy intensity | |
| | 302-4 Reduction of energy consumption | |
| | 302-5 Reduction in energy requirements of products and services | |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 New Suppliers that were screened using environmental criteria | No data |
| | 308-2 Negative environmental impacts in the supply chain and actions taken | No data |
| GRI 401: Employment 2016 | 401-1 New Employee hires and employee turnover | Transforming for Our People |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | |
| | 401-3 Parental leave | |

| GRI Standard | Disclosure | Section in the Report |
|---|---|---|
| GRI 402: Labor/Management Relations 2016 | 402-1 Minimum notice periods regarding operational changes | No data |
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | Transforming for Our People, Sustainability at EastWest |
| | 403-2 Hazard identification, risk assessment, and incident investigation | |
| | 403-3 Occupational health services | |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | |
| | 403-5 Worker training on occupational health and safety | |
| | 403-6 Promotion of worker health | |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relations | |
| | 403-8 Workers covered by an occupational health and safety management system | |
| | 403-9 Work-related injuries | |
| | 403-10 Work-related ill health | |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | Transforming for Our People, Sustainability at EastWest |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | |
| | 405-2 Ratio of basic salary and remuneration of women to men | |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | No data |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | No data |
| GRI 408: Child Labor 2016 | 408-1 Operations and suppliers at significant risk for incidents of child labor | Sustainability at EastWest |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | Sustainability at EastWest |

| GRI Standard | Disclosure | Section in the Report |
|---|---|---|
| GRI 410: Security Practices 2016 | 410-1 Security personnel trained in human rights policies and procedures | N/A |
| GRI 410: Security Practices 2016 | 410-1 Security personnel trained in human rights policies and procedures | N/A |
| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and developing program | Feature: Filinvest Spearheads FilVax |
| | 413-2 Operations with significant actual and potential negative impacts on local communities | N/A |
| GRI 414: Supplier Social Assessment 2016 | 414-1 New suppliers that were screened using social criteria | No data |
| | 414-2 Negative social impacts in the supply chain and actions taken | No data |
| GRI 415: Public Policy 2016 | 415-1 Political contributions | N/A |
| GRI 416: Customer Health and Safety 2016 | 416-1 Assessment of the health and safety impacts of product and service categories | Transforming for Our Customers |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | |
| GRI 417: Marketing and Labeling 2016 | 417-1 Requirements for product and service information and labeling | |
| | 417-2 Incidents of non-compliance concerning product and service information and labeling | |
| | 417-3 Incidents of non-compliance concerning marketing communications | |
| GRI 418: Customer Privacy 2016 | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | Transforming for Our Customers |