

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us.

Confirmation of your representation: You have accessed the attached document on the basis that you have confirmed to Union Bank of the Philippines (the **Bank**), ING Bank N.V. Manila Branch (**ING**) and Standard Chartered Bank (**SCB**) (the **Lead Arrangers and Selling Agents**) that (1) you are not a resident in a country where delivery of this document by electronic transmission may not be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, AND (2) that you consent to delivery of this document and any amendments or supplements thereto by electronic transmission.

This document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Bank, the Lead Arrangers and Selling Agents and their respective employees, representatives or affiliates accept any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available on request.

You understand that: The information in the offering circular has been provided by Union Bank of the Philippines (the **Bank**) for its ₱50,000,000,000 Bonds Program (the **Bonds Program**). The Lead Arrangers and Selling Agents have not independently verified the information contained in the offering circular. The Lead Arrangers and Selling Agents (1) accept no liability or responsibility for (a) the contents of this offering circular or for any other statement, made or purported to be made by the Lead Arrangers and Selling Agents or on its behalf in connection with the Bank, (b) the accuracy or completeness of the information contained in the offering circular or on which the offering circular is based, or (c) the issue and offering of the Bonds, (2) nor make any representation or warranty, express or implied, with respect to the information contained in the offering circular or on which the offering circular is based. The Lead Arrangers and Selling Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement.

This offering circular should not be considered as a recommendation by the Lead Arrangers and Selling Agents or any of their affiliates to any recipient of the offering circular in relation to the Bonds Program. Each person to whom the offering circular is made available by the Lead Arrangers and Selling Agents must make its own independent assessment of the Bonds Program after making such investigation as it deems necessary.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic document is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Union Bank of the Philippines

(incorporated with limited liability in the Republic of the Philippines)

₱50,000,000,000 BONDS PROGRAM

OFFER PRICE 100.0% OF FACE VALUE

Under this ₱50,000,000,000 Bonds Program, Union Bank of the Philippines (the **Bank**) may offer, from time to time, in one or more series or tranches, Senior Fixed Rate Bonds (the **Bonds**), pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), and any other circulars and regulations as may be relevant for the transaction, as amended from time to time. The maximum aggregate nominal amount of all Bonds from time to time issued and outstanding under the Bonds Program will not exceed ₱50,000,000,000.

The Bonds, when issued, shall constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

The Bonds will be issued in scripless form in denominations as stated in the Form of Pricing Supplement to be issued for every Series or Tranche of Bonds, thereafter, and will be registered and lodged with the Registrar through the Registry in the name of the Bondholders, subject to the payment by the Bondholder of applicable fees to the Registrar. Each Tranche of the Bonds issued under the Bonds Program will be represented by a Master Certificate of Indebtedness deposited with the Registrar. The electronic registry book of the Registrar (the **Registry**) shall serve as the best evidence of ownership with respect to the Bonds. However, a written advice will be issued by the Registrar to the Bondholders to confirm the registration of Bonds in their name in the Registry including the amount and summary terms and conditions of the Bonds (the **Registry Confirmations**).

The Bonds will not be rated. The Bank has a rating of Baa2 from Moody's. A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

The Bonds will be listed and enrolled by the Bank in the Philippine Dealing and Exchange Corp. (**PDEX**). Once registered and lodged, the Bonds will be eligible for transfer through the trading participants of the PDEX upon listing of the Bonds in PDEX by electronic book-entry transfers in the Registry, and issuance of Registry Confirmations in favor of transferee Bondholders.

Lead Arrangers and Bookrunners



Selling Agents



The date of this Offering Circular is 25 October 2023.

Unless the context indicates otherwise, any reference to the “Bank” refers to Union Bank of the Philippines. The information contained in this Offering Circular relating to the Bank, its operations and those of its subsidiaries (collectively, the **Group**) has been supplied by the Bank, unless otherwise stated herein.

The Bonds will be issued pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), and other related circulars and issuances of the BSP (the **BSP Rules**). The issuance of the Bonds is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

This Offering Circular has been prepared by the Bank solely for the information of persons to whom it is transmitted. This Offering Circular shall not be reproduced in any form, in whole or in part, for any purpose whatsoever nor shall it be transmitted to any other person.

The Bank confirms that this Offering Circular contains all information relating to the Group and the Bonds which is material in the context of the issue and offering of the Bonds, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are other facts, omission of which would make any statement in this Offering Circular misleading in any material respect and that all reasonable enquiries have been made by the Bank to verify the accuracy of such information. The Bank hereby accepts full and sole responsibility accordingly.

The Lead Arrangers and Selling Agents have not independently verified the information contained or incorporated by reference herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Arrangers or the Selling Agents as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank in connection with the offering of the Bonds. To the fullest extent permitted by law, the Lead Arrangers and the Selling Agents assume no liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank or any statement made or purported to be made by the Lead Arrangers, the Selling Agents or any of their respective affiliates or advisors, in connection with the offering of the Bonds.

No person is or has been authorized by the Bank, the Lead Arrangers or the Selling Agents to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank, the Lead Arrangers or the Selling Agents. Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluations or (b) should be considered as a recommendation by the Bank, the Lead Arrangers or the Selling Agents that any recipient of this Offering Circular, or any other information supplied in connection with the offering of the Bonds, should purchase any Bonds. Each investor contemplating to purchase any Bonds should rely on its own examination of the Bank and the terms of the offering of the Bonds, including the merits and risks involved. By receiving this Offering Circular, the prospective Bondholder acknowledges that (i) it has not relied on the Lead Arrangers, the Selling Agents or any person affiliated with them in connection with its investigation of the accuracy of any information in this Offering Circular or its investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Bank, the Group or the Bonds other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank, the Lead Arrangers or the Selling Agents.

None of the Bank, the Lead Arrangers, the Selling Agents or any of their respective affiliates or representatives is making any representation to any Bondholder regarding the legality of an investment by such Bondholder under applicable laws. In addition, the Bondholder should not construe the contents of this Offering Circular as legal, business or tax advice. The Bondholder should be aware that it may be required to bear the financial risks of an investment in the Bonds for an indefinite period. The Bondholder should consult with its own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Bonds.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as at any time subsequent to the date indicated in the document containing the same. The Lead Arrangers and the Selling Agents expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

This Offering Circular does not constitute an offer to sell, or an invitation by or on behalf of the Bank, the Lead Arrangers and Selling Agents or any of their respective affiliates or representatives to purchase any of the Bonds, and may not be used for the purpose of an offer to, or a solicitation by, anyone, in each case, in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. Recipients of this Offering Circular are required to inform themselves about and observe any applicable restrictions.

Each Bondholder must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Bonds or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Bonds under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and the Bank or the Lead Arrangers and Selling Agents shall have no responsibility therefor.

The audited consolidated financial statements of the Bank and its subsidiaries as of and for the year ended December 31, 2022, prepared in accordance with PFRS and included in this Offering Circular, have been audited by SyCip Gorres Velayo & Co., independent accountants, in accordance with Philippine Standards on Auditing as stated in their audit report appearing herein. The unaudited interim consolidated financial statements of the Bank and its subsidiaries as of June 30, 2023 and for the six months ended June 30, 2023 and 2022, prepared in accordance with PAS 34, Interim Financial Reporting, and included in this Offering Circular have been reviewed by SyCip Gorres Velayo & Co. in accordance with Philippine Standards on Review Engagements 2410, as stated in their review report appearing herein.

CONVENTIONS WHICH APPLY TO THIS OFFERING CIRCULAR

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “Philippines” are references to the Republic of the Philippines. All references to the “Government” herein are references to the Government of the Philippines. All references to “United States” or “U.S.” herein are to the United States of America. Unless otherwise specified or the context otherwise requires, references herein to “U.S. dollars” and “U.S.\$” are to the lawful currency of the United States of America and references herein to “Pesos” and “P” are to the lawful currency of the Republic of the Philippines. Certain monetary amounts and currency translations included in this document have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them. References in this document to ownership interests are, save as otherwise disclosed, as at the date of this document.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, all financial and other data regarding the Bank’s business and operations in this Offering Circular are presented in a consolidated basis. The financial information in this Offering Circular has been derived from (i) the audited financial statements of the Bank and its subsidiaries as of and for the financial year ended December 31, 2022 (the **Audited Consolidated Financial Statements**) and (ii) the unaudited interim consolidated financial statements of the Bank and its subsidiaries as of June 30, 2023 and for the six months ended June 30, 2023 and 2022 (the **Reviewed Interim Consolidated Financial Statements**, together with the Audited Financial Statements, the **Financial Statements**), included elsewhere in this Offering Circular.

The Bank’s financial year ends on December 31, and references in this Offering Circular to any specific year are to the 12-month period ended on December 31 of such year. The Audited Financial Statements have been prepared in accordance with Philippine Financial Reporting Standards (**PFRS**) adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy. The Reviewed Interim Consolidated Financial Statements have been prepared in accordance with Philippine Accounting Standards (**PAS**) 34, Interim Financial Reporting.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular constitute “forward-looking statements”, including statements regarding the Bank’s expectations and projections for future operating performance and business prospects. The words “believe”, “expect”, “anticipate”, “estimate”, “project”, “will”, “aim”, “will likely result”, “will continue”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “should”, “will pursue” and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Bank’s financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Bank’s products and services, are forward-looking statements.

Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Bank or

any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Bank's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the Bank's ability to successfully implement its business strategy, the condition of and changes in the Philippine, Asian or global economies, future levels of non-performing loans, the Bank's growth and expansion, including whether the Bank succeeds in its business strategy, changes in interest rates and changes in government regulation and licensing of its businesses in the Philippines and in other jurisdictions where the Bank may operate, and competition in the banking and financial services industry. Additional factors that could cause the Bank's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Investment Considerations".

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Each of the Bank and the Lead Arrangers and Selling Agents expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Bank's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries was derived from information compiled and made available by the BSP or other public sources. While the Bank has ensured that such information has been extracted accurately and is believed by the Bank to be reasonable and presented in its proper context, the Bank has not independently verified any of the data from third-party sources or ascertained the correctness of the underlying economic assumptions relied upon therein.

FORM OF PRICING SUPPLEMENT

For each issuance of Bonds under the Bank's Bonds Program, the Bank shall distribute the Form of Pricing Supplement which shall be disclosed to the public through the filing with the PSE and made available for download from the website of the Bank specifically, in <https://www.unionbankph.com/>.

The Form of Pricing Supplement shall contain the following information:

- a. name of the Bank;
- b. description of the issue;
- c. description of the specified currency or currencies;
- d. description of the offer size of the specific offering;
- e. description of the manner of distribution;
- f. description of the issue price;
- g. description of the form and denomination of the Bonds;
- h. description of timetable and offer period;
- i. description of the applicable interest rate and the mode of settlement of the offering;
- j. description of the interest payable;
- k. description of the provisions relating to redemption;
- l. distribution;
- m. investment considerations;
- n. parties to the distribution;
- o. name of the relevant payment account; and
- p. additional information or changes or updates to the Offering Circular.

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE.....	6
GLOSSARY OF TERMS.....	7
FORM OF PRICING SUPPLEMENT	13
INVESTMENT CONSIDERATIONS	17
TERMS AND CONDITIONS OF THE BONDS	45
USE OF PROCEEDS	68
CAPITALISATION AND INDEBTEDNESS OF THE BANK.....	69
SELECTED CONSOLIDATED FINANCIAL INFORMATION.....	70
DESCRIPTION OF THE BANK	78
RISK MANAGEMENT.....	116
DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES.....	123
MANAGEMENT	136
RELATED PARTY TRANSACTIONS.....	148
PRINCIPAL SHAREHOLDERS	150
THE PHILIPPINE BANKING INDUSTRY	154
BANKING REGULATION AND SUPERVISION	168
PHILIPPINE TAXATION.....	192
DISTRIBUTION AND SALE	198
INDEX TO FINANCIAL STATEMENTS	203

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or issued from time to time after the date hereof shall be incorporated in, and form part of, this Offering Circular:

- (a) the most recently published audited consolidated and non-consolidated annual financial statements and, if published later, the most recently published consolidated interim financial statements (if any) of the Bank, in each case together with any audit or review reports prepared in connection therewith (where relevant); and
- (b) all supplements or amendments to this Offering Circular circulated by the Bank from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. Copies of the documents listed in (a) above which are deemed incorporated by reference in this Offering Circular may be obtained at the Philippine Stock Exchange's website at <http://www.pse.com.ph>.

Any published unaudited interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited by the auditors of the Bank. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

The Bank will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Request for such documents should be directed to the Bank at its registered office set out at the end of this Offering Circular.

The Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new offering circular for use in connection with any subsequent issue of Notes.

GLOSSARY OF TERMS

“AMLA” means the Anti-Money Laundering Act of the Philippines (Republic Act No. 9160), as amended by Republic Act No. 9194, Republic Act No. 10167, Republic Act No. 10365, and Republic Act No. 10927, and BSP Circular Nos. 706 and 950 and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto.

“Application to Purchase” or **“ATP”** means the application form to be accomplished and submitted by an applicant for the purchase of a specified amount of the bonds to be issued pursuant to the Bond Program, together with all the other requirements set forth in such application form attached thereto, or electronically submitted through the e-SIP.

“Bank” means Union Bank of the Philippines, a corporation duly organized and existing under the laws of the Philippines, and duly authorized to operate as a universal bank.

“BIR” means the Philippines Bureau of Internal Revenue.

“Bond Agreements” means the Program Agreement dated 26 April 2019, Trust Indenture Agreement dated 26 April 2019, the Registry and Paying Agency Agreement dated 26 April 2019, the Terms and Conditions, including amendments thereto, the Master Certificate of Indebtedness and Pricing Supplement to be issued for each Series or Tranche of Bonds to be issued under the Bond Program.

“Bondholder” means a Person who, at any relevant time, appears in the Registry as the registered owner of a Series or Tranche of Bonds issued under the Bond Program.

“Bond Program” means the ₱50 Billion bond program of the Bank established by, or otherwise contemplated in, this Offering Circular.

“Bonds” means a bond issued pursuant to the Bond Program which has such maturity and interest rate as may be agreed upon between the Bank and the relevant Lead Arranger/s and evidenced by a Master Certificate of Indebtedness.

“BSP” means the *Bangko Sentral ng Pilipinas*.

“BSP Rules” means the General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Banks, BSP Circular Nos. 975, 1010 and 1062 and other related circulars and issuances, as may be amended from time to time.

“Business Day” means any day other than one on which commercial banks and foreign exchange markets in Pasig City and Makati City, Philippines are not required or authorized to be open for business.

“Cash Settlement Bank” means a bank licensed and authorized under the laws of the Republic of the Philippines and designated by the Bondholder as the bank with which the Bondholder's Cash Settlement Account is maintained, such designation to be made in accordance with the procedures of the Paying Agent.

“Closed Period” means the periods during which the Registrar shall not register any transfer or assignment of the Bonds, specifically: (a) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the principal amount of the Bonds; or (b) the period when any Bonds have been previously called for redemption.

“Early Redemption Amount” means the amount equal to the aggregate issue price of the Bonds, plus accrued but unpaid interest thereon as of the Early Redemption Date in accordance with Clause 6 of the Terms and Conditions.

“Early Redemption Date” means the next Interest Payment Date following compliance by the Bank with the pre-termination requirements under Clause 6 of the Terms and Conditions.

“Early Redemption Option” means the Bank's option to redeem all but not less than all of the Bonds on any Interest Payment Date in accordance with Clause 6 of the Terms and Conditions.

“Electronic Securities Issue Portal” or **“e-SIP”** means the e-Securities Issue Portal established and maintained by the Philippine Dealing System Holdings Corp. e-SIP is a permissioned web-based facility designed as a gateway to streamline processes in the primary issuance of fixed income instruments, available to identified stakeholders such as issuers, underwriters or arrangers, selling agents and client investor applicants. e-SIP will serve as an electronic channel for submission of documents for listing, enrollment, and registration of bondholders.

“Eligible Bondholder” means all prospective purchasers of the Bonds other than those identified as Prohibited Bondholders.

“Event of Default” means an event specified as such in the Terms and Conditions.

“Exchange” means a fixed-income exchange duly accredited by the BSP (such as but not limited to PDEX) on which the Bonds are listed.

“FATCA” means the Foreign Account Tax Compliance Act of the United States of America, as may be amended from time to time.

“Final Sales Report” means the report from each Lead Arrangers detailing the Applications to Purchase covering the Bonds approved and accepted for purchase during the Offer Period.

“Interest” means for any Interest Period, the interest payable on such Bonds at such rate set out in the applicable relevant Pricing Supplement.

“Interest Commencement Date” means the first Interest Payment Date, in respect of a particular Series or Tranche of Bonds.

“Interest Payment Date” means, either:

- (a) The date which falls the number of months or other period specified at the “Interest Period” in the applicable Pricing Supplement after the preceding Interest Payment Date or the Interest Commencement Date (in the case of the first Interest Payment Date); or
- (b) Such date or dates as are indicated in the applicable Pricing Supplement.

“Interest Period” means in respect of any Series or Tranche of Bond, the period commencing on the relevant Issue Date and having a duration of three (3), six (6) or twelve (12) months and, thereafter, each successive three (3), six (6) or twelve (12)-month period commencing on the last day of the immediately preceding Interest Period up to, but excluding the first day of the immediately succeeding Interest Period, but in the case of the last Interest Period, it will be the period from and including the last day of the immediately preceding Interest Period up to, but excluding, the Maturity Date.

“Interest Rate” means the rate of interest as specified in the Master Certificate of Indebtedness as the interest rate corresponding to the Series or Tranche of the Bonds.

“Issue” means the issuance of a Series or Tranche of Bonds by the Bank pursuant to the Terms and Conditions and the applicable Pricing Supplement.

“Issue Date” means, in respect of any Series or Tranche of Bond, the date of issuance of such Series or Tranche of the Bond pursuant to and in accordance with the Bond Program as set out in the applicable Pricing Supplement or any other agreement between the Bank and the relevant Lead Arrangers.

“Issue Price” means one hundred percent (100%) of the aggregate nominal principal amount of the Bonds.

“Lead Arranger/s” means with respect to each Series or Tranche of Bonds, the entity/ies which the Bank may appoint as lead arranger/s and bookrunners for such particular Series or Tranche of Bonds as specified in the Placement Agreement and the applicable Pricing Supplement, and **“Lead Arranger”** means any one of them.

“Market Maker” means the entity appointed by the Bank as market maker for the relevant Series or Tranche of Bonds, as reflected in the relevant Pricing Supplement, provided that such entity is qualified to act as such by PDEX.

“Master Certificate of Indebtedness” means the certificate to be issued by the Bank to the Trustee evidencing and covering such amounts corresponding to a Series or Tranche of Bonds issued on the relevant Issue Date.

“Maturity Date” means the date at which a Series or Tranche of Bonds shall be redeemed by the Bank by paying the principal amount thereof as specifically provided in the applicable Pricing Supplement and the Master Certificate of Indebtedness. Unless previously redeemed or cancelled, the Bond Maturity Date shall be on the date specified in the applicable Pricing Supplement and the Master Certificate of Indebtedness, or the next Business Day if such date is not a Business Day. However, the Maturity Date of the Bonds, for the purpose of the Bank effecting repayment of the principal amount thereof, is subject to the following Business Day convention. Thus, if the Maturity Date is not a Business Day, principal repayment shall be made by the Bank on the next succeeding Business Day, without adjustment to the amount of interest to be paid.

“Non-Trade Transactions” means transactions relating to the Bonds under the following instances:

- (a) Nomination or change of nominated custodian by the beneficial owner of the Bonds;
- (b) Succession, provided that the heirs and successors-in-interest present a court order of partition or deed of extrajudicial settlement together with the proper documentation evidencing the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Bonds;
- (c) Donation, provided that the donor presents a valid deed of donation and documents to evidence the payment of applicable taxes and a certificate authorizing the transfer of the Bonds from the BIR;
- (d) Request for recording or annotation of interests or liens on the Bonds of any party arising from transactions such as, but not limited to, pledge or escrow, provided that the pledgor or the beneficiary of the escrow shall present a proper contract of pledge or escrow agreement; and
- (e) Such other transactions that may be deemed valid and “free of payment” transactions by PDTC; provided such transfer is not in violation of any law or regulation or made in circumvention thereof; provided, further that, the burden of proving the validity of a “free of payment” transaction rests with the transferor of the Bonds.

“Offer” means an offer of a Series or Tranche of the Bonds to the public for subscription under the Bond Program at Issue Price.

“Offer Period” means the period when a Series or Tranche of Bonds are offered for sale by the Bank to the public, through the Selling Agents, on such date and time as may be determined by the Bank and the Lead Arrangers.

“Offering Circular” means the offering circular to be issued in connection with the Bank’s Bond Program dated 26 April 2019, as amended on 23 October 2020, 22 April 2022, and 25 October 2023

“Paying Agent” means Philippine Depository & Trust Corp. or such successor or substitute paying agent to be appointed by the Bank subject to written notification to the BSP within ten (10) calendar days from the date of such change or appointment.

“Payment Account” means, in respect of a Series or Tranche of Bonds issued pursuant to the Bond Program, the account to be opened and maintained by the Paying Agent with such Payment Bank designated by the Bank and solely managed by the Paying Agent, in trust and for the irrevocable benefit of the relevant Bondholders, into which the Bank shall deposit the amount of the interest and/or principal payments due on the relevant outstanding Bonds on a relevant Payment Date and exclusively used for such purpose, the beneficial ownership of which shall always remain with the Bondholders.

“Payment Account Bank” means a duly-licensed bank designated by the Bank (using the form attached to the Registry and Paying Agency Agreement as **Schedule 3**), where the relevant PDTC Payment Account will be opened, maintained, and managed by the Paying Agent for and on behalf of the Bank, into which the Bank shall deposit, in good cleared funds, the amount of the relevant interest and principal payments due each Bondholder on each relevant Payment Date.

“Payment Date” means each date on which payment for interest and/or principal in respect of the relevant Series or Tranche of the Bonds become due.

“PDEX” means the Philippine Dealing & Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the Philippine Dealing System Group.

“PDEX Rules” mean the PDEX Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, as well as other related rules, guidelines, and procedures that may be issued by PDEX.

“PDEX Trading Participant” means a trading participant of the PDEX, as defined under its rules.

“PDS Group” means the group of companies comprised of the Philippine Dealing System Holdings Corporation, which is the parent company of the group, and its operating subsidiaries, which are affiliates of PDTC, namely, PDEX, and the Philippine Securities Settlement Corp.

“PDTC” means the Philippine Depository & Trust Corp.

“Person” means an individual or an entity such as a corporation, partnership, joint venture, trust, unincorporated organization, political subdivision, agency, or instrumentality (whether or not having separate legal personality), and its permitted successor and assigns.

“**Pesos**” or the symbol “**₱**” means the lawful and official currency of the Republic of the Philippines.

“**Placement Agreement**” means the agreement executed in relation to each Series or Tranche of Bonds and sets out the terms on which the Bank shall engage the Lead Arranger/s and Selling Agent/s for that particular Series or Tranche of Bonds.

“**Pricing Supplement**” means the pricing supplement issued in relation to each Series or Tranche of Bonds and giving details of that Series or Tranche and, in relation to any particular Series or Tranche of Bonds, “**applicable Pricing Supplement**” means the Pricing Supplement applicable to that Series or Tranche.

“**Program Agreement**” means the Program Agreement dated 26 April 2019 by and among the Bank, and the Lead Arrangers and Selling Agents named in it, amended and/or supplemented and/or restated from time to time, concerning the issuance of a Series or Tranche of Bonds to be issued pursuant to the Bond Program together with any accession letters and/or as may be modified, amended, or supplemented as applicable from time to time.

“**Prohibited Bondholders**” mean Persons which are prohibited from purchasing or holding the Bonds, specifically:

- (1) the Bank, including its related parties expressly prohibited under prevailing BSP Rules (subject to such exceptions as may be provided therein), provided that, unless otherwise provided in the BSP Rules:
 - (a) the phrase “related parties expressly prohibited under prevailing Rules” shall refer to the related parties (i) identified in Section 131 of the MORB (as defined below) and (ii) which are in possession of or have access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor’s decision to buy or sell the Bonds once the same is disseminated to the public; and
 - (b) the following shall not be considered as Prohibited Bondholders: (1) the Bank’s trust departments or related trust entities and (2) underwriters and/or arrangers that is a related party of the Bank, where such underwriter and/or arranger is part of the underwriting agreement;
- (2) non-resident aliens not-engaged in trade or business in the Philippines and non-resident foreign corporations; *provided* that in the event that the BIR provides guidelines to PDEX to supplement the PDEX rules, conventions and guidelines with respect to the withholding of interest income of non-resident aliens not engaged in trade or business in the Philippines and non-resident foreign corporation from Bonds with maturities of not less than five (5) years, the Bank may exclude non-resident aliens not engaged in trade or business in the Philippines and non-resident foreign corporations in the list of Prohibited Bondholders.
- (3) US Persons under the FATCA including: a U.S. citizen (including a dual citizen); a U.S. resident alien for U.S. tax purposes; a U.S. partnership; a U.S. corporation; any U.S. estate; any U.S. trust if: (a) a court within the United States is able to exercise primary supervision over the administration of the trust; or (b) one or more U.S. persons have the authority to control all substantial decisions of the trust; and any other person that is not considered a non-US person under the FATCA.

For purposes of the definition of Prohibited Bondholders, “**Related parties**” means the related parties identified in Section 131 of the BSP Manual of Regulations for Banks which includes the following: (i) subsidiaries and affiliates of the Bank, and any party (including their subsidiaries, affiliates and special purpose entities) that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank; (ii) the Bank’s directors, officers, stockholders, related interests and their close family members, as well as corresponding persons in affiliated companies; or (iii) persons and entities that have direct or indirect linkages to the Bank identified as (a) ownership, control or power to vote, of 10% to less than 20% of the outstanding voting stock of the Bank; (b) interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the Bank; (c) common stockholders owning at least 10% of the outstanding voting stock of the Bank and 10% to less than 20% of the common outstanding voting stock of the Bank; and (d) permanent proxy or voting trusts in favor of the Bank constituting 10% to less than 20% of the outstanding voting stock of the Bank, or vice versa.

A “**subsidiary**” shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation. An “**affiliate**” shall refer to an entity linked directly or indirectly to the Bank by means of: (1) Ownership, control (as defined below), or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (2) interlocking directorship or officership, where the director or officer concerned owns, controls, as defined under Item “d” hereof, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity; (3) common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (4) management contract or any arrangement granting power to the Bank to direct or cause the direction of management and policies of the entity; or (5) permanent proxy or voting trusts in favor of the Bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa. As used herein, “control” of an enterprise exists when there is: (1) power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or (2) power to govern the financial and operating policies of the

enterprise under a statute or an agreement; or (3) power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or (4) power to cast the majority votes at meetings of the board of directors or equivalent governing body; or (5) any other arrangement similar to any of the above.

“Record Date” as used with respect to any Payment Date means two (2) Business Days immediately preceding such relevant Payment Date, which shall be the cut-off date in determining the existing Bondholders entitled to receive interest, principal, and other payments due, or such other date duly notified by the Bank

“Registrar” means Philippine Depository and Trust Corp. pursuant to the Registry and Paying Agency Agreement.

“Registry” means the electronic book of the Registrar containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon.

“Registry and Paying Agency Agreement” means the Registry and Paying Agency Agreement by and between the Bank and the Registrar and Paying Agent dated 26 April 2019, as supplemented, amended and/or restated from time to time.

“Registry Confirmation” means, in relation to any Series or Tranche of Bonds, the written advice sent by the Registrar to the relevant Bondholders, confirming the registration in the name of such Bondholder in the Registry of the specified amount of the Bonds issued to or purchased by a Bondholder, in the Registry.

“Sanctions” means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by: (i) the Republic of the Philippines; (ii) the United States government; (iii) the United Nations; (iv) the European Union (v) the United Kingdom; (vi) the respective governmental institutions and agencies of any of the foregoing, including, without limitation, the Office of Foreign Assets Control of the US Department of Treasury (OFAC), the United States Department of State, and His Majesty's Treasury (HMT) or (vi) any other relevant sanctions authorities; (together **“the Sanctions Authorities”**).

“SEC” means the Securities and Exchange Commission of the Philippines and its successor agency/ies.

“Selling Agent/s” means with respect to each Series or Tranche of Bonds, each of the entity/ies which the Bank may appoint as selling agent of such Series or Tranche of Bonds as specified in the Placement Agreement and applicable Pricing Supplement, and **“Selling Agent”** means any one of them.

“Series or Tranche” means an issuance of Bonds pursuant to the Bond Program under the same Terms and Conditions as specified under the Trust Agreement, except for their respective Issue Dates, Interest Rates, Maturity Dates, Interest Commencement Date, Tenor and such other terms and conditions as may be specifically provided in the Pricing Supplement to be issued for such particular issuance.

“Tax Exempt/Treaty Documents” means the following documentary requirements to be submitted by Bondholders claiming exemption from any applicable tax or application of a preferential tax rate as proof of its tax-exempt or preferential tax treatment status to the Registrar:

- (a) A current and valid BIR-certified true copies of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder confirming its exemption or preferential rate as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto, and certified by the Corporate Secretary of the Bondholder that: (a) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (b) the Corporate Secretary has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting the said certification's validity. Should the submitted tax exemption certificate, ruling or opinion expire during the Offer Period, the Bondholder must submit an updated/revalidated tax exemption certificate;
- (b) with respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the duly executed and apostilled/consularized BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the Bureau of Internal Revenue, as required under Revenue Memorandum Order No. 14-2021, (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Bank, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation

acceptable to the Bank that the Bondholder or the Bondholder's owners or beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) prior to the payment of subsequent interests due, (i) three (3) originals of the duly executed and apostilled/consularized new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Bank deems applicable, and (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued tax residency certificate has already lapsed; (c) other additional documents as may be required by the Bank or pursuant to applicable tax regulations, which shall be submitted by the Bondholder/Registrar to the Bank no later than the 1st day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto;

- (c) A duly notarized undertaking executed by (1) the Corporate Secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Offer Bonds for its account, or (2) the Trust Officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax exempt status or preferential rate entitlement, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Bank, the Registrar and Paying Agent, the Lead Arrangers and Bookrunners, and the Selling Agents free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax; and
- (d) Such other documentary requirements as may be required by the Bank or the Registrar and Paying Agent, or as required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Bank that the Bondholder is not doing business in the Philippines; provided that the Bank shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Bank to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar and Paying Agent.

"Terms and Conditions" means, in relation to any Series or Tranche of the Bonds, the terms and conditions endorsed on or incorporated by reference into the Master Certificate of Indebtedness constituting each Series or Tranche, such terms and conditions being in or substantially in the form set forth in **Schedule 1** of the Registry and Paying Agency Agreement, as such terms and conditions may be amended with respect to any subsequent tranche of the Bonds.

"Trade Related Transactions" means transactions on the Bonds other than Non-Trade Related Transactions executed through the PDEX (upon listing of the Bonds).

"Trust Agreement" means the Trust Indenture Agreement between the Bank and the Trustee dated 26 April 2019, as supplemented, amended and/or restated from time to time.

"Trustee" means the Development Bank of the Philippines through its Trust Banking Group, the entity appointed by the Bank which shall act as the legal title holder of all Series or Tranche of Bonds and shall monitor compliance and observance of all covenants of and performance by the Bank of its obligations under the relevant Series or Tranche of Bonds issued under the Bond Program and enforce all possible remedies pursuant to such mandate, or any of its successors.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Bonds Program.



Union Bank of the Philippines

(A corporation duly organized and existing under Philippine laws)

PRICING SUPPLEMENT

dated [●]

Offer of up to [P●] Senior Fixed Rate Bonds under its ₱50,000,000,000 Bond Program consisting of

[●]% p.a. Series [●] Bonds due [●] at an Offer Price of 100% of Face Value

to be listed and traded through
the Philippine Dealing and Exchange Corporation

Lead Arrangers and Bookrunners [Logo] [Logo]

Selling Agents [Logo] [Logo]

OFFER OF SERIES [●] BONDS

This document constitutes the Pricing Supplement relating to the Series [●] Bonds being offered and described herein (the “Offer”). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “Terms and Conditions”) set forth in the offering circular dated 26 April 2019, as amended on 23 October 2020, 22 April 2022 and 25 October 2023 (collectively referred to herein as the “Offering Circular”). This Pricing Supplement contains the final terms of this Offer and the Series [●] Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

Issuer	Union Bank of the Philippines (the “Bank”)
Issue	Senior fixed rate bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
The Offer Size	[P●]
Manner of Distribution	[Syndicated/Public offering / Non-syndicated/Private placement]
Issue Price	At par (or 100% of face value)
Form and Denomination of the Bonds	The Series [●] Bonds shall be issued in scripless form in minimum denominations of [P●] each, and in multiples of [P●] thereafter, and traded in denominations of [P●] in the secondary market
Offer Period	The offer of the Bonds shall commence at 9:00 am on [●] and end at 12:00 pm on [●]
Issue Date	[●]
Interest Commencement Date	[●]
Interest Payment Date (s)	[●],[●],[●] and [●] of each year
Interest Rate	[●]% per annum
Day Count Fraction	30/360 day count basis
Maturity Date	[●] (●) years from Issue Date or [●] 20____

Redemption/Payment Basis	Redemption at Par
Bond Rating	The Series [●] Bonds are not rated

PROVISIONS RELATING TO REDEMEPTION

Notice period for early redemption	Minimum period:
	Maximum period:

Issuer Redemption Option	[●]
Final Redemption Amount	[●]
Early Redemption Date	[●]
Early Redemption Amount	[●]

PARTIES/DISTRIBUTION

Trustee	Development Bank of the Philippines
Registrar & Paying Agent	Philippine Depository & Trust Corp.

Lead Arrangers	[●]
	[●]

Selling Agents	[●]
	[●]

Market Maker	[●]

Ranking	The Series [●] Bonds constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the Terms and Conditions, and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves and at least <i>pari passu</i> with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws

Listing	The Series [●] Bonds are intended to be listed at the Philippine Dealing & Exchange Corp., or such other securities exchange licensed as such by the Securities and Exchange Commission

Governing Law	Philippine Law

ADDITIONAL INFORMATION

Changes to the Offering Circular

[Changes or updates necessary to make the statements in the Offering Circular true and correct should be reflected here.]

RESPONSIBILITY

The Bank accepts responsibility for the information contained in this Pricing Supplement.

UNION BANK OF THE PHILIPPINES
(the Bank)

By:

_____ [•]
[•]

INVESTMENT CONSIDERATIONS

An investment in the Bonds involves a number of investment considerations. Prospective investors should carefully consider all the information contained in this Offering Circular including the investment considerations described below, before any decision is made to invest in the Bonds. The Bank's business, cash flows, financial condition, results of operations, and prospects could be materially and adversely affected by any of these investment considerations. The market price of the Bonds could decline due to any one of these risks, and all or part of an investment in the Bonds could be lost.

In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of any Bonds. The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to be exhaustive as the risks which the Bank faces relate to events and depend on circumstances that may or may not occur in the future. In addition, some risks may be unknown to the Bank and other risks, currently believed to be immaterial, could turn out to be material. Prospective investors are encouraged to make their own independent legal, tax, financial, and business examination of the Bank, the Bonds, and the market. Neither the Bank nor the Lead Arrangers and Selling Agents make any warranty or representation on the marketability or price on any investment in the Bonds.

The investment considerations discussed in this section are of equal importance and are separated into categories for ease of reference only.

1. RISKS RELATING TO THE BANK

1.1 The Bank's business and results of operations have been and could continuously be adversely affected by public health epidemics or outbreaks of diseases such as the COVID-19 pandemic.

Coronavirus disease 2019 ("COVID-19"), an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of 31 December 2021, there have been over 263 million confirmed cases worldwide. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

In response to the increasing number of COVID-19 cases in the Philippines, President Rodrigo Duterte declared the entire Luzon island under total lockdown (Enhanced Community Quarantine or "ECQ") on March 16, 2020, which restricted the movement of the population, subject to certain exceptions. Among the lockdown measures implemented were the suspension of work or alternative working arrangements in the private sector except in establishments providing basic necessities, suspension of mass transport facilities, and travel restrictions. Since then, the Government has implemented the graduated lockdown schemes and imposed varying degrees of restrictions on travel and business operations in the Philippines depending on the situation in specific localities.

The Philippine government has taken various steps to address the effects of COVID-19 on Philippine business and economy, including the passage of Republic Act No. 11469 or the "Bayanihan to Heal as One Act" on 25 March 2020 under which the President was granted the power to provide for a minimum of 30 days grace period on the payment of residential rents falling due during the ECQ and the Bayanihan to Recover as One Act (or also known as the "Bayanihan II") on 11 September 2020 which aims to reduce the adverse impact of COVID-19 on the socio-economic well-being of Filipinos and struggling businesses by providing assistance and other forms of socio-economic and regulatory relief. Both laws have expired as of date.

On 30 June 2022, House Bill 271 otherwise known as the "National Economic Stimulus and Recovery Act of 2022" was filed in the 19th Congress. It is a ₱1.5 trillion economic stimulus program that will support sustained high infrastructure spending with focus on Health, Education, Agriculture, Livelihood, Information Technology, and Tourism (HEAL IT) sectors. This bill is proposing a special three-year recovery fund, which aims to release ₱500 billion per year and is seen as the successor of the Bayanihan II Act and the Bayanihan to Heal as One Act. The bill has been pending with the Committee on Economic Affairs since 26 July 2022.

Following economic recovery and resumption of activity since the impact of the COVID-19 pandemic, for the year ended December 31, 2022, the Bank recognized provision for credit losses of ₱4.1 billion, representing a decrease compared to the provision for credit losses of ₱5.8 billion for the year ended December 31, 2021 and ₱8.4 billion for the year ended December 31, 2020. Meanwhile, the Bank's net NPL ratio increased from 2.4% as of December 31, 2021 to 2.2% as of December 31, 2020. Net NPL ratio is the result of (total non-performing loans (NPLs) less specific loan loss reserves for NPLs) divided by (total loans inclusive of interbank loans receivables). The net NPL ratio of the Bank increased to 2.8% as of June 30, 2023 and

the Bank recognized provision for credit losses of ₱5.0 billion for the six months ended June 30, 2023, higher by 220% as compared with the six months ended June 30, 2022. Increases in NPLs and provision for credit losses could have a material adverse effect on the Bank's business, cash flows, financial condition, results of operations and prospects.

For the year ended December 31, 2022, the Group's return on average assets and the return on average equity was 1.3% and 9.7%, respectively, lower than 1.6% and 11.6% for the year ended December 31, 2021, respectively. As of the six months ended June 30, 2023, the Bank's return on average assets and return on average equity have decreased to 1.2% and 7.9%, respectively. There is no assurance that these ratios of the Bank will not further decrease.

The continued spread of COVID-19 and emergence of new COVID-19 variants, such as the Delta variant and the Omicron variant, has also led to disruption and volatility in the global capital markets. Although we note a significant decline in reported cases of COVID-19 infection in the Philippines and while the Bank has taken preventative and other measures to attempt to mitigate the impact of the COVID-19 pandemic, following the outbreak of the COVID-19 or any public health epidemic or pandemic becomes or continues to be widespread in the Philippines or increases in severity, it could have an adverse effect on the economic activity in the Philippines and adversely affect the Bank's business, financial condition, results of operations and prospects.

To manage these risks, the Bank has taken various measures to ensure the continuance of its business and to protect health, safety and welfare of its employees, customers and outsource providers. Such measures include, among others, transition to remote work model, gradual return to workplace, establishment of safety and control measures, and implementation of engagement, health, wellness and welfare programs. The Bank has also made sustained efforts in developing its digital capabilities and expanding its services to bring convenience and efficiency to its customers. In addition, for the purpose of risk management, the Bank has enhanced its due diligence procedure with respect to loan and debt approval during the pandemic. See *"Business — Recent Developments — The COVID-19 Pandemic."* While the Bank believes that the effects of these measures have provided mitigation, these measures may become limited, unsatisfactory or ineffectual in the future, as the COVID-19 pandemic continues to evolve, causing greater disruption to the world and Philippine economy.

On 5 May 2023, the WHO declared the end of COVID-19 as a global health emergency. Notwithstanding such declaration by the WHO that COVID-19 is no longer a global health emergency, the Philippine Department of Health issued a warning to the public on 9 May 2023 that the pandemic is not yet over.

The severity of the consequences for, and the extent of the future impact of an outbreak of the COVID-19 or any public health epidemic or pandemic on, the Bank will depend on certain developments, including the emergence of new COVID-19 variants and contagious diseases, duration and spread of the outbreak, the actions taken to contain COVID-19 or any other and contagious diseases, the impact on the Bank's customers, suppliers and employees, and the accessibility and effectiveness of government support programs to the Bank's customers, all of which are highly uncertain and cannot be predicted. There is no assurance that the pandemic will not have a material adverse impact on the Bank's future results of operation.

1.2 The Bank may not be successful in implementing its strategies or entering new markets.

The Bank is currently strengthening its business model by repositioning itself as a digital bank, by leveraging on technology to continuously improve customer experiences in cost-efficient manner. Through City Savings Bank, Inc. ("City Savings") and the Bank's other subsidiaries, the Bank is expanding its core reach to the unbanked and underbanked segments of the population, currently serviced by fragmented institutions relying on traditional brick-and-mortar and face-to-face delivery segments. Meanwhile, with technology at the core of its strategy, the Bank established its technology and innovation arm, UBX Philippines Corporation ("UBX PH"), to lead the Bank's initiatives in building electronic platforms and exploring and applying emerging technologies in banking. In July 2021, the Bank was one of the six entities granted permits by the BSP to operate a digital lender. See *"Business—Business Strategies."* Expansion of the Bank's business activities exposes it to a number of risks and challenges such as unstable markets, increased competition, inability of the Bank to execute its strategies in a timely manner or at all, and less growth or profit potential than the Bank anticipates. In addition, new business endeavors may require knowledge and expertise which differ from those used in the current business operations of the Bank, including different management skills, risk management procedures, guidelines and systems, credit appraisal, monitoring, and recovery systems. The Bank may not be successful in developing such knowledge and expertise. Furthermore, managing such growth and expansion requires significant managerial and operational resources, which the Bank may not be able to procure on a timely basis or at all.

The Bank's competitors may have substantially greater experience and resources for the new and expanded business activities and thus the Bank may not be able to attract customers from its competitors. The Bank may also fail to identify and offer attractive new products and services in a timely manner or at all, putting it at a disadvantage to its competitors. The Bank's inability to implement its business strategies could have a material adverse effect on its business, financial condition and results of operations. See also *"Business—Business Strategies"* for details of the key elements of the Bank's strategy for growth and

expansion, “*Business—Competitive Strengths*” for details of the Bank’s principal competitive strengths, “*Risk Management*” and “*Management—Risk Management Committee*” for details of the Bank’s risk management processes, and “*Management*” for details of the business experience of the Bank’s directors.

1.3 The Bank may not be able to integrate its acquisitions to its existing business.

The Bank’s growth strategy contemplates, among other things, organic growth and growth through acquisitions. The Bank has made a number of strategic acquisitions in the past few years. From 2017 to 2021, the Bank, either directly or through its subsidiaries, acquired all or majority of the common shares in, among others, (i) First-Agro Industrial Rural Bank, Inc. (“FAIR Bank”), a rural bank that provides banking and microfinance services and loan products to MSMEs, and micro housing institutions, (ii) Philippine Resources Savings Bank Corporation (“PR Savings Bank”), a thrift bank engaged in providing motorcycle, agri-machinery, and teachers’ salary loans, (iii) PETNET, Inc. (“PETNET”), more widely known by its retail brand name PERA HUB, a remittance channel with over 3,000 outlets in the Philippines, (iv) Bangko Kabayan Inc. (“Bangko Kabayan”), a bank with one head office and 24 branches in the areas of Batangas, Laguna and Quezon, and (v) Progressive Bank, Inc. (“Progressive Bank”), a rural bank based in Iloilo, Philippines, and engaged in the business of providing credit to farmers, and small, medium and micro business enterprises. The Bank has also acquired certain associates, in which it holds minority equity interest. On December 23, 2021, the Board of the Bank approved the acquisition of the consumer banking business of Citigroup, Inc. in the Philippines and on August 1, 2022, the Bank completed such acquisition. See “*Business—Recent Developments—Acquisitions and Incorporation of Subsidiaries*” for more information. As part of its acquisition strategy, the Bank regularly evaluates potential acquisition targets, and may in the future seek to acquire other businesses to expand its operations.

There can be no assurance that the Bank will be able to meet all closing conditions or obtain all regulatory approvals required for its acquisitions, or that the Bank will not experience difficulties integrating acquired businesses, retaining and integrating key employees of acquired companies, or addressing new business risks not currently faced by the Bank. If general economic and regulatory conditions or market and competitive conditions change, or if the Bank’s operations do not generate sufficient funds or other unexpected events occur, the Bank may decide to delay, modify or forego some aspects of its growth strategies. This could have an adverse effect on the Bank’s financial condition and results of operations as well as its future growth prospects.

In addition, completing acquisitions could require use of a significant amount of the Bank’s available capital. Acquisitions and investments may also have negative effects on the Bank’s reported results of operations due to acquisition related charges, amortization of acquired technology and other intangibles, and/or actual or potential liabilities, known and unknown, associated with the acquired businesses or joint ventures. Any of these acquisition related risks or costs could adversely affect the Bank’s business, financial condition and results of operations. See also “*Business—Business Strategies—Further strengthen the Bank’s capital*” for details of the Bank’s strategy for strengthening its available capital, and “*Risk Management*” for details of the Bank’s risk management processes.

1.4 An increase in interest rates could decrease the value of the Bank’s securities portfolio and raise the Bank’s funding costs

Domestic interest rates have remained manageable since 2009, with the monetary policy directed towards stimulating the economy. After mid-2019, domestic interest rates have been reduced for several times, for the purpose of stimulating the economy in light of global economic downturn due to increasing geopolitical tensions and the ongoing COVID-19 pandemic. At the Monetary Board’s meeting on June 25, 2020, the BSP reduced its key policy rates to 2.25% for overnight reverse repurchase facility, 1.75% for overnight deposit facility and 2.75% for overnight lending facility. On November 19, 2020, the BSP further reduced its key policy rates to 2.00% for overnight reverse repurchase facility, 1.50% for overnight deposit facility and 2.50% for overnight lending facility. On February 17, 2022, BSP decided to maintain the interest rate on overnight reverse repurchase facility at 2.00%. The interest rates on the overnight deposit and lending facilities were likewise kept at 1.50% and 2.50%, respectively. On February 16, 2023, the BSP increased its key policy rates by 50 bps resulting in the increase in the interest rates for the overnight reverse repurchase, deposit and lending facilities to increase to 6.0%, 5.5% and 6.5%, respectively, effective February 17, 2023. On March 23, 2023, the Monetary Board further increased its key policy rates by 25 bps, resulting in the increase in the interest rates for the overnight reverse repurchase, deposit and lending facilities to increase to 6.25%, 5.75% and 6.75%, respectively, effective March 24, 2023.

However, there is no assurance that interest rates in the Philippines will not increase in the future, including in response to inflationary pressures. According to Fitch Solutions, the BSP is expected to increase interest rates by the end of 2022 by a total of 75 basis points amidst the economy’s gradual recovery. The BSP is focusing on supporting the economy’s recovery despite still elevated inflation levels. Fitch Solutions further notes that the BSP could tighten more aggressively in the case of elevated core inflation and a strong rebound in producer prices.

The Bank realizes income from the margin between income earned on its interest-earning assets and interest paid on its interest-bearing liabilities. As some of its assets and liabilities are re-priced at different times, the Bank is vulnerable to fluctuations in market interest rates and any changes in the liquidity position of the Philippine market. As a result, volatility in interest rates could have a material adverse effect on the Bank's financial position, liquidity and results of operations.

An increase in interest rates could lead to a decline in the value of securities in the Bank's portfolio and the Bank's ability to earn excess trading gains as revenue. A sustained increase in interest rates will also raise the Bank's funding costs without a proportionate increase in loan demand (if at all). Rising interest rates will therefore require the Bank to re-balance its assets and liabilities in order to minimize the risk of potential mismatches and maintain its profitability. In addition, rising interest rate levels may adversely affect the economy in the Philippines and the financial position and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration of the Bank's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding. See also "*Risk Management—Interest Rate Risk*," "*Risk Management—Credit Risk*," and "*Risk Management—Liquidity Risk*" for details of the Bank's risk management processes for managing such risks.

1.5 The business of lending carries the risk of default by borrowers and the Bank may face increasing levels of non-performing loans (NPLs) and provisions for impairment losses on loans.

Any lending activity is exposed to credit risk arising from the risk of default by borrowers. The Bank's results of operations may potentially be negatively affected by the level of its NPLs. For the years ended December 31, 2020, 2021 and 2022, and for the six months ended June 30, 2023, the Group's provision for credit losses amounted to ₱8.4 billion, ₱5.8 billion, ₱4.1 billion and ₱5 billion, respectively, representing 29.2%, 19.5%, 10.5% and 20.8%, respectively, of net interest income for these periods. A number of factors affect the Bank's ability to control and reduce its NPLs, such as the economic conditions in the Philippines, which can affect the Bank and its customers and significantly increase the Bank's exposure to credit risk. These and other factors could impact the number of NPLs in the future and may require the Bank to book additional provisions for impairment on loans. While the Bank regularly monitors its NPL levels and has strict credit processes in place, there can be no assurance that the Bank will be successful in reducing its NPL levels or that the percentage of NPLs that the Bank will be able to recover will be similar to the Bank's historical recovery rates or that the overall quality of its loan portfolio will not deteriorate in the future. Such risks increased significantly amid the COVID-19 pandemic. For the year ended December 31, 2022, the Bank recognized provision for credit losses of ₱2.6 billion, representing a decrease compared to the provision for credit losses of ₱4.7 billion for the year ended December 31, 2021 and ₱7.5 billion for the year ended December 31, 2020. Meanwhile, the Bank's net NPL ratio slightly improved from 2.4% as of December 31, 2021 to 2.2% as of December 31, 2022. Net NPL ratio is the result of (total non-performing loans (NPLs) less specific loan loss reserves for NPLs) divided by (total loans inclusive of interbank loans receivables). If the Bank is not able to control and reduce its NPLs or if there is a significant increase in its provisions for loan losses, the Bank's business, financial condition, results of operations and capital adequacy could be adversely affected.

1.6 The Bank's provisioning policies are based on PFRS 9 expected credit loss standards which require significant subjective determinations and are based on Philippine regulations which may be less stringent than those in other countries.

Regulations of the BSP require that Philippine banks classify loans that have a greater-than-normal risk into several categories corresponding to various levels of credit risk as follows: pass, loans especially mentioned, substandard, doubtful and loss. Generally, the classification of loans depends on a combination of a number of qualitative and quantitative factors, such as the number of months that payment is in arrears and recoverability of collateral. Periodic examination by the BSP of these classifications in the future may also result in changes being made by the Bank to such classifications and to the factors relevant thereto.

Furthermore, the level of loan loss provisions which the Bank recognizes may increase significantly in the future due to the introduction of new accounting standards. See "*— Risks Relating to the Philippine Banking Industry — Any future changes in PFRS may affect the financial reporting of the Bank's business.*" The Bank is unable to predict future changes in the accounting standards applicable to it and future changes may affect the Bank's loan loss provisioning.

The level of provisions currently recognized by the Bank in respect of its loan portfolio depends largely on the estimated value of the collateral coverage for the portfolio. The level of the Bank's provisions may not be adequate to cover increases in the amount of its NPLs, or any deterioration in the overall credit quality of the Bank's loan portfolio, including the value of the underlying collateral. The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations which may expose the Bank to significant losses. In particular, the amount of the Bank's reported loan losses may increase in the future as a result of factors beyond the Bank's control.

Certain accounting standards, including the PFRS 9 expected credit loss standards, have been adopted in the Philippines, based on International Financial Reporting Standards, which require the Bank's loan loss provisions to reflect an unbiased and

probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions with the objective of recognizing lifetime losses on all financial instruments which have experienced a significant increase in credit risk since their initial recognition. These accounting standards may result in the Bank recognizing significantly higher provisions for loan loss.

While the Bank believes its current level of provisions and collateral position are more than adequate to cover its NPL exposure, an unexpected or significant increase in NPL levels may result in the need for higher level of provisions in the future. If the Bank fails to properly appraise or review its collateral or its appraised value declines, the Bank's provisions may be inadequate and the Bank may be required to make further provisions, which could have a material adverse effect on its business, financial condition and results of operations. See also "*Risk Management—Credit Risk*" for further discussion.

1.7 Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan portfolios.

The Bank has expanded and plans to continue to expand its consumer loan operations. Such expansions increase the Bank's exposure to consumer debt and changes in general economic conditions affecting Philippine consumers. Accordingly, economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of the Bank's consumer loan portfolios. For example, a rise in unemployment or an increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults, while reducing demand for consumer loans. In addition, the number of loan accounts may be negatively affected by declines in household income, public concerns about unemployment or other negative macroeconomic factors. There can be no assurance that the Bank will be successful in its consumer loan operations or that it will not incur losses. Losses from consumer loan operations can negatively affect the Bank's results of operations.

1.8 The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose the Bank to significant losses.

As of December 31, 2020, 2021, 2022 and June 30, 2023, the Group's secured loans represented 20.1%, 13.9%, 16.7% and 17.4% of the Group's total loans, respectively. As of the same periods, 4.1%, 3.1%, 2.6% and 2.2%, respectively, of the collateral on these loans consisted of real estate properties. The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover the Bank's loans. An economic downturn, in particular, a downturn in the real estate market, could result in a fall in relevant collateral values for the Bank. Some of the valuations in respect of the Bank's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that the Bank may not be able to recover fully the provisions that absorbed the NPL. Any increase in the Bank's loan loss provisions would adversely affect its business, its financial condition, results of operations and capital adequacy ratio.

In addition, the Bank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays that may be involved in enforcing such obligations through the Philippine legal system. The procedures to foreclose on collateral or enforce a guarantee are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors may expose the Bank to legal liability while in possession of the collateral. These factors may also significantly reduce the Bank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it grants. Furthermore, the Bank may incur expenses to maintain such properties and prevent their deterioration. In realizing cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that the Bank will be able to realize the full value, or any value, of any collateral on its loans. See also "*Risk Management—Credit Risk*" for further discussion.

1.9 The Bank has significant credit exposure to certain sectors and deterioration in the performance of any of these industries may adversely impact the asset quality of the Bank's loan portfolio and its business.

The Group's three largest industry exposures (excluding household consumption loans) were to real estate activities, financial and insurance activities, and information and communication representing 18.4%, 9.6% and 7.0%, respectively, of the Group's total loan portfolio as of June 30, 2023. The global and domestic trends in these industries may have a bearing on the Bank's financial position. Any significant deterioration in the performance of a particular sector, driven by events outside the Bank's control, such as regulatory action or policy announcements by the Government or the general condition of the domestic and global economies, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank.

Such risks have significantly increased due to the ongoing COVID-19 pandemic and the associated global economic downturn. If the loans to these borrowers or sectors were to become non-performing, this could adversely affect the Bank's business and results of operations.

1.10 The Bank's portfolio of real and other properties acquired (ROPA) exposes the Bank to risks related to realising the value of its ROPA and risks related to the valuation of, and provisions with respect to, its ROPA.

The Group has significant exposure to the Philippine property market due to its portfolio of loans to customers in the real estate industry as well as the level of real estate it holds as collateral. The Group's outstanding mortgage loans to customers amounted to ₱56.9 billion, ₱58.5 billion, ₱65.8 billion and ₱68.8 billion as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively, representing 17.7%, 17.4%, 13.9% and 13.2%, respectively, of its total receivables from customers as of those dates. The Group acquires ROPA when it forecloses on the collateral provided by a borrower or whenever assets, usually real estate, are conveyed to or acquired by the Bank as payment. Accordingly, the level of the Group's ROPA varies according to the level of its NPLs. As of June 30, 2023, ROPA amounted to ₱10.1 billion, representing 0.9% of the Group's total assets.

The Bank periodically disposes of its ROPA in public auctions and through negotiated sales at prevailing market prices, which are largely determined by purchasers. The Philippine property market has in the past been cyclical and property values have been affected by supply of and demand for comparable properties, the rate of economic growth in the Philippines, and political and social developments.

To the extent that property values decline in the future, there can be no assurance that the Bank will be able to sell and recover the value of the ROPA stated in the financial statements or that the ability of the Bank's customers in the real estate industry to make timely payment on their loans will not deteriorate. Furthermore, given the Bank's significant amount of ROPA, it may take a number of years before the Bank is able to realize a significant part of the value of its ROPA.

If the Bank is unable to dispose of its ROPA, it may be required to recognize levels of provisions in future years which are higher than those currently recognized by the Bank. Furthermore, if the Bank's customers in the real estate industry fail to make timely payment on their loans, it may have to set aside additional provisions for impairment losses. An increase in the level of the Bank's provisions will reduce the Bank's net income and consequently, adversely affect the Bank's business, financial condition and results of operations. See also *"Business—Business of the Bank—Consumer Finance—Residential Mortgage Loans"* for details of the Bank's residential mortgage loans portfolio and *"Business—Business of the Bank—Asset Recovery"* for details of the Bank's asset recovery processes.

1.11 The Bank's funding is primarily short-term and if depositors do not roll over deposited funds upon maturity, the Bank's business could be adversely affected.

A significant portion of the Bank's funding needs is satisfied from short-term sources, primarily in the form of demand, savings and time deposits. Accordingly, the maturity profile of the Bank's assets and liabilities may from time to time show a negative gap in the short term when the Bank's liabilities which are composed of short-term funding sources (primarily in the form of deposits), subordinated notes and other liabilities are of shorter average maturity than its loans and investments, thereby creating a potential for funding mismatches. Although these deposits have historically been a stable source of funding for the Bank, there can be no assurance that this will continue to be the case. In the event the Bank is unable to attract or retain sufficient deposits or if a substantial number of the Bank's depositors do not roll over deposited funds upon maturity, its liquidity position could be adversely affected and the Bank may be unable to fund its loan portfolio and may be required to seek alternative sources of funding such as swaps, sale of its securities portfolio or entering into repurchase agreements. The Bank can provide no assurance as to the availability or terms of such funding. To the extent the Bank is unable to obtain sufficient funding on acceptable terms or at all, the Bank's financial condition and results of operations may be adversely affected. See also *"Business—Business of the Bank—Treasury, Funding and Trading," "Risk Management—Interest Rate Risk," "Risk Management—Foreign Exchange Risk,"* and *"Risk Management—Liquidity Risk"* for details of the Bank's processes for managing its sources of funding and liquidity.

1.12 The Bank may not be able to maintain its technological advantage over its competitors.

The Bank is heavily reliant on technology in certain business operations and uses technology to differentiate its products and services from those of its competitors. While the Bank aims to remain at the forefront of technology banking in the Philippines, there are no significant barriers that prevent its competitors from adopting a similar technology for their products and services. The Bank may also fail to develop, acquire, or implement any new technology in a timely manner or at all, putting it at a disadvantage to its competitors. Furthermore, the Bank may need to incur a significant amount of research and development and/or capital expenditures to maintain its technological advantage. Accordingly, there can be no assurance that the Bank will be able to maintain its technological advantage over its competitors which may have an adverse effect on the Bank's business, financial condition or results of operations. See also *"Business—Competitive Strengths—Leverages on innovation as a*

differentiator in customizing cash management solutions for its anchor clients,” “Business—Competitive Strengths—Unique digital transformation strategy and successful implementation,” “Business—Competitive Strengths—Complement the Bank’s branch network with digital channels,” “Business—Business Strategies—Grow new partnerships through technology,” “Business—Competitive Strengths—Further improve the Bank’s processes,” “Business—Business of the Bank—Branch Network,” and “Business—Business of the Bank—Information Technology” for details of the Bank’s technology strategies and initiatives, and “Management—Board Committees—Operations Risk Management Committee—Information Technology and Cyber Committee,” and “Risk Management—Operational Risk” for details of the Bank’s processes for managing its technology-related risks.

1.13 The Bank’s failure to manage risks associated with its information and technology systems could adversely affect its business.

The Bank’s failure to manage information technology risks could adversely affect the Bank’s business, financial condition and results of operations. Any disruption, outage, delay or other difficulties in the operation of hardware, software, and connectivity infrastructure used by the Bank, may result in loss of income and decreased consumer confidence. There is also a potential for fraud, litigation and financial losses that are not fully covered by any insurance maintained by the Bank.

Cognizant of these risks, the Bank continues to invest heavily on upgrading its security systems and IT infrastructure to implement the requisite controls and monitoring systems while ensuring that legal contracts also protect the Bank’s interests. The holistic approach to securing and building this digital space is guided by a technological blueprint (i.e., enterprise architecture) which ensures that all inclusions to the digital infrastructure have adequately been risk assessed and controls are instituted. This secure IT environment has enabled the Bank to complete its vision of six sigma, 24/7 and straight through operations.

As an on-going and continuous effort to improve the electronic defenses, the Bank instituted a 24/7 integrated operation center (“IOC”) manned by certified IT and cyber security controllers and headed by an incident management officer. In addition, the Bank upgraded its information and data storage, and back-up solutions along with building the capabilities of its IT practitioners using the IT Service Management model. The potential for fraud and securities problems continues to increase and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure in security measures could have a material adverse effect on the Bank’s business, financial condition and results of operations. See also *“Business—Competitive Strengths—Leverages on innovation as a differentiator in customizing cash management solutions for its anchor clients,” “Business—Competitive Strengths—Unique digital transformation strategy and successful implementation,” “Business—Competitive Strengths—Complement the Bank’s branch network with digital channels,” “Business—Business Strategies—Grow new partnerships through technology,” “Business—Competitive Strengths—Further improve the Bank’s processes,” “Business—Business of the Bank—Branch Network,” and “Business—Business of the Bank—Information Technology” for details of the Bank’s technology strategies and initiatives, and “Management—Board Committees—Operations Risk Management Committee—Information Technology and Cyber Committee,” and “Risk Management—Operational Risk” for details of the Bank’s processes for managing its technology-related risks.*

1.14 The Bank’s business, reputation and prospects may be adversely affected if the Bank is not able to detect and mitigate incidents of fraud, cyberattacks or other misconduct committed by outsiders or on other financial institutions on a timely basis

The Bank is exposed to the risk that fraud and other misconduct committed by employees or outsiders could occur. Such incidences may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems.

For example, in December 2021, BDO Unibank, Inc. was subject of a cyberattack whereby certain account holders of BDO Unibank, Inc. lost their deposits through unauthorized transfers to accounts at several financial institutions, including the Bank (the “December Cyberattack”). The incident prompted an investigation by the BSP which required all financial institutions involved to immediately implement remedial measures to address the fraudulent transfers.

The Bank identified the recipients as mule accounts or account holders who used their bank accounts as a conduit for fraudulent fund transfers. In response to the incident, the Bank immediately implemented the following measures: (i) the Bank activated its Reputation Crisis Management Committee to handle the negative publicity affecting the Bank, (ii) the Bank filed cases against its own account holders who were recipients of the funds with the Philippine National Police, National Bureau of Investigation and the Makati Municipal Trial Court, and (iii) the Bank activated its hotline with BDO Unibank, Inc. for collaboration on the identification of the account holders and consequent filing of cybercrime cases. The Bank also froze all identified accounts, and returned the frozen funds to BDO Unibank, Inc.

The Bank has put in place various processes and structures to detect and prevent fraud and other misconduct committed by the Bank's employees or outsiders on a timely basis. However, there can be no assurance that these processes and structures will detect and prevent fraud and other misconduct in a timely manner or at all. Failure on the part of the Bank to prevent such fraudulent actions may result in administrative or other regulatory sanctions by the BSP or other Government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities.

While the Bank was not the target of the December Cyberattack and the Bank does not believe that this specific incident of fraud will have a long-term material impact on its business or reputation, any further occurrence of such fraudulent events may damage the reputation of the Bank and may adversely affect its business, financial condition, results of operations and prospects. In addition, failure on the part of the Bank to prevent such future fraudulent actions may result in administrative or other regulatory sanctions by the BSP or other Government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities. In April 2022, although the Bank was merely the receiving bank of the funds stolen from BDO Unibank, Inc.'s customers and the NBI noted that suspects were not able to cash in the stolen money as their transactions were flagged by Bank, the BSP still imposed sanctions against the Bank.

Although the Bank has in place certain internal procedures and a robust information technology system to prevent and detect fraudulent activities, these may be insufficient to prevent such further occurrences from transpiring. There can be no assurance that the Bank will be able to avoid future incidents of fraud that could materially and adversely affect the Bank's business, financial condition and results of operations. Further, there can be no assurance that the BSP or other regulators or Government agencies will not impose additional penalties or requirements, including extending or increasing capital allocation requirements to address operational risk. See also *"Business—Competitive Strengths—Leverages on innovation as a differentiator in customizing cash management solutions for its anchor clients," "Business—Competitive Strengths—Unique digital transformation strategy and successful implementation," "Business—Competitive Strengths—Complement the Bank's branch network with digital channels," "Business—Business Strategies—Grow new partnerships through technology," "Business—Competitive Strengths—Further improve the Bank's processes," "Business—Business of the Bank—Branch Network," and "Business—Business of the Bank—Information Technology"* for details of the Bank's technology strategies and initiatives, and *"Management—Board Committees—Operations Risk Management Committee—Information Technology and Cyber Committee,"* and *"Risk Management—Operational Risk"* for details of the Bank's processes for managing its technology-related risks.

1.15 The Bank is subject to foreign currency risk and interest rate risk.

As a financial organization, the Bank is exposed to exchange rate risk. Movements in foreign exchange rates could affect the Bank's business and results of operations. The decline or appreciation in the value of the Peso against foreign currencies, in particular, the U.S. dollar may affect the ability of the Bank's customers to service debt obligations denominated in foreign currencies and, consequently, potentially increase NPLs depending on the pace of currency adjustment, the nature of the clients' enterprises, and degree to which they are hedged. There can be no assurance that the Peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an effect on the Bank. In addition, the foreign exchange transactions of Philippine banks are subject to certain BSP regulations. Under BSP guidelines, the Bank is required to provide a 100.0% foreign asset cover for all foreign currency liabilities in its foreign currency deposit unit ("FCDU") books. As of June 30, 2023, ₱170.1 billion and ₱169.6 billion of the Bank's total resources and total liabilities, respectively, are in the Bank's FCDU books and denominated in foreign currencies, primarily in U.S. dollars. These represent 15.3% and 18.1% of the Bank's total assets and total liabilities, respectively, as of June 30, 2023.

1.16 The Bank relies on certain key personnel and the loss of any such key personnel or the inability to attract and retain them may negatively affect its business.

The Bank's continued success depends upon, among other factors, the retention of its key management executives and upon its ability to attract and retain other highly capable individuals. The Bank has leadership development and retention programs, and a succession plan in place to manage such risk. This ensures that business continuity is achieved even if key personnel are separated from employment with the Bank. These programs are regularly reviewed by the Bank's business center heads and the Compensation and Remuneration Committee of the Bank's board of directors (the "Board"). The loss of the Bank's key management, senior executives or an inability to attract or retain other key individuals could hinder the Bank's implementation of its strategies which may adversely affect its business and financial condition.

1.17 The Bank is subject to legal and regulatory risks, including the risks of legal, administrative, regulatory and similar proceedings, which could have a material adverse effect on its business, results of operations or financial condition.

The Bank is and may in the future be, implicated in lawsuits on an ongoing basis. In addition, from time to time, the Bank is subject to proceedings of administrative, regulatory or other authorities. Legal, administrative, regulatory or similar proceedings could result in substantial costs to, and a diversion of effort by, the Bank and/or subject the Bank to significant liabilities or

operating restrictions. There can be no assurance that the results of such legal, administrative, regulatory or similar proceedings will not materially harm the Bank's business, reputation or standing in the marketplace or that the Bank will be able to recover any losses incurred from third parties, regardless of whether the Bank is at fault. In addition, there can be no assurance that (i) losses relating to legal, administrative, regulatory or similar proceedings will not be incurred beyond the limits, or outside the coverage, of the Bank's insurance, or that any such losses would not have a material adverse effect on the results of the Bank's business, financial condition or results of operation, or (ii) provision made for legal, administrative, regulatory or similar proceedings will be sufficient to cover the Bank's ultimate loss or expenditure. See also "*Business—Business of the Bank—Insurance*," and "*Business—Business of the Bank—Legal Proceedings*" for details regarding the Bank's insurance policies and its involvement in legal proceedings, and "*Risk Management—Operational Risk*," "*Risk Management—Audit*," "*Risk Management—Anti-Money Laundering Controls*," and "*Risk Management—Legal Risk*," and "*Risk Management—Regulatory Risk*" for details of the Bank's processes for managing its legal and regulatory risks.

1.18 The Bank's past or current results may not be indicative of the Bank's future performance.

The Bank's results in the future are dependent upon many factors, including among other factors, the Bank's ability to implement its business strategies, economic growth in the Philippines and foreign markets, performance of its loan portfolio, fluctuation in interest rates and exchange rates, and the Bank's ability to address the unusual challenges brought by the current COVID-19 pandemic. There can be no assurance that the Bank will be profitable or will not incur operating losses in the future. See also "*Business—Recent Developments—The COVID-19 Pandemic*," "*Management—Board Committees*," and "*Risk Management*" for details of the measures, structures and processes of the Bank for managing the Bank's exposure to key risks.

1.19 Losses in the Bank's subsidiaries' operations may affect the financial standing of the Bank.

As a universal bank, the Bank is authorized, subject to certain limits, to invest in allied and non-allied undertakings and joint ventures.

A portion of the Bank's earnings may be derived from dividends or may be otherwise affected by the financial performance of its subsidiaries. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the Bank had derived equity in the Bank's consolidated net income of ₱1.0 billion, ₱1.2 billion, ₱1.7 billion and ₱2.2 billion, respectively. Losses in these undertakings may affect the financial standing of the Bank and could have a material adverse effect on the Bank's financial condition. See also "*Business—Business of the Bank—Subsidiaries*" for details of the Bank's subsidiaries.

Furthermore, certain financial institutions owned or controlled by the Bank are also subject to BSP audit, the results of which may affect the banking license of these subsidiaries, and consequently affect the cash flow to the Bank in terms of dividends.

1.20 The Bank may not realize the anticipated synergies from the acquisition of the consumer banking business of Citigroup, Inc. in the Philippines.

On December 23, 2021, the Board of the Bank approved the acquisition of the consumer banking business of Citigroup, Inc. in the Philippines, and on August 1, 2022, the Bank completed such acquisition. See "*Business—Recent Developments—Acquisitions and Incorporation of Subsidiaries*." While the Bank expects the acquisition to unlock value through enhanced synergy and scale, there is no assurance that these will be fully realized or that the acquisition will have the anticipated effects. The expected synergies may not materialize due to difficulties, delays or unexpected costs in implementing the integration of the consumer banking business. See "*Business—Recent Developments—Acquired Citi Business*" for the Citi Acquisition, how the Bank plans to proceed with the integration and synergy creation and to manage relevant risks.

1.21 The ratings of third-party ratings agencies could adversely impact the Bank's ability to obtain, renew or extend credit facilities, or otherwise raise funds.

In 2022, Moody's changed the Bank's outlook from stable to negative reflecting Moody's view that the Bank's solvency will weaken after its acquisition of Citigroup's consumer banking business is completed. According to Moody's, the acquisition is expected to result in a significant reduction in the Bank's post-acquisition capital buffers amid heightened asset risks due to the ongoing pandemic. On April 28, 2023, Moody's has affirmed the Bank's Baa2 ratings while outlook remains negative. The ratings reaffirmation reflects the Bank's mildly improved solvency position, expectation of stabilizing asset quality recovery, and projected improved core profitability in the near term arising from cost synergies from the recent acquisition and expansion into higher-yielding retail loans. Moody's could revise the outlook to stable if the Bank's TCE/RWA ratio improves to 14% and core return on assets improves to above 1.5% on a sustainable basis while keeping asset quality stable.

There is no assurance that the Bank can improve its asset quality or that credit rating agencies, such as Moody's, will not further downgrade the credit ratings of the Bank. Any downgrades in the Bank's credit rating could have an adverse impact on the

ability of the Bank to raise additional financing at the best of terms and the interest rates and other commercial terms at which such additional financing is available. Nevertheless, the Bank will still be able to raise financing, albeit, at a higher rate.

1.22 The Bank is subject to Philippine foreign ownership limitations.

Under the General Banking Law (Republic Act No. 8791) (the “General Banking Law”), as clarified by BSP Circular No. 256, the aggregate voting stock in a domestic bank held by foreign individuals and non-bank corporations must not exceed 40% of the outstanding voting stock of such bank. Although the aggregate ceiling on the equity ownership in a domestic bank does not apply to Filipinos and domestic non-bank corporations, their individual ownership is limited to only up to 40% of the voting stock. The percentage of foreign-owned voting stock in a bank shall be determined by the citizenship of the individual stockholders in that bank. The citizenship of the corporation which is a stockholder in a bank, shall follow the citizenship of the controlling stockholders of the corporation, irrespective of the place of incorporation. Since the aggregate foreign ownership in the Bank is limited to a maximum of 40% of its voting stock, the Bank cannot allow the issuance or the transfer of its common shares to persons other than Philippine nationals and cannot record transfers in its books if such issuance or transfer would result in the Bank ceasing to be a Philippine National for purposes of complying with the restrictions under the General Banking Law. These restrictions may adversely affect the liquidity and market price of the Common Shares to the extent international investors are not permitted to purchase Common Shares in normal secondary transactions.

On July 15, 2014, Republic Act No. 10641, otherwise known as “An Act Allowing the Full Entry of Foreign Banks in the Philippines,” amending for the Purpose Republic Act No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines) (“RA 10641”) was enacted, which provided that established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority.

The passage of RA 10641, however, did not entirely eliminate the foreign ownership controls under the General Banking Law. While qualified foreign banks may own up to 100% of voting shares in a universal bank, other foreign individuals or non-bank corporations are still subject to the 40% foreign ownership limitation under the General Banking Law. Further, the aggregate foreign-owned voting stock owned by foreign individuals and non-bank corporations shall not exceed 40% of the voting stock of the universal bank.

In addition, the Philippine Constitution and related statutes limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Eleventh Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly nationalized and thus, companies that own land may only have a maximum of 40% foreign equity.

Such foreign ownership limitations may limit the Bank’s access to foreign investment and technologies, and may affect the Bank’s business growth. See also “*Business—Business Strategies*” for details of the Bank’s strategies for expansion and growth

2. RISKS RELATING TO THE PHILIPPINE BANKING INDUSTRY

2.1 The Philippine banking industry is highly competitive and increasing competition may result in declining margins in the Bank’s principal businesses.

The Bank is subject to significant levels of competition from many other Philippine banks and branches of international banks, including competitors which, in some instances, have greater financial and other capital resources, a greater market share and greater brand name recognition than the Bank. In addition, increased competition may arise from, among others:

- other large Philippine banks and financial institutions with significant presence in Metro Manila and extensive country-wide branch networks;
- full entry of foreign banks in the Philippines through any of the following modes allowed under Republic Act No. 10641 (An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721 (An Act Liberalising the Entry and Scope of Operations of Foreign Banks in the Philippines)) (RA 10641): (a) the acquisition, purchase or ownership of up to 100% of the voting stock of an existing bank; (b) investment of up to 100% of the voting stock in a new banking subsidiary incorporated under Philippine law; or (c) establishment of branches with full banking authority;

- foreign banks, due to, among other things, standards which permitted large foreign banks to open branch offices;
- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources, and in some cases, resulting in excess capital that can be used as leverage for asset growth and market share gains; and
- continued consolidation and increased mergers and acquisitions in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions.

The recent mergers and consolidations in the banking industry, as well as the liberalisation of foreign ownership regulations in banks, have allowed the emergence of foreign and bigger local banks in the market. For example, there has been increased foreign bank participation in the Philippines following the lifting of the ban on granting of new licences by the Monetary Board of the BSP (the **Monetary Board**), as well as the amendment of banking laws with respect to the limit on the number of foreign banks. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank, United Overseas Bank, Hua Nan Commercial Bank, First Commercial Bank – Manila Branch, CIMB Bank Philippines, Inc., Industrial and Commercial Bank of China Limited - Manila Branch, and Chang Hwa Commercial Bank, Ltd. - Manila Branch being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. In addition, the establishment of the ASEAN Economic Community in 2015 may enhance cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations. This is expected to increase the level of competition both from Philippine banks and branches of international banks. This may impact the Philippine banks' operating margins, but this would also enhance the industry's overall efficiency, business opportunities, and service delivery. As of 31 August 2023, according to data from the BSP, there were a total of 45 domestic and foreign universal and commercial banks operating in the Philippines.

There can be no assurance that the Bank will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for the Bank to continue to increase the size of its loan portfolio and deposit base, as well as cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, results of operations and financial condition.

2.2 The Bank may have to comply with strict regulations and guidelines issued by banking regulatory authorities in the Philippines

The Bank is regulated and supervised principally by, and have reporting obligations to, the BSP. The Bank is also subject to the banking, corporate, taxation and other regulations and laws in effect in the Philippines, administered by agencies such as the Anti-Money Laundering Council ("AMLC"), the Bureau of Internal Revenue (the "BIR"), the Philippine Securities and Exchange Commission (the "Philippine SEC") and the Philippine Stock Exchange ("PSE") as well as international bodies such as the Financial Action Task Force (the "FATF").

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and added transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of banks in the Philippines. Institutions that are subject to Anti-Money Laundering Act of 2001 (RA 9160), as amended, are required to establish and record the identities of their clients based on official documents, and update said client information no later than once every three years. In addition, all records of transactions are required to be maintained and stored for a minimum of ten years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

The BSP has also ordered universal, commercial, and thrift banks to conduct real estate stress tests to determine whether their capital is sufficient to absorb a severe shock. The real estate stress test limit (the "REST Limit") combines a macro-prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds, and heightened supervisory response. If a bank fails to comply with the prescribed REST Limits, it shall be directed to explain why its exposures do not warrant immediate remedial action. If the bank is unable to render a sufficient explanation, the bank shall be required by the Monetary Board to submit an action plan to meet the REST Limits within a reasonable time frame. The latest regulation on the REST Limit, BSP Circular No. 1093, Series of 2020, provides that total real estate loans of universal banks and commercial banks shall not exceed 25% of the total loan portfolio of a bank, net of interbank loans, excluding certain items listed in the relevant BSP regulations and the Manual of Regulations for Banks (the MORB). This percentage is an increase from the previous 20%.

The BIR has also promulgated rules on the submission of an Alphabetical List ("Alphalist") of portfolio investors receiving income payments and dividends. The BIR requires all withholding agents to submit an Alphalist of payees' income payments subject to creditable and withholding taxes and prohibit the lumping into a single amount and account of various income

payments and taxes withheld. The Supreme Court, however, issued a temporary restraining order against the said BIR rule last 9 September 2014 with regards to the lumping into a single amount.

In June 2016, the BSP implemented the interest rate corridor (“IRC”) which effectively narrowed the band among the BSP’s key policy rates. The pricing benchmark, which used to be the special deposit account prior to the implementation of the IRC, was replaced by the overnight deposit facility whose rate was reduced to 1.75% after the Monetary Board’s decisions on 25 June 2020, and forms the lower band of the IRC. Meanwhile, the rate for the overnight lending facility replaced the repurchase facility. After the Monetary Board’s decisions on 25 June 2020, the rate for the overnight lending facility, which forms the upper bound of the IRC, was reduced to 2.75%. The BSP likewise introduced the term deposit facility to serve as the main tool for absorbing liquidity through weekly term deposit facility auctions, the frequency for which may be changed depending on the BSP’s liquidity forecasts. According to the BSP, the changes from IRC are purely operational in nature to allow it to conduct its monetary policy effectively. On 8 September 2020, the BSP issued Circular No. 1095, series of 2020, to operationalise the additional instrument for the BSP monetary operations, particularly the inclusion of the Bangko Sentral Issued Securities, in particular bills and bonds issued by the BSP, under the IRC system. The Bangko Sentral Issued Securities shall be offered to banks, subject to the rules and guidelines issued by the BSP.

On June 25, 2021, the FATF released its grey list of countries that will be subjected to increased monitoring to prove their progress as they address strategic deficiencies in their regimes against money laundering, terrorist financing, and proliferation financing. With its inclusion in the grey list, the Philippines needs to implement the eighteen (18) action items required within the prescribed timelines to ensure the country’s removal from such list. Progress reports must likewise be submitted to the FATF thrice a year. The AMLC emphasized, however, that the Philippines will not yet be subjected to countermeasures. It is only when a country fails to meet the deadlines that the FATF will call on countries to impose countermeasures against it. Based on the progress review conducted by the FATF in February 2023, the FATF noted that while the Philippines has taken steps to address the findings raised by the FATF, it should continue to work on implementing its action plan to address its strategic deficiencies as soon as possible.

In the event of any changes to existing guidelines or rules, or introduction of additional regulations, the Bank will have to comply with the same and may incur substantial compliance and monitoring costs. The Bank’s failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines and in other relevant jurisdictions could have a material adverse effect on the Bank’s business, financial condition and results of operations. Such failure to comply could also result in the imposition of administrative sanctions or filing of criminal charges against the Bank and its employees responsible for violations.

2.3 Increased enforcement by the Government of regulations relating to priority lending for agrarian reform and the agricultural sector could adversely affect the Group’s business, financial condition and results of operations.

The Government has imposed a lending policy requiring Philippine banks to extend certain loan amounts to the agriculture and fisheries sector and agrarian reform beneficiaries of the country. Failure to meet the specified level of loans may result in penalties being assessed against a non- or under-compliant bank. Because the Group is unable to generate sufficient exposure to agrarian reform and agricultural sector due to its prudent credit and risk management policies, the Group has paid penalties in the past and may continue to do so in the future. There can be no assurance that the Government will not increase its penalties for non- or under-compliance or force banks to lend in accordance with the policy. There has been, however, a recent easement in the regulations with the passage of Republic Act No. 11901 or the Agricultural, Fisheries, and Rural Development Financing Enhancement Act of 2022 removing the required allocation of credit to agrarian reform beneficiaries (i.e., 10% of total loanable funds out of the mandatory credit requirement of 25% of total loanable funds required to be set aside by banks for agricultural and fisheries financing in general), and expanding the allowable modes of alternative compliance to meet said mandatory credit requirement.

2.4 The Bank may experience difficulties due to the implementation of Basel III in the Philippines.

In 2007, the implementing guidelines of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II took effect. To supplement these guidelines, the BSP issued BSP Circular No. 639 requiring banks to have in place an Internal Capital Adequacy Assessment Process (ICAAP) that (i) takes into account not just the credit, market and operational risks but also all other material risks to which a bank is exposed (such as interest rate risk in the banking book, liquidity risk, compliance risk, strategic/business risk and reputation risk); (ii) covers more precise assessments and quantification of certain risks (i.e. credit concentration risk); and (iii) evaluates the quality of capital.

In December 2010, the Basel Committee on Banking Supervision (“BCBS”) issued an update to the Basel Accords, known as Basel III that modified the structure of regulatory capital. The Basel III regulations included tighter definitions of qualifying capital, and introduced frameworks for capital conservation buffer, countercyclical buffer, systemically important financial

institutions, leverage ratio, and short-term and medium-term quantitative liquidity ratios.

In January 2013, the BSP issued the Basel III Implementing Guidelines on Minimum Capital Requirements, effective January 2014. The guidelines include the following highlights:

- adoption of a new categorisation of the capital base;
- keeping the minimum capital adequacy ratio at 10%, and prescribing: (i) a minimum CET1 ratio of 6.0%, (ii) a minimum Tier 1 capital adequacy ratio of 7.5%, and (iii) an additional capital conservation buffer (**CCB**) of 2.5%;
- rendering ineligible existing capital instruments that do not meet the eligibility criteria for capital instruments under the revised capital framework; and
- subjecting covered banks and quasi-banks to the enhanced disclosure requirements pertaining to regulatory capital.

On 29 October 2014, the BSP issued Circular No. 856, or the “Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks (“D-SIBs”) under Basel III,” as amended by BSP Circular No. 1051 on 27 September 2019, to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the domestic banking industry. Banks that will be identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and CCB. Identified D-SIBs will need to put up an additional 1.5% to 2.5% CET1 depending on their classification.

Banks identified as D-SIBs will be required to have higher loss absorbency (“HLA”) to ensure that D-SIBs have a higher share of their balance sheets funded by instruments which increase their resilience as a going concern. To ensure a maximum degree of consistency in terms of effective loss absorbing capacity, the HLA requirement will be addressed through CET1 capital. Further, the BSP imposes restrictions on distributions, depending on the countercyclical capital buffer (“CCyB”) rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions.

A D-SIB will not be subject to any restriction on distribution if it has positive retained earnings as of the preceding quarter and complies with the regulatory requirements for the declaration of dividends, and is compliant with total required CET1 capital (under the relevant BSP Circulars) before the distribution and minimum capital ratios after distribution.

Banks will be required to maintain higher minimum levels of capital if they are designated as D-SIBs by the BSP.

On 10 March 2016, the BSP issued Circular No. 905, or the “Implementation of Basel III Framework on Liquidity Standards — Liquidity Coverage Ratio (“LCR”) and Disclosure Standards”, requiring banks to hold a sufficient level of high-quality liquid assets (“HQLA”) to enable them to withstand a 30-day liquidity stress scenario. Furthermore, banks face new liquidity requirements under Basel III’s new liquidity framework, namely, the LCR and the net stable funding ratio (“NSFR”). The LCR requires banks to hold sufficient level of high-quality liquid assets to enable them to withstand a 30-day liquidity stress scenario. Banks have been required to meet a LCR threshold of 100% beginning on 1 January 2019.

Subsequently, the BSP imposed a 70% LCR floor for subsidiary banks and quasi-banks, which are required to comply with the minimum LCR of 100% starting 1 January 2020.

On 6 June 2018, the BSP issued Circular No. 1007 in relation to the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. As of 1 January 2020, the minimum 100% NSFR became effective for covered banks and quasi-banks. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets.

The BSP has approved the Philippine Adoption of the Basel III CCyB under Circular No. 1024 issued on 6 December 2018, which imposes a CCyB of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases shall be effective immediately. A CCyB sets as percent of risk-weighted assets shall be required of banks, comprised of CET1 capital.

On 4 May 2020, the BSP issued BSP Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilize the same during this state of health emergency. A covered bank which draws down its 2.5% minimum capital conservation buffer will not be considered in breach of the capital adequacy framework. A covered bank which utilizes its capital conservation buffer is restricted from making distributions in the form of dividends, share buybacks, discretionary payments on other Tier 1 capital instruments, or

discretionary bonus payments to staff. A covered bank may draw on its stock of liquid assets to meet liquidity demand even if may cause to maintain a LCR that is below the 100% minimum requirement. However, a covered bank that has recorded a shortfall in the stock of its High-Quality Liquid Assets for three banking days within any two-week rolling calendar period, causing it to fall below the 100% must notify the BSP on the banking day immediately following the occurrence of the third liquidity shortfall.

On 3 March 2022, the BSP issued BSP Circular No. 1142, which amends the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio. Under this circular, government-owned or controlled banks need not deduct from the computation of qualifying capital the unsecured peso-denominated credit accommodations to the Philippine National Government.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

These may result in an increase in the capital adequacy requirement of the Bank. Unless the Bank is able to access the necessary amount of additional capital, any incremental increase in the capital requirement due to the implementation of ICAAP and Basel III, may impact the Bank's ability to grow its business, which could materially and adversely affect the Bank's business, financial condition and results of operations. There can be no assurance that the Bank will be able to raise adequate additional capital in the future on terms favourable to it or at all and comply with the requirements of Basel III as implemented by the BSP.

Whenever the capital accounts of a bank are deficient with respect to the prescribed risk-based CAR of 10%, the Monetary Board, may impose monetary and non-monetary sanctions. The Monetary Board will also prohibit the opening of new branches whenever a bank's CAR falls below 12% on a non-consolidated and consolidated basis. Furthermore, the Monetary Board will also prohibit the distribution of dividends whenever a bank's CET1 ratio and CAR falls below 8.5% and 10%, respectively. Such limitations or restrictions imposed by the BSP's implementation of Basel III could materially and adversely affect the Bank's business, financial condition and results of operations, as well as limit the Bank's ability to declare dividends.

Although intended to strengthen banks' capital positions and thwart potential asset bubbles, the new BSP and Monetary Board regulations will add pressure to local banks to meet these additional capital adequacy requirements, which may effectively create greater competition among local banks for deposits and temper bank lending in the commercial property and home mortgage loan sectors given that banks' ability to lend to these sectors depends on their exposure to the sector and the capital levels they maintain. This may also lead banks in the Philippines to conduct capital raising exercises. Through its compliance with these regulations, the Bank's business, financial position and results of operations may be adversely affected. While the Bank closely monitors its compliance with the requirements of Basel III as implemented by the BSP, there can also be no assurance that it will be able to raise adequate additional capital in the future at all or on terms favorable to it.

2.5 Any future changes in PFRS may affect the financial reporting of the Bank's business.

A discussion on the newly adopted PFRS and amendments to existing standards to be adopted or which will be effective after 2022 can be found in the Note 2 to the Interim Condensed Consolidated Financial Statements included elsewhere in this Offering Circular. The Group believes that other amendments and improvement to PFRS issued effective after 31 December 2022 will not have material impact on the Group's future financial statements.

The Group, however, is unable to predict future changes in PFRS and its impact. Any future changes in PFRS may affect the financial reporting of the Bank's business.

2.6 The Philippine banking sector may face another downturn, which could materially and adversely affect the Bank.

Although the Philippine banking sector has generally recovered from past regional and global economic crises, the Philippine banking industry may face significant financial and operating challenges in the event of any regional or global economic downturn, including as a result of a pandemic such as COVID-19. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank net interest margins, low loan growth and potential or actual under-capitalization of the banking system. According to data published by the BSP, gross NPL to total loans ratio of the Philippine banking industry was at 3.55% for 2021 as compared to its 1.57% level for 2019 prior to the pandemic. With the reopening and improvement in economic activity, the ratio has gradually reduced to 3.42% (latest August 2023 monthly data per BSP). Fresh disruptions in the Philippine financial sector, or general economic conditions in the Philippines such as persistent inflation or slowdown in growth, in Asia or globally, may cause the Philippine banking sector in general, and the Group in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

2.7 The sovereign credit ratings of the Philippines may adversely affect the Bank's business.

The sovereign credit ratings of the Philippines directly affect companies residing and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2014, international credit rating agency Moody's Investors Service ("Moody's") upgraded its credit rating for the Philippines to "Baa2," and affirmed this rating for multiple times, with the most recent affirmation in September 2023. In April 2019, international credit rating agency Standard & Poor's ("S&P") upgraded its credit rating for the Philippines to "BBB+", which was reaffirmed in November 2022. In December 2017, Fitch Ratings upgraded its credit rating for the Philippines to BBB. Fitch Ratings affirmed the rating in July 2021, but revised its outlook to negative. In May 2023, Fitch Ratings reaffirmed the Philippines' rating unchanged at BBB and revised its outlook from Negative to Stable. According to Fitch, the revision of the outlook from Negative to Stable shows "improved confidence that the Philippines is returning to strong medium-term growth after the pandemic, supporting sustained reductions in government debt-to-GDP, after substantial increases in recent years", and reflects its assessment that "the Philippines' economic policy framework remains sound and in line with 'BBB' peers, despite its low scores on World Bank Governance indicators".

All ratings are above investment grade and the highest that the Philippines has received so far from any credit ratings agency.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Bank. There is no assurance that Fitch, Moody's, S&P or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on the liquidity in the Philippine financial markets and the ability of the Government and Philippine companies, including the Bank, to raise additional financing, and will increase borrowing and other costs.

2.8 The Philippine banking industry is generally exposed to higher credit risks and greater market volatility than that of more developed countries.

Philippine banks are subject to the credit risk that Philippine borrowers may not make timely payment of principal and interest on loans and, in particular that, upon such failure to pay, Philippine banks may not be able to enforce the security interest they may have. The credit risk of Philippine borrowers is, in many instances, higher than that of borrowers in developed countries due to the greater uncertainty associated with the Philippine regulatory, political, legal and economic environment, the vulnerability of the Philippine economy in general to a severe global downturn as it impacts on its export sector, employment in export-oriented industries, and overseas Filipino workers' ("OFW") remittances, the large foreign debt of the Government and the corporate sector, relative to the gross domestic product of the Philippines, and the volatility of interest rates and U.S. dollar/Peso exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations. According to data from the BSP, the gross NPL ratios exclusive of interbank loans of the Philippine universal and commercial banking system were 3.20%, 3.68%, 2.94% and 3.20% as of December 31, 2020, 2021, 2022 and August 31, 2023, respectively.

2.9 Philippine banks' ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries.

Philippine banks are exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk, and operational risk. The effectiveness of their risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within each bank, including the Bank, may be incomplete or obsolete. The Bank may have developed credit screening standards in response to such inadequacies in quality of credit information that are different from, or inferior to, the standards used by its international competitors. As a result, the Bank's ability to assess, monitor and manage risks inherent in its business would not meet the standards of its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skills set and systems available to meet such standards, it could have a material adverse effect on the Bank's ability to manage these risks and on the Bank's financial condition, liquidity and results of operations.

2.10 Any future changes in Philippine taxation may materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank is subject to the taxation laws and regulations in effect in the Philippines. In the event of any changes to existing laws, the Bank's business, financial condition and results of operations could be materially affected. The TRAIN Law, which is the first package of the Comprehensive Tax Reform Program ("CTRP") of the Duterte administration, brought about extensive changes to individual income taxation. Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprise Act ("CREATE Act"), which became effective on 11 April 2021, amended the fiscal incentives and lowered the regular corporate income tax rate from 30% to 25% (with retroactive application from 1 July 2020). Other proposals being pushed for enactment include Package 4 (Passive Income and Financial Intermediary Taxation Act). The fourth package under the CTRP relating to passive income and financial intermediaries proposes to impose (i) a single final withholding tax rate of 15% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single rate of 15% on interest income, dividends and capital gains, (iii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and nonlending), regardless of the maturity of the instrument, except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) gradually reduce the stock transaction tax until it reaches zero by 2026 and removal of the transaction tax on listed and traded debt instruments by 2026, and exemption of non-monetary documents from DST.

The other tax reform packages that the government hopes to implement include tax amnesty (estate, general), as well as "sin" (e.g., alcohol, gaming), property and luxury taxes.

While the tax reform program ensures fiscal sustainability, the dampening impact of higher taxes on consumer demand and affected industries (in terms of added costs), could slow down the country's growth pace and affect the Bank's business. Further, the new regulations (such as the fourth package of the CTRP) may have a material and adverse effect on the business, results of operations and financial condition of the Bank.

If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position and results of operations.

2.11 Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition, and results of operations.

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas of the world. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into emerging markets including the Philippines, as well as the trading price of the Common Shares.

Geopolitical tensions, coupled with the slowing of economic growth in various regions around the world, have had an impact on the prospective economic growth in the global financial markets and downward pressure on equity prices. Moreover, the continued appreciation of the U.S. dollar relative to a number of emerging economy currencies (including the Peso) in recent years resulted in capital outflows from these economies. Further, economic conditions in some Eurozone sovereign states, including as a result of uncertainty caused by Brexit, could possibly lead to a material change in the current political and/or economic framework of the European Monetary Union. The broad ramifications of "Brexit" to the United Kingdom, the European Union and the global economy have yet to be seen, casting uncertainty on global prospects and possible volatility in financial markets. In addition, the interplay of U.S. fiscal and monetary policies may lead to more volatile global capital flows, which could in turn impact global growth.

In addition, the COVID-19 pandemic has disrupted various markets, caused stock markets worldwide to lose significant value, increased unemployment levels and impacted economic activity in Asia and worldwide. The lingering effects of the COVID-19 pandemic, and the potential development of new strains or variants, may continue to pose substantial investment risks and affect economic forecasts.

There can be no assurance that the uncertainties affecting global markets will not negatively impact credit markets in Asia, including in the Philippines. These developments may adversely affect trade volumes with potentially negative effects on the Philippines. A potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain countries may lead to new funding uncertainty, resulting in increased volatility and widening credit spreads. The success of the Bank's business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services.

2.12 Inability to adapt to technology shifts and address changing consumer demand may negatively impact the Bank's competitiveness and customer experience.

The prevalence of smart phones and other connectivity devices, and mobile data applications has increased the number of platforms providing online payment solutions, electronic money and wallets, and other similar services and products. The emergence of such web- and app-based products and services has significantly increased competition with those traditionally provided by banks, such as the Bank. The quarantine and other movement restrictions imposed in connection with the COVID-19 pandemic also serve to increase demand for such digital and online solutions.

Banks compete with expanding financial technology (“fintech”) solutions covering (i) mobile payment or e-wallet applications such as but not limited to GCash and PayMaya and (ii) peer-to-peer lending platforms, among others. Moreover, the BSP has granted several digital bank licenses to Overseas Filipino Bank, Tonik Digital Bank, Inc., UNObank, UnionDigital Bank, GoTyme Bank, and Maya Bank. On August 31, 2021, the BSP imposed a three-year moratorium on the grant of digital banking licenses, limiting the number of digital banks to the current six (6) banks. In addition, there are banks offering no-branch banking services through their respective mobile apps such as CIMB Bank Philippines which provides all-online retail banking services despite having an existing commercial banking license.

Any inability on the part of the Bank to recognize and quickly respond to changes in customer preferences by upgrading its existing infrastructure and systems may impact its competitiveness in the marketplace, which would in turn negatively impact its business, results of operations and financial condition. While the Bank invests substantially in technological upgrades and aims to remain up to date with banking technology in the Philippines, there are no significant barriers that prevent its competitors from adopting more advanced technology for their products and services. Accordingly, there can be no assurance that it will be able to maintain its technological competitiveness with its competitors. Furthermore, the Bank may need to incur a significant amount of research and development and/or capital expenditures to maintain its technological competitiveness. Failure to maintain its technological competitiveness or its brand image may have a material adverse impact on its fee-based revenue and its ability to attract new deposits from affluent retail and corporate customers, which in turn may lead to an increase in costs of funding and loss of business and result in a material adverse effect on its business, financial condition and results of operations.

3. RISKS RELATING TO THE PHILIPPINES

3.1 Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Bank’s businesses.

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso depreciated from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004. As of December 31, 2020, the Philippine Peso was at ₱48.04 per U.S.\$1.00 and depreciated to ₱55.73 per U.S.\$1.00 as of December 31, 2022, based on BSP data. As of October 23, 2023, the BSP reference rate was ₱56.84 per U.S.\$1.00.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. dollar and other currencies.

Nevertheless, like all emerging markets, the Philippines is not immune to volatilities in the global financial and capital markets and changing investor risk appetites that could trigger capital outflows and put pressure on the Peso. Given this, a decline in the value of the Peso as regards foreign currencies may affect the ability of the Bank’s customers to service debt obligations denominated in foreign currencies and increase NPLs. There can be no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Bank.

3.2 Substantially all of the Bank’s business activities are conducted in the Philippines and substantially all of its assets are located in the Philippines, which exposes the Bank to risks associated with the Philippines, including the performance of the Philippine economy.

Substantially all of the Bank’s operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Bank’s business, financial position and results of operations. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of its currency and the imposition of exchange controls.

Other factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, Southeast Asia or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, Southeast Asia or globally;
- exchange rate fluctuations and foreign exchange controls;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies and regulations, including tax laws and regulations that impact or may impact inflation and consumer demand;
- Government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- public health epidemics or outbreaks of diseases, such as COVID-19, re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, in other countries in the region or globally; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

Any deterioration in economic conditions in the Philippines as a result of these or other factors could materially and adversely affect the Bank or its customers and contractual counterparties. This, in turn, could materially and adversely affect the Bank's business, financial condition and results of operations and its ability to implement its business strategy.

3.3 Political instability in the Philippines could destabilise the country and may have a negative effect on the Bank's businesses.

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there has been political instability in the Philippines, including impeachment proceedings against two former presidents, removal of two chief justices of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that political violence will not occur in the future, and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the impeachment of government officials, imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Bank's business, financial condition and results of operations.

The Philippine general elections for national and local officials took place on 9 May 2022. Ferdinand "Bongbong" Marcos, Jr. and his running mate Sara Duterte won the presidency and vice presidency, respectively. A number of the Marcos-Duterte senatorial slate also took the available senate seats. While the top elected officials belong to the same political party, which may be indicative of a strong political coordination, there is no assurance that the political environment in the Philippines will be stable or that the current or future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment.

President Ferdinand "Bongbong" Romualdez Marcos Jr. assumed the presidency advocating for measures to stimulate growth, attract investments, and create job opportunities for Filipinos. President Marcos emphasizes the importance of infrastructure development, particularly in underserved regions, as a catalyst for economic progress. He also promotes policies that support entrepreneurship, innovation, and the growth of key industries, recognizing their potential to drive the country's prosperity.

There can be no assurance that the current administration will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Any major deviation from the previously established policies or a fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political

or social uncertainty and instability. Any such instability could materially and adversely affect the Bank's business, financial conditions, results of operations and prospects, reduce consumer demand or result in inconsistent or sudden changes in regulations and policies that affect the Bank's business operations, which could adversely affect the Bank's results of operations and financial condition.

3.4 Acts of terrorism could destabilise the country and could have a material adverse effect on the Bank's businesses, financial condition and results of operation.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines as well as clashes with separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS-affiliated Maute group, following the Government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on July 22, 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On October 17, 2017, President Duterte declared the liberation of Marawi City. The clashes resulted in the loss of lives of civilians, soldiers and ISIS inspired extremists, as well as damage to property and livelihood of Marawi residents. The reconstruction of the city is ongoing. Martial Law in Mindanao was extended by both Houses of Congress until December 31, 2019. The martial law in Mindanao was lifted on 1 January 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats.

On 3 July 2020, Republic Act No. 11479, otherwise known as the Anti-Terrorism Act of 2020, was signed into law to replace Republic Act No. 9372, otherwise known as the Human Security Act of 2007.

The potential escalation in the frequency, severity, or geographic extent of terrorist acts, violent crimes, bombings, and related incidents bears significant implications for investment and confidence in the Philippine economy. These destabilizing factors possess the capacity to disrupt specific areas of the company's operations, thereby exerting material adverse effects on its financial position, operational performance, and future prospects. Moreover, the protracted conflicts between the government and separatist groups introduce the risk of civilian and AFP casualties, potentially engendering further instability within the country and adversely impacting its overall economic landscape. The Bank cannot guarantee the absence of future acts of terrorism or violent crimes, which, if materialized, could have substantial adverse consequences on its business activities, financial condition, and operational outcomes.

3.5 An increase in the frequency, severity, or geographic reach of terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the country's economy. Any such destabilisation could cause interruption to parts of the Bank's businesses and materially and adversely affect its financial conditions, results of operations and prospects. For example, isolated security related incidents have in the past disrupted operations and transmission projects under construction, including in Mindanao. Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.

In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu," occurred in Mexico and spread to other countries, including the Philippines. In August 2014, the World Health Organization declared the Ebola outbreak that originated in West Africa as an international health emergency in view of the rising death toll due to the disease. While Ebola-free, the Philippines, however, remains vulnerable to exposure and spread of the disease for the following reasons: a) the considerable number of OFWs in the Ebola-hit West African countries; b) the impact of international travel which raises the probability of transmission; and c) lack of the necessary infrastructure to contain the spread of the disease. In March 2016, the Director-General of the World Health Organization terminated the Public Health Emergency of International Concern in regard to the Ebola virus disease outbreak.

In February 2015, a Filipina nurse who arrived from Saudi Arabia tested positive for MERS-CoV. She was quarantined, received medical treatment and later discharged and cleared of the disease by the Department of Health. All known contacts of the said nurse, including some passengers in the same flight that arrived from Saudi Arabia, were also cleared of the infection, putting the Philippines free of an active case of the disease.

In March 2016, reports of an American woman who stayed in the Philippines for four weeks in January 2016, tested positive for the Zika virus upon returning home, indicating the local transmission of the disease through the *Aedes aegypti* mosquito. In

May 2016, a South Korean national was reported to have acquired the infection while visiting the Philippines, following earlier reports of two other confirmed cases of the viral infection in the country. All of the patients had recovered, indicating that the Zika viral infection acquired in the country was self-limiting.

In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry products produced outside a seven-kilometre radius control area surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus.

In early 2020, the outbreak of COVID-19 started and soon evolved to be a global pandemic. It has severally affected the Philippines' economy and has affected and may continue to affect the Bank's operation and financial conditions. See *“— Risk relating to the Bank — The Bank's business and results of operations have been and could continuously be adversely affected by public health epidemics or outbreaks of diseases such as the COVID-19 pandemic.”*

Since early May 2022, cases of monkeypox have been reported from countries where the disease is not endemic, and continue to be reported in several endemic countries. On 23 July 2022, WHO Director-General Tedros Adhanom Ghebreyesus declared the ongoing monkeypox outbreak a Public Health Emergency of International Concern. In 2023, an outbreak of the Nipah virus have been reported in India. According to the WHO, patients who contracted the Nipah virus have a mortality rate of between 40 and 75 percent depending on the public health response to the virus. In September 2023, the DOH has confirmed that there are no cases of Nipah virus in the Philippines.

If the outbreak of the Ebola virus, MERS-CoV, Zika virus, bird flu virus, COVID-19, monkeypox, Nipah virus and other coronaviruses or any public health epidemic becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.

3.6 Natural or other catastrophes, including severe weather conditions, may adversely affect the Bank's business, materially disrupt the Bank's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes.

Significant calamities that hit the country were Typhoon Ondoy in 2009, Typhoon Yolanda in 2013, the Bohol and Cebu Earthquake in 2013, the Cotabato and Batangas Earthquakes in 2019, and Typhoon Odette in 2021.

On January 12, 2020, the Taal Volcano erupted causing ash falls and earthquakes in Southern Luzon, some parts of Central Luzon and Pangasinan in Ilocos Region, including Metro Manila. The Philippine Institute of Volcanology and Seismology (“PHIVOLCS”) issued an Alert Level 4, which means a hazardous explosive eruption may happen at any given moment. The explosion resulted in the suspension of classes, work schedules, and flights.

On January 26, 2020, PHIVOLCS downgraded the classification to Alert Level 3, which means a decreased tendency towards hazardous eruption. The danger zone was likewise reduced from a 14-kilometer radius from the volcano's main crater, to a 7-kilometer radius.

On February 14, 2020, PHIVOLCS further downgraded the classification to Alert Level 2, which means that there was a decreased unrest of the Taal Volcano given the less frequent volcanic earthquake activity, stabilizing ground deformation and weak steam and gas emissions at the main crater. In October 2021, Severe Tropical Storm Kompasu resulted in cancellation of school and suspension of work in government offices. 15 national roads and highways nationwide were impassable due to the flooding.

In November 2020, Typhoon Goni, locally known as Typhoon Rolly, brought severe flash floods and displaced thousands in the areas affected. In December 2021, Typhoon Rai, locally known as Typhoon Odette, also caused significant destruction and damage to infrastructure, including telecommunication facilities and power lines, which temporarily reduced the Bank's ATM availability in the areas affected. Natural catastrophes will continue to affect the Philippines. The Bank may incur losses for such catastrophic events, which could materially and adversely affect its business, financial condition and results of operations.

On 26 March 2022, Taal Volcano erupted, resulting to PHIVOLCS raising the classification to Alert Level 3 and recommended the immediate evacuation of residents in the surrounding area. While Taal Volcano has a classification of Alert Level 1 currently, in September 2023, it spewed above average sulfur dioxide and volcanic smog, prompting authorities to close schools in dozens of cities and towns and to urge people to stay indoors.

In July 2022, a magnitude 7.0 earthquake struck Abra province in Northern Luzon, causing multiple casualties, cutting off power and fresh water in some areas and causing damage estimated at about ₱316 million. In October 2022, tropical storm Paeng caused flooding and landslides in the islands of Mindanao. Its strong winds and heavy rains took the lives of at least 45 people with many more missing victims as it displaced thousands of residents and submerged schools and households in floodwater.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Bank's business, financial condition and results of operations.

3.7 Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings.

In July 2016, the UNCLOS tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that China's claim over the same area is invalid. Despite the decision, the Chinese Government has maintained its position that the Tribunal has no jurisdiction over the dispute, and thus, the decision is not binding on the Chinese Government.

In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defied a diplomatic protest and demand for the vessels to leave the area, issued by Philippine Defense Secretary Delfin Lorenzana.

Newly elected President Joe Biden has manifested that the United States would not be easing up its military operations in the West Philippine Sea. South Asian nations and claimants involved in the West Philippine Sea dispute also continue to enforce their sovereign rights against China as well as other South Asian nations.

On 6 February 2023, a Chinese Coast Guard ship purportedly harassed a Philippine Coast Guard vessel in the Ayungin Shoal in the West Philippine Sea. The President of the Philippines summoned the Chinese Ambassador to the Philippines on 14 February 2023 to discuss the reported harassment. On 24 September 2023, the Philippine Coast Guard reported that the Chinese Coast Guard has installed a floating barrier near the Bajo de Masinloc (Scarborough Shoal) in the West Philippine Sea in an attempt to prevent Filipino fishermen from entering the Scarborough Shoal. In a special operation conducted the following day, the Philippine Coast Guard confirmed that it has removed and cut the floating barrier.

Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the Bank's operations could be adversely affected as a result. In particular, this may lead both countries to impose trade restrictions on the other's imports. The Philippines' interests in fishing, trade and offshore drilling and the volume of trade between the Philippines and China may be adversely affected, which in turn may affect the general economic and business conditions in the Philippines.

3.8 Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Bank may not have access to the same amount of information or have access to information in as timely of a manner as may be the case

for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Securities Regulation Code of the Philippines (Republic Act No. 8799) (the “SRC”) requires the relevant entities to have at least two independent directors or such number of independent directors as is equal to 20.0% of its board of directors, whichever is the lower number. The Bank currently has five (5) independent directors on its Board. Many other jurisdictions may require more independent directors.

Moreover, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in developed countries. Rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well-defined and enforced in the Philippines than elsewhere, putting shareholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

3.9 Any future changes in Philippine taxation may materially and adversely affect the Bank’s business, financial condition and results of operations.

The Bank is subject to the taxation laws and regulations in effect in the Philippines. On 1 January 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (“TRAIN Law” or “TRAIN”) took effect. The TRAIN Law is the first package of the Government’s Comprehensive Tax Reform Program (“CTRP”). It amended various provisions of the Philippine National Internal Revenue Code (Republic Act No. 8424, as amended by Republic Act No. 10963, the “Tax Code”), including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor’s tax, and documentary stamp tax. The corporate income tax provisions of the Tax Code have yet to be amended under the TRAIN Law, and are expected to be addressed in the second package of the CTRP, which will reportedly aim to gradually lower corporate income taxes from 30% to 20%, and to modernise fiscal incentives in a bid to complement the expected incremental revenues from the first package. The TRAIN Law also, amongst other things, doubled the tax on interest income in FCDUs to 15% from 7.5%, and increased the documentary stamp tax on debt instruments to ₱1.50 on each ₱200.00, or fractional part thereof, of the issue price of the debt instruments, such as bonds and notes. The fourth package of the Tax Reform for Acceleration and Inclusion (Package 4 of the TRAIN bill) or House Bill No. 304 (HB No. 304), also known as the Passive Income and Financial Intermediary Taxation Act, intends to introduce reforms to the taxation of passive income, financial intermediaries and financial transactions. One of the reforms to be introduced is the unification of the tax rates for passive income through the imposition of a uniform rate of 15% (which would be a reduction from the prevailing from 20%) on interest income, dividends and capital gains on the sale of shares of stock. On 9 September 2019, the House of Representatives passed HB No. 304, or Package 4 of the TRAIN bill, on its third reading and sent to the Senate for concurrence on 10 September 2019. HB No. 304 has been referred to and is currently pending with the Ways and Means Committee of the Senate. Before HB No. 304 can become effective, it needs to be considered and approved by the Senate, which may impose further revisions on the bill. In the event of any changes to existing laws, the Bank’s business, financial condition and results of operations could be materially affected.

On 26 March 2021, the President signed into law the Corporate Recovery and Tax Incentives Enterprises Act (the “CREATE Act”) to attract more investments and maintain fiscal prudence and stability. It also introduces reforms to the corporate income tax and incentives systems. The relevant changes of the CREATE Act are incorporated in the section titled “*Philippine Taxation*” of this Offering Circular.

If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position and results of operations.

3.10 Further escalation and widening of geopolitical conflicts can lead to potential global political, security and economic disruption

On 24 February 2022, Russia launched a large-scale invasion of Ukraine. Russian President Vladimir Putin authorized what the Russian government called as a “special military operations” in Ukraine with missile and artillery attacks, striking major Ukrainian cities including its capital, Kiev. The unprovoked invasion caused an uproar globally particularly from the European Union-member countries as well as the United States, Canada, Japan, Australia, among others.

The invasion came after months of built-up tension between Ukraine and Russia following an appeal made in January 2021 by Ukrainian President Volodymyr Zelensky to US President Joe Biden and other North Atlantic Treaty Organization (“NATO”) members to hasten Ukraine’s request for membership in the NATO. As early as April 2021, Russia decided to move large quantities of arms and equipment as well as military troops near Ukraine’s borders in what Russia said are training exercises. Russia presented its security demands in December 2021 which included, among others, for NATO to pull back its troops and weapons from Eastern Europe and bar Ukraine from joining NATO citing that Ukraine’s membership will pose as a security threat to Russia. Amid growing Western fears of a possible invasion of Ukraine by Russia, the United States promised to send

additional US troops to NATO member countries but emphasized that the US and its NATO allies would not send troops to Ukraine. However, US warned of severe economic sanctions should Russia take military action.

On 22 February 2022, a few days before the invasion, the US, United Kingdom, and their allies, slapped targeted sanctions on Russian parliament members, banks, and other assets in response to Russia's troop order. Germany likewise decided to halt the Nord Stream 2 gas pipeline project. On 26 February 2022, following the invasion of Ukraine, the US and its Western allies imposed new sanctions, including restrictions on Russia's central bank, and expelling key Russian banks off the main global payments system, most notable of which is the Society for Worldwide Interbank Financial Telecommunications or SWIFT, which is a high security system that provides for safe and secure financial transactions across borders.

The ongoing war between Russia and Ukraine has caused jitters in the global economy particularly on the energy and the financial markets given the geo-political and market uncertainties associated with the conflict and the severity of sanctions imposed on Russia by the US and its allies. President Vladimir Putin recently said that sanctions imposed by the West on Russia are akin to a declaration of war and warned that any attempt to impose a no-fly zone over Ukraine would lead to catastrophic consequences for the world. Likewise, fears that the crisis might further escalate and widen are seen to make the global markets anxious and unsteady which may lead to potential adverse implications on the global political, security and economic landscapes, unless a clear direction towards de-escalation is agreed upon.

Recently, on October 7, 2023, the militant group Hamas launched an attack against Israeli towns, killing over 1,400 civilians and soldiers alike and taking up to 150 hostages, in what Hamas refers to as operation "Al-Aqsa Storm". According to Hamas, the attack was in response to "Israeli attacks on women, the desecration of the al-Aqsa mosque in Jerusalem and the ongoing siege of Gaza." In retaliation, Israel has launched several air strikes towards Gaza killing at least 2,670 people, and injuring more than 9,600 others. Israel has also prevented the supply of electricity, food, and water to Gaza and has declared that it will not stop its attacks until the hostages are released.

There can be no assurance that the ongoing conflict between Russia and Ukraine will not further escalate and widen into a full-fledged war involving NATO member countries including the US and its allies. The conflict between Israel and the Hamas group may likewise evolve beyond the borders of the affected region considering the countries offering support to either side. Any such developments could have a negative effect, directly or indirectly, on the Philippine economic and business environment and eventually on the Bank's business, financial condition, and results of operations.

4. RISKS RELATING TO THE BONDS

4.1 Liquidity of the Bonds

The Bank intends to list the Bonds for trading in PDEX on the Issue Date. Upon listing of the Bonds with PDEX, investors shall course their secondary market trades through the trading participants of PDEX for execution in the PDEX Trading Platform in accordance with the PDEX Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment ("DvP") basis in accordance with PDEX Settlement Rules and Guidelines. These Settlement Rules and Guidelines include guidelines on minimum trading lots and record dates. The secondary trading of Bonds in PDEX may be subject to such fees and charges of PDEX, the trading participants of PDEX, and other providers necessary for the completion of such trades. The PDEX rules and conventions are available in the PDEX website (www.pds.com.ph). An investor Frequently Asked Questions ("FAQ") discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEX website.

As with other fixed income securities, no assurance can be given that an active trading market for the Bonds will develop. Even if such a market were to develop, the Bonds could trade at prices that may be higher or lower than the price at which the Bonds are issued depending on many factors, among them:

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political development in the Philippines;
- market for similar securities, and;
- financial condition and stability of the banking sector

Subject to the "Events of Default" in the Terms and Conditions, the Bonds cannot be preterminated at the instance of any Bondholder before Maturity Date. In the case of an event of default, the Trustee or the Majority Bondholders may declare the

principal and all accrued interest (including Penalty Interest) on all the Bonds and other charges thereon (including any incremental tax that may be due on the interest income already earned under the Bonds), if any, to be immediately due and payable.

However, the Bank may, subject to the General Banking Law of 2000, BSP Circular Nos. 975 and 1010 and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding Bonds on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

4.2 The Bank may be unable to redeem the Bonds

At maturity, the Bank will be required to redeem all of the Bonds. The Bank may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem the Bonds by the Bank would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Bank.

4.3 The priority of debt evidenced by a public instrument

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Bonds in the event of the liquidation of the Bank.

4.4 Secondary Transfers

All transfers or assignments of the Bonds shall be coursed through a PDEX Trading Participant, subject to PDEX Trading Rules. Consequently, the parties to a transfer may be subject to the guidelines of PDEX and the payment to PDEX and the Registrar and Paying Agent of any reasonable fees and applicable taxes.

The Bonds may be issued in scripless or tokenized form. In the event the Bonds are issued in tokenized form, the number of registry accounts, at any given time (i.e., at the time of initial issuance and during secondary trading), shall be limited to such number as specified in the applicable Pricing Supplement, in accordance with the requirement of the PDTC and subject to such adjustments as may be allowed by the PDTC from time to time. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions as the limitation on the number of registry accounts even during secondary trading may restrict the ability of the investors to transfer or trade the Bonds when such transfer will result in a breach of the set registry accounts limit which may be imposed by the PDTC. If the bonds are issued in scripless form, no such limitation on the number of Bondholders shall be imposed.

Any transfer between investors with a different tax status with respect to the Bonds will be subject to applicable rules as may be issued from time to time by PDEX.

4.5 Issuance and Transfer Restrictions

The Bonds may not be issued or transferred to any other Prohibited Holders as defined in the Terms and Conditions of the Bonds. In the event that the Bonds are issued in tokenized form, the transfer or recording of ownership in the Registry that will result in registry accounts exceeding such number as specified in the applicable Pricing Supplement will not be allowed, subject to such adjustments as may be allowed by the PDTC from time to time. The Registrar will inform PDEX of such disallowed transfer or recording of ownership and PDEX shall in turn inform the Trading Participant.

The Registrar is authorized to refuse any transfer or transaction in the Registry which may be in violation of these restrictions. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

4.6 Taxation of the Bond

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax.

Interest Income on Short-Term Bonds

Interest income on short-term bonds, with maturities of less than five (5) years, is subject to a final withholding tax (FWT) at rates of between ten percent (10%) and twenty-five percent (25%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is subject to income tax, which is withheld at source, at the rate of twenty percent (20%) based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a twenty percent (20%) FWT while that received by non-resident aliens not engaged in trade or business is subject to a FWT rate of twenty five percent (25%). Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a FWT rate of twenty percent (20%). Interest income received by non-resident foreign corporations from the Bonds is subject to a twenty five percent (25%) FWT.

Interest Income on Long-Term Bonds

A. For Individuals

Interest income of resident individuals and non-resident aliens engaged in trade or business in the Philippines on long-term bonds, with maturities of five (5) or more years, are generally exempt from FWT. In order to be exempt, the following characteristics/conditions must be present:

- (a) The investor is an individual citizen (resident or non-resident) or resident alien or non- resident alien engaged in trade or business in the Philippines;
- (b) The long-term bonds should be under the name of the individual;
- (c) The long-term bonds must be in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the BSP;
- (d) The long-term bonds must be issued by banks only and not by other entities or individuals;
- (e) The long-term bonds must have a maturity period of not less than five (5) years;
- (f) The long-term bonds must be in denominations of Ten Thousand Pesos (P10,000) and other denominations as may be prescribed by the BSP;
- (g) The long-term bonds should not be terminated by the original investor before the fifth (5th) year, otherwise they shall be subjected to the graduated rates of 5%, 12% or 20% on interest income earnings; and
- (h) Except those specifically exempted by law or regulations, any other income such as gains from trading, foreign exchange gain shall not be covered by income tax exemption.

For interest income derived by individuals investing in common or individual trust funds or investment management accounts, the following additional characteristics/conditions must *all* be present:

- (a) The investment must be actually held/managed by the bank for the named individual at least five (5) years without interruption;
- (b) The underlying investments of the common or individual trust account or investment management accounts must comply with the requirements of Section 22 (FF) of the NIRC of 1997, as amended, as well as the requirements mentioned above;
- (c) The common or individual trust account or investment management account must hold on to such underlying investment in continuous and uninterrupted period for at least five (5) years.

If such long-term bond is pre-terminated before the fifth (5th) year, it shall be subject to a FWT at the rates prescribed to be deducted and withheld from the proceeds based on the length of time that the instrument was held by the taxpayer in accordance with the following schedule:

Holding Period	Rate
Four (4) years to less than five (5) years	5%
Three (3) years to less than four (4) years	12%
Less than three (3) years	20%

For non-resident alien not engaged in trade or business in the Philippines, interest income received from long-term bonds shall be subject to a FWT at the rate of twenty five percent (25%) pursuant to Section 25 (B) of the NIRC of 1997, as amended.

B. B. For Corporations

Interest income derived by domestic and resident foreign corporations from deposit substitutes is subject to FWT at the rate of twenty percent (20%) pursuant to Sections 27 (D) (1) and 28 (A) (7)(a) of the NIRC of 1997, as amended.

As used herein: “deposit substitutes”, as defined in Section 22 (Y) of the NIRC of 1997, as amended, means an alternative form of obtaining funds from the public other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of re-lending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer.

"Public", is defined as borrowing from twenty (20) or more individual or corporate lenders at any one time.

For non-resident foreign corporations, interest income received from long-term bonds, shall be subject to a FWT at the rate of twenty five (25%) pursuant to Section 28 (B)(1) of the NIRC of 1997, as amended.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment. The Bonds may not be a suitable investment for all investors

4.7 Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Investors may purchase Bonds as a way to manage risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

4.8 Early Redemption

Under the Terms and Conditions, and subject to BSP Rules, the Bank has the option (“Early Redemption Option”), but not the obligation, to redeem all (but not less than all) of the Bonds on any Interest Payment Date at an amount equal to the aggregate issue price thereof, plus accrued and unpaid interest thereon as of the Early Redemption Date (“Early Redemption Amount”), for any cause as may be allowed under the BSP Rules, including, without limitation if or when: (i) there shall occur at any time during the term of the Bonds any change in any applicable law, rule or regulation or in the terms and/or interpretation or administration thereof or a new applicable law should be enacted, issued or promulgated which shall result in payments by the Bank becoming subject to additional or increased taxes, other than the taxes and rates of such taxes prevailing on the Issue Date, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Bank;

or (ii) the Trust Agreement or any of the related documents is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Bank to give effect to its rights or obligations thereunder; or (iii) at any time during the term of the Bonds, the Bonds become subject to additional or increased reserves required by the BSP, other than the three percent (3%) statutory regular reserves required in BSP Circular No. 1054, Series of 2019.

In exercising the Early Redemption Option, the Bank shall give not less than thirty (30) but not more than sixty (60) days' prior notice to the Bondholders, PDEx, the Registrar and the BSP. The Bank shall also cause the publication of such notice at least once a week for two consecutive weeks in at least two newspapers of general circulation in the Philippines. Such notice shall state the Interest Payment Date on which such Bonds are to be redeemed, the Early Redemption Amount and the manner in which redemption will be effected. Such notice shall be irrevocable and shall be binding on the Bank.

After the issuance of the Early Redemption Notice, the Bank shall be obliged to repay all (and not only part) of the Bonds ("Early Redemption Bonds") at the Early Redemption Amount on the Early Redemption Date and, upon confirmation by the Paying Agent that the Early Redemption Amount has been paid, the Registrar shall transfer all of the interests of the Bondholders in the Early Redemption Bonds to the Bank. All Early Redemption Bonds shall then be deemed fully redeemed and cancelled. If, as a consequence of the exercise of the Early Redemption Option, interest income already earned under the Early Redemption Bonds shall be subjected to incremental taxes, such taxes shall be for the account of the Bank.

The investor should seek its own tax advisors to determine its tax liabilities or exposures given that the Bank does not have gross-up obligations in case of changes in any applicable law, rule or regulation or in the terms and/or interpretation or administration thereof or a new applicable law should be enacted, issued or promulgated, which shall subject payments by the Bank to additional or increased taxes, other than the taxes and rates of such taxes prevailing as of the Issue Date.

5. RISKS RELATING TO THE MARKET GENERALLY

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

5.1 An active secondary market in respect of the Bonds may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Bonds.

The Bonds are new issues of securities, which may be issued in scripless or digital form, and may have no established trading market when issued, and one may never develop. If a market for the Bonds does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds.

5.2 The value of the Bonds may be adversely affected by movements in market interest rates.

Investment in the Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Bonds, this will adversely affect the value of the Bonds.

5.3 Credit ratings assigned to the Bank may not reflect all the risks associated with an investment in those Bonds.

One or more independent credit rating agencies may assign credit ratings to the Bank. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

5.4 Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Bonds are legal investments for it; (2) Bonds can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

5.5 There is added risk in case the Bonds are issued using PDTC and PDEX's Live Bond Tokenization.

The Bank may opt to issue the Bonds using Live Bond Tokenization, a new first of its kind end-to-end solution provided by PDTC and PDEX to conduct live bond issuance using the STACs infrastructure powered by STACS Blockchain. Blockchain technology is relatively young and little rehearsed and tested technology. There is no assurance that the use of the Live Bond Tokenization for the Bonds will be capable of implementation or adoption, or even if implemented or adopted, may not completely function as intended. Further, the Bank bears the risk that this technology may be subject to technical difficulties or that its functionality may be impaired by external influences such as disruption of internet connectivity which could impede the functionality of the blockchain technology. A partial or complete collapse of a blockchain would make it impossible to implement the business model. There is added risk that existing legal regulations may be amended and/or new legal regulations created which may substantially affect the use of the Live Bond Tokenization. Such risks may also arise due to changes in the supervisory practices of authorities. Certain features of blockchain technology may likewise increase the risk of fraud or cyber-attack.

In the event that the Live Bond Tokenization system does not work as anticipated, the Bank will explore alternative means of fulfilling the settlement (such as through the electronic depository and/or electronic registry), and trading may be continued on the existing trading system of PDEX.

TERMS AND CONDITIONS OF THE BONDS

The following are the Terms and Conditions of the Bonds to be issued under the Bank's Bond Program which will be incorporated by reference into each Series or Tranche of Bonds issued thereto. The applicable Pricing Supplement in relation to any Series or Tranche of Bond may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Series or Tranche of Bonds.

The Terms and Conditions contained herein do not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds and the Bondholders. Some rights, obligations, or privileges may be further limited or restricted by other document, including the applicable Pricing Supplement in relation to any Series or Tranche of Bonds. Prospective investors are enjoined to carefully review the articles of incorporation, by-laws, and resolutions of the Board of Directors and Shareholders of the Bank, the information contained in the Offering Circular, the Trust Agreement, Program Agreement, Registry and Paying Agency Agreement, the Pricing Supplement, and other agreements relevant to the issuance of any Series or Tranche of the Bonds.

The issuance in series or tranches of up to Fifty Billion Pesos (₱50,000,000,000.00) aggregate principal amount of bonds under the Bank's Bond Program (each Series or Tranche to be issued, are the "Bonds") described in this Terms and Conditions was authorized by resolutions of the Board of Directors of the Bank dated 31 August 2018 and 22 February 2019, and 24 March 2023, respectively.

The Bonds have not been and will not be registered with the Securities and Exchange Commission ("SEC"). Since the Bonds qualify as exempt securities under Section 9.1(e) of the Philippine Securities Regulation Code, the Bonds may be sold and offered for sale or distribution in the Philippines without registration.

Pursuant to BSP Circular No. 1010, Series of 2018, each Series or Tranche of the Bonds to be issued under the Bank's Bond Program shall be listed or enrolled in the PDEX upon issuance. Once registered and lodged, each Series or Tranche of the Bonds will be eligible for transfer through the trading participants by electronic book-entry transfers in the relevant Register of Bondholders, and issuance of Registry Confirmations in favor of transferee bondholders. All transfers or assignments of the Bonds shall be coursed through the PDEX.

The net proceeds of the issuance of the Bonds are intended to be used to expand funding base, support business expansion plans, and for other general corporate purposes of the Bank.

The Bonds to be issued under the Bond Program is constituted by a Trust Indenture Agreement executed on 26 April 2019 (the "Trust Agreement") entered into between the Bank and Development Bank of the Philippines - Trust Banking Group (the "Trustee"), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A registry and paying agency agreement was executed on 26 April 2019 (the "Registry and Paying Agency Agreement") in relation to the Bonds to be issued under the Bond Program between the Bank and the Philippine Depository & Trust Corp. as registrar (the "Registrar") and as paying agent (the "Paying Agent").

The Bonds will be repaid at 100% of face value on the relevant Maturity Date, unless the Bank exercises its optional redemption according to the conditions therefore. See "Redemption and Purchase".

The Registrar and Paying Agent has no interest in or relation to the Bank which may conflict with its role as Registrar for the Bonds. The Trustee has no interest in or relation to the Bank which may conflict with its role as Trustee for the Bonds. The ING Bank N.V. Manila Branch (ING) and Standard Chartered Bank (SCB) (as the "Lead Arrangers and Selling Agents") and any other entity which the Bank may appoint as issue managers and bookrunners for the offer of the Bonds under the Bond Program, and notice of whose appointment has been given to the Registrar, Paying Agent and the Trustee by the Bank in accordance with the provisions of the Program Agreement have no interest in or relation to the Bank which may conflict with their role as Lead Arrangers and Selling Agents for the offer of the Bonds under the Bond Program.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them. Defined terms used herein and not otherwise defined shall have the meanings ascribed to such terms under the Trust Agreement.

FORM, DENOMINATION AND TITLE

Form and Denomination

The Bonds, upon issuance, may be in scripless or digital form and will be maintained in electronic form with the Registrar, subject to the payment by the Bondholder of applicable fees to the Registrar, and in compliance with the provisions of Republic Act No. 8792, otherwise known as the Electronic Commerce Act, particularly on the existence of assurances on the integrity, reliability, and authenticity of the Bonds in electronic form. A Registry Confirmation will, however, be issued by the Registrar in favor of the Bondholders in accordance with the BSP Rules and shall be subject to the relevant fees of PDEX and PDTC.

The Bonds shall be issued in such form and denomination as stated in the applicable Pricing Supplement to be issued for every Series or Tranche of Bonds.

Title

Legal title to the Bonds shall be shown in the relevant Register of Bondholders maintained by the Registrar. A Registry Confirmation confirming the principal amount of the Bonds purchased by each applicant in the relevant Offer shall be issued by the Registrar to all Bondholders following the relevant Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamp taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder, unless such is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Bondholder and its transferee.

RATING

The Bonds are and will be unrated. The Bonds are not required to be rated for purposes of the Offer. However, the Bank is currently rated Baa2 by Moody's.

A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization. The rating is subject to regular annual reviews, or more frequently as market developments may dictate.

TRANSFER OF THE BONDS

Register of Bondholders

The Bank shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the relevant Bondholders and the particulars of the relevant Bonds held by them and of all transfers of the relevant Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings, in the manner stated in the application to purchase the Bonds ("Application to Purchase"), at least quarterly (at the cost of the Bank), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Bonds may be made during the period commencing on a relevant Record Date as defined in this section on "Interest Payment Dates" until a relevant Interest Payment Date.

Transfers; Tax Status

The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any transfers of the Bonds. Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamp taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

All secondary trading of the Bonds shall be coursed through or effected using the trading facilities of the PDEX, subject to compliance with such applicable rules of PDEX and the payment by the Bondholder of applicable fees to the PDEX and the Registrar and Paying Agent. All transfers of the Bonds shall only be effective upon the receipt by the Registrar of a duly accomplished transfer form in the forms attached to the Registry and Paying Agency Agreement from the relevant PDEX Trading Participant and other required documentation and the registration and recording by the Registrar of such assignment

or transfer in the Register of Bondholders; provided, that no such registration and recording shall be allowed during the Closed Period.

Where a transfer or assignment of the Bonds will result in a change in the tax treatment of the interest income derived from the Bonds (such as but not limited to transfers between a taxable and non-taxable person), the transferor Bondholder shall be liable for any and all taxes that may be due on interest income previously earned on the Bonds. The amount of such taxes shall be calculated by the PDEX based on the length of time the transferor Bondholder shall have held such Bonds, and an amount equal to such taxes will be deducted from the purchase price due to the transferor Bondholder.

No partial transfers of title, interest and rights of the Bondholder in or to any Bonds shall be allowed unless as a result thereof: (1) the transferor shall either retain Bonds with an aggregate principal amount of at least the minimum denomination stated in the applicable Pricing Supplement registered in its name (or cease to be a registered holder of the Bonds altogether); and (2) the transferee shall have Bonds with an aggregate principal amount of at least the minimum denomination stated in the applicable Pricing Supplement registered in its name.

Any and all taxes, as well as settlement fees and other charges (other than registration fees which shall be paid for by the Bank) that may be imposed by PDEX and the Registrar and Paying Agent in respect of any transfer or change of beneficial title to the Bonds, including the settlement of documentary stamp taxes, if any, shall be for the account of the transferring Bondholder, unless such cost is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Bondholder and its transferee.

Transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a Business Day, provided however that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax on the PDEX Trading System, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "Tax Categories" refer to the three (3) final withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities and 25% tax-withheld entities. This restriction shall be in force until a non-restricted trading & settlement environment for corporate securities is implemented. Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when allowed under and are in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. Transfers to or from Bondholders claiming the benefit of any tax treaty which subjects the interest income to a final withholding tax rate other than the final withholding tax categories indicated above shall only be allowed on Interest Payment Dates that fall on a Business Day.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar.

In no case shall the Bonds be transferred or assigned to Prohibited Bondholders as defined in the Offering Circular.

Secondary Trading of the Bonds

The Bank shall list or enroll the Bonds on PDEX for secondary market trading. The Bonds will be traded in such minimum board lot size, and in such multiples in excess of the relevant minimum board lot size, as indicated in the Pricing Supplement to be issued for every Series or Tranche of Bonds. Secondary market trading in PDEX shall follow the applicable PDEX rules and conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC, all of which shall be for the account of the relevant Bondholder. The secondary trading of the Bonds shall also be subject to the limitation on the number of Bondholders imposed by the PDTC.

Limitation on the Number of Bondholders

In the event that the Bonds are issued in tokenized form using PDTC and PDEX's Live Bond Tokenization, the number of registry accounts, at any given time, shall be limited to such number as specified in the applicable Pricing Supplement, in accordance with the requirement of the PDTC and subject to such adjustments as may be allowed by the PDTC from time to time. Otherwise, if the Bonds are issued in scripless form, no such limitation on the number of registry accounts shall be imposed.

RANKING

The Bonds shall constitute the direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the terms and conditions set out herein, and shall at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

INTEREST

Interest Payment Dates

Except as may otherwise be modified, changed, or amended in the applicable Pricing Supplement, the Bonds shall bear interest on its principal amount from and including the relevant Issue Date at the rate so specified in the applicable Pricing Supplement.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be two (2) Business Days prior to the relevant Interest Payment Dates (the “*Record Date*”), which shall be the reckoning date in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Dates.

Interest Accrual

The Bonds shall cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on “*Final Redemption*” below, unless, upon due presentation, payment of the principal in respect of the Bonds then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Penalty Interest*” below) shall apply.

Determination of Interest Amount

The interest shall be calculated on the basis of a three hundred sixty (360)-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

REDEMPTION AND PURCHASE

Final Redemption

Unless otherwise earlier redeemed or previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on the relevant Maturity Date. However, if the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Bank through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.

Optional Redemption

Subject to the BSP Rules, the Bank shall have the option (the “*Early Redemption Option*”), but not the obligation, to redeem all (but not less than all) of a Series or Tranche of Bonds on any Interest Payment Date (such date, the “*Early Redemption Date*”) at an amount equal to the aggregate issue price thereof, plus accrued and unpaid interest thereon as of the Early Redemption Date (the “*Early Redemption Amount*”), for any cause as may be allowed under the BSP Rules, including, without limitation if or when: (i) there shall occur at any time during the term of the relevant Series or Tranche of Bonds any change in any applicable law, rule or regulation or in the terms and/or interpretation or administration thereof (including but not limited to any decision by a court of competent jurisdiction), or a new applicable law should be enacted, issued or promulgated which shall result in payments by the Bank becoming subject to additional or increased taxes, other than the taxes and rates of such taxes prevailing on the Issue Date, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Bank; or (ii) the Trust Agreement or any of the related documents is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Bank to give effect to its rights or obligations thereunder; or (iii) at any time during the term of the relevant Series or Tranche of Bonds, the Bonds become subject to additional or increased reserves required by the BSP, other than the three percent (3%) statutory regular reserves required in BSP Circular No. 1054, Series of 2019.

In exercising any Early Redemption Option, the Bank shall give not less than thirty (30) but not more than sixty (60) days’ prior notice (the “*Early Redemption Notice*”) to the relevant Bondholders, the PDEx, the Registrar and the BSP Supervision and Examination Sector. The Bank shall also cause the publication of such notice at least once a week for two (2) consecutive weeks in at least two newspapers of general circulation in the Philippines. Such notice shall state the Interest Payment Date on which such Bonds are to be redeemed, the Early Redemption Amount and the manner in which redemption will be effected. Such notice shall be irrevocable and shall be binding on the Bank.

After the issuance of any Early Redemption Notice, the Bank shall be obliged to repay all (and not only part) of the relevant Bonds (the “Early Redemption Bonds”) at the relevant Early Redemption Amount on the Early Redemption Date and, upon confirmation by the Paying Agent that the Early Redemption Amount has been paid, the Registrar shall transfer all of the interests of the Bondholders in the Early Redemption Bonds to the Bank. All Early Redemption Bonds shall then be deemed fully redeemed and cancelled. If, as a consequence of the exercise of the Early Redemption Option, interest income already earned under the Early Redemption Bonds shall be subjected to incremental taxes, such taxes shall be for the account of the Bank.

For the avoidance of doubt, the Bank may exercise its Early Redemption Option to a particular Series or Tranche of Bonds without any obligation to redeem any other Series or Tranche issued under the Bank’s Bond Program.

Purchase and Cancellation

The Bank may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all the relevant Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing or enrollment of the Bonds on PDEX, the Bank shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances as it refers to the obligations of the Bank and the rights and interests of the Bondholders under the Trust Agreement and the Bonds:

- (a) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Bank to comply with its obligations under the Trust Agreement or the Bonds shall be modified, withdrawn or withheld in a manner which, in the reasonable opinion of the Trustee, will materially and adversely affect the ability of the Bank to comply with such obligations; or
- (b) Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Bank to give effect to its rights or obligations thereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part; or any law is introduced or any applicable existing law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the parties thereto of their obligations under the Trust Agreement or any other related documents; or
- (c) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Bank shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Bank.

Payments

The principal of, interest on, and all other amounts payable on, the Bonds shall be paid to the relevant Bondholders by crediting of the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos. The Bank shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for purposes of disbursing payments on the Bonds. In the event the Paying Agent shall be unable or unwilling to act as such, the Bank shall appoint a qualified financial institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

Payment of Additional Amounts - Taxation

Interest Income on Short-Term Bonds

Interest income on short-term bonds, with maturities of less than five (5) years, is subject to a final withholding tax (FWT) at rates of between 10% and 25% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is subject to income tax, which is withheld at source, at the rate of twenty percent (20%) based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a twenty percent (20%) FWT while that received by non-resident aliens not engaged in trade or business is subject to a FWT rate of twenty five percent (25%). Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a FWT rate of twenty percent (20%). Interest income received by non-resident foreign corporations from the Bonds is subject to a

twenty five percent (25%) FWT.

Interest Income on Long-Term Bonds

A. For Individuals

Interest income of resident individuals and non-resident aliens engaged in trade or business in the Philippines on long-term bonds, with maturities of five (5) or more years, are generally exempt from final withholding tax. In order to be exempt, the following characteristics/conditions must be present:

- (a) The investor is an individual citizen (resident or non-resident) or resident alien or non-resident alien engaged in trade or business in the Philippines;
- (b) The long-term bonds should be under the name of the individual;
- (c) The long-term bonds must be in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the BSP;
- (d) The long-term bonds must be issued by banks only and not by other entities or individuals;
- (e) The long-term bonds must have a maturity period of not less than five (5) years;
- (f) The long-term bonds must be in denominations of Ten Thousand Pesos (P10,000) and other denominations as may be prescribed by the BSP;
- (g) The long-term bonds should not be terminated by the original investor before the fifth (5th) year, otherwise they shall be subjected to the graduated rates of 5%, 12% or 20% on interest income earnings; and
- (h) Except those specifically exempted by law or regulations, any other income such as gains from trading, foreign exchange gain shall not be covered by income tax exemption.

For interest income derived by individuals investing in common or individual trust funds or investment management accounts, the following additional characteristics/conditions must *all* be present:

- (a) The investment must be actually held/managed by the bank for the named individual at least five (5) years without interruption;
- (b) The underlying investments of the common or individual trust account or investment management accounts must comply with the requirements of Section 22 (FF) of the NIRC of 1997, as amended, as well as the requirements mentioned above;
- (c) The common or individual trust account or investment management account must hold on to such underlying investment in continuous and uninterrupted period for at least five (5) years.

If such long-term bond is pre-terminated before the fifth (5th) year, it shall be subject to a FWT at the rates prescribed to be deducted and withheld from the proceeds based on the length of time that the instrument was held by the taxpayer in accordance with the following schedule:

Holding Period	Rate
Four (4) years to less than five (5) years	5%
Three (3) years to less than four (4) years	12%
Less than three (3) years	20%

For non-resident alien not engaged in trade or business in the Philippines, interest income received from long-term bonds shall be subject to a FWT at the rate of twenty five percent (25%) pursuant to Section 25 (B) of the NIRC of 1997, as amended.

B. For Corporations

Interest income derived by domestic and resident foreign corporations from deposit substitutes is subject to FWT at the rate of twenty percent (20%) pursuant to Sections 27 (D) (1) and 28 (A) (7) of the NIRC of 1997, as amended.

As used herein: “deposit substitutes”, as defined in Section 22 (Y) of the NIRC of 1997, as amended, means an alternative form of obtaining funds from the public other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of re-lending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer.

"Public", is defined as borrowing from twenty (20) or more individual or corporate lenders at any one time.

For non-resident foreign corporations, interest income received from long-term bonds, shall be subject to a FWT at the rate of twenty five percent (25%) pursuant to Section 28 (B)(1) of the NIRC of 1997, as amended.

Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Bank; provided however that, the Bank shall not be liable for the following:

- (a) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Bank as being sufficient in form and substance:
 - (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling, or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto, and certified by the Corporate Secretary of the Bondholder that: (a) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (b) the Corporate Secretary has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting the said certification's validity. Should the submitted tax exemption certificate, ruling or opinion expire during the Offer Period, the Bondholder must submit an updated/revalidated tax exemption certificate;
 - (ii) with respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the duly executed and apostilled/consularized BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the Bureau of Internal Revenue, as required under Revenue Memorandum Order No. 14-2021, (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Bank, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Bank that the Bondholder or the Bondholder's owners or beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) prior to the payment of subsequent interests due, (i) three (3) originals of the duly executed and apostilled/consularized new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Bank deems applicable, and (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued tax residency certificate has already lapsed; (c) other additional documents as may be required by the Bank or pursuant to applicable tax regulations, which shall be submitted by the Bondholder/Registrar to the Bank no later than the 1st day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto;
 - (iii) a duly notarized undertaking executed by (1) the Corporate Secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Offer Bonds for its account, or (2) the Trust Officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement

to a preferential tax rate, and agreeing to indemnify and hold the Bank, the Registrar and Paying Agent, the Lead Arrangers and Bookrunners, and the Selling Agents free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax; and Such other documentary requirements as may be required by the Bank and the Registrar and Paying Agent or as required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Bank that the Bondholder is not doing business in the Philippines; provided that the Bank shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Bank to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar and Paying Agent.

- (b) Gross Receipts Tax under Section 121 of the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- (d) Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337 and Republic Act No. 10963.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Bank's account.

Change in Tax Rates and New Taxes

In the event there is a change in the tax treatment of the Bonds or on the tax rates applicable to a Bondholder because of new, or changes or repeal in, tax laws, or interpretations thereof, as a result of which, a Bondholder previously exempt from tax shall be subject to tax on income earned from the Bonds, or there is a change in the applicable withholding tax rate, or any payments of principal and/or interest under the Bonds shall be subject to deductions or withholdings for or on account of any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld, or assessed within the Philippines by any authority therein or thereof having power to tax, including but not limited to stamp, issue, registration, documentary, value-added or similar tax, or other taxes, duties, assessments, or government charges, including interest, surcharges, and penalties thereon (the "New Taxes"), then such New Taxes imposed shall be for the account of the Bondholders and the Paying Agent, on behalf of the Bank, as applicable, shall make the necessary withholding or deduction for the account of the Bondholders concerned. All sums payable by the Bank to tax-exempt persons (upon presentation of acceptable proof of tax exemption) shall be paid without deductions for taxes, duties, assessments, or government charges.

REPRESENTATIONS AND WARRANTIES

The Bank hereby makes the following representations and warranties in favor of the Bondholders:

- (a) No order preventing or suspending the use of the Offering Circular has been issued by the BSP. The Offering Circular: (i) is compliant and will remain compliant in all material respects with relevant BSP Rules; (ii) contains all information and particulars which is material in the context of the issue and the offering of the Bonds including without limitation, all information required by the applicable laws and regulations of the Philippines and the information which is required to be provided to potential investors in order to make an informed assessment of the financial position and prospects of the Bank in its entirety and the rights attaching to the Bonds; and (iii) do not contain any untrue statement of a material fact nor omit to state a material fact required to be stated or necessary to make the statements made not misleading under the circumstances under which it is made. All reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements. Any additional written information used in the offering and sale of the Bonds, at the date of publication of such information, was in every material respect true, and accurate and not misleading and that there are no other facts in relation to the Bank, and the Bonds the omission of which would, in the context of the issue of the Bonds, make any statement in the Offering Circular and/or such other information misleading in any material respect.
- (b) No order suspending the issuance of the Bonds has been issued, and no proceeding for that purpose has been instituted or, to the best knowledge of the Bank after due and careful inquiry, threatened by the BSP.
- (c) Since the respective dates as of which information is given in the Offering Circular and/or the applicable Pricing Supplement, there has not been any material change, or any development involving a prospective material change, in or affecting the general affairs, business, prospects, management, financial position, stockholders' equity, or results of

operations of the Bank otherwise than as disclosed in the Offering Circular. Except as disclosed in the Offering Circular and/or the applicable Pricing Supplement, the Bank has not, since the dates indicated, entered into any material transaction or agreement (whether or not in the ordinary course of business) which would have an Adverse Effect.

As used herein, *Adverse Effect* means any material and adverse effect on the Bank's operations, activities, business, property, liabilities, condition (financial or otherwise) or prospects; implementation of the issuance of the Bonds; or its ability to duly perform and observe its obligations and duties under the Bonds and the Bond Agreements.

- (d) Except as disclosed in the Offering Circular and/or the applicable Pricing Supplement, the Bank and each of the Principal Subsidiaries is a corporation duly organized, validly existing, and in good standing under and by virtue of the laws of its place of incorporation, has its principal office at the address indicated in the Offering Circulars, is registered or qualified to do business in every jurisdiction where registration or qualification is necessary, and has the corporate power and authority to conduct its business as presently being conducted and to own its properties and assets now owned by it as well as those to be hereafter acquired by it for the purpose of its business.

As used herein, "*Principal Subsidiary*" means at any time a Subsidiary (*i.e.*, directly controlled, or more than fifty percent (50%) of whose issued voting equity share capital (or equivalent) is then beneficially owned, by the Bank and/or one or more of its subsidiaries or affiliates) of the Bank:

- (i) whose net profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Bank and its Subsidiaries relate, are equal to) not less than five percent (5%) of the consolidated net profits or, as the case may be, consolidated net assets of the Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Bank and its Subsidiaries, provided that:
- (A) if the then latest audited consolidated accounts of the Bank and its Subsidiaries show (x) a net loss for the relevant financial period then there shall be substituted for the words "net profits" the words "gross revenues" for the purposes of this definition and/or (y) negative assets at the end of the relevant financial period then there shall be substituted for the words "net assets" the words "total assets" for the purposes of this definition;
- (B) in the case of a Subsidiary of the Bank acquired after the end of the financial period to which the then latest audited consolidated accounts of the Bank and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Bank and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Bank;
- (ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Bank which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the Bank and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (iii) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Bank and its Subsidiaries relate, generate net profits equal to) not less than five percent (5%) of the consolidated net profits, or represent (or, in the case aforesaid, are equal to) not less than five percent (5%) of the consolidated net assets of the Bank and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph
- (i) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net profits equal to) not less than five percent (5%) of the consolidated net profits, or its assets represent (or, in the case aforesaid, are equal to) not less than five percent (5%) of the consolidated net assets of the Bank and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above,

and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (iii) on the date on which the consolidated accounts of the Bank and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

- (e) All corporate authorizations, approvals, and other acts legally necessary for the execution and delivery by the Bank of the Bond Agreements, the Offer and issuance by the Bank of the Bonds, the circulation by the Bank of the Offering Circular, the applicable Pricing Supplement and the Bank's compliance with its obligations under the Bond Agreements and the Bonds have been obtained or effected and are in full force and effect.
- (f) All government authorizations, approvals, rulings, registrations, and other acts legally necessary for the execution and delivery by the Bank of the Bond Agreements, the Offer, issuance, and payment by the Bank of the Bonds, and the Bank's compliance with its obligations under the Bond Agreements and the Bonds, have been obtained and are in full force and effect.
- (g) All conditions imposed or required under the BSP Rules and other applicable laws and regulations in respect of the execution and delivery of the Bond Agreements and the Offer, issuance, and payment of the Bonds have been complied with by the Bank as of the date and/or time that they are required to be complied with.
- (h) None of the information, data, or submissions provided or made by the Bank to any government agency, or to the Lead Arrangers, Selling Agents (other than the Bank), Registrar or Bondholders in connection with the Bonds violates any applicable statute, rule, or regulation. Such information, data, and submissions are true, complete, and accurate in all material respects. There is no fact, matter or circumstance in connection with the Bonds which has not been disclosed to the Lead Arrangers, such other Selling Agents, Registrar or Bondholders which renders any such information, data or submissions untrue, inaccurate or misleading in any material respect, or which might reasonably affect the willingness of such parties to proceed with the transactions contemplated by the Bonds and these Terms and Conditions.
- (i) The obligations of the Bank under the Bond Agreements and (upon their issuance) the Bonds constitute the Bank's legal, valid, binding, direct, and unconditional obligations, enforceable in accordance with their terms, and the compliance by the Bank with its obligations under the Bond Agreements and the Bonds will not conflict with, nor constitute a breach or default of, the articles of incorporation, by-laws, or any resolution of the board of directors of the Bank, or any rights of the stockholders of the Bank, or any contract or other instrument by which the Bank or its properties is bound, or any law of the Republic of the Philippines, or any law, rule, regulation, or judgment, decree or order of any government, governmental body, court, office, agency, or instrumentality applicable to the Bank.
- (j) The Bonds, upon issuance, shall constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the terms and conditions herein, and shall at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.
- (k) Except as disclosed in the Offering Circular and/or the applicable Pricing Supplement, there are no legal, administrative, or arbitration actions, suits, or proceedings pending or threatened against or affecting the Bank or its Principal Subsidiaries which, if adversely determined, would have an Adverse Effect, or which would enjoin or otherwise adversely affect the execution, delivery or performance of the Bond Agreements or the Offer, issuance or performance of the Bonds. To the best of the Bank's knowledge after due and careful inquiry, no such proceedings are threatened or contemplated by government authorities or threatened by others.

The audited financial statements of the Bank as of the last two (2) years from the date of each relevant Offer are complete and correct in all material respects. The audited financial statements of the Bank and the reviewed interim consolidated financial statements of the Bank as of the last two (2) years from the date of each relevant Offer are in accordance with the books and records of the Bank, are complete and correct in all material respects, have been prepared in accordance with Philippine Financial Reporting Standards, and fairly represent in all material respects the Bank's financial condition and results of operations as of the dates indicated. Since the last audited financial statement from the date of each relevant Offer, there has been no material change in the financial condition or results of operations of the Bank sufficient to impair its ability to perform its obligations under the Bonds according to their terms.

- (l) Except as otherwise disclosed in the Offering Circular or the applicable Pricing Supplement or its audited financial statements or the reviewed interim consolidated financial statements of the Bank as of the last two (2) years from the date of each relevant Offer, the Bank has, as of the date hereof, no liabilities or obligations of any nature, whether accrued,

absolute, contingent, or otherwise, including but not limited to tax liabilities due or to become due, and whether incurred in respect of or measured by any income for any period prior to such date or arising out of transactions entered into or any state of facts existing prior thereto, which may in any case or in the aggregate, materially and adversely affect the Bank's ability to discharge its obligations under the Bonds.

- (m) Since the last audited financial statements or reviewed interim consolidated financial statements of the Bank as of the last two (2) years from the date of each relevant Offer, there has been no change in the financial condition, assets, and liabilities of the Bank, other than such changes that (i) are disclosed in the Offering Circular and/or the applicable Pricing Supplement and (ii) do not materially and adversely affect the Bank's ability to discharge its obligations under the Bonds.
- (n) No event has occurred and is continuing which constitutes a default by the Bank under or in respect of any agreement binding upon the Bank or its properties, and no event has occurred which, with the giving of notice, lapse of time, or other condition, would constitute a default by the Bank under or in respect of such agreement, which default shall (i) constitute an Adverse Effect or (ii) materially and adversely affect the Bank's ability to comply with the terms of the Bonds and pay the principal and interest that may be due on the Bonds..
- (o) The Bank has good and marketable title to all its properties, free and clear of liens, encumbrances, restrictions, pledges, mortgages, security interest, or charges, except for the following: (i) any liens, encumbrances, restrictions, pledges or mortgages over its properties existing prior to the date of the Offering Circular and disclosed in its latest audited financial statements as of the date of each relevant Offer; (ii) any lien or defect over those properties which are acquired by the Bank through any legal action or proceedings or which are conveyed to the Bank via *dacion en pago* or other similar arrangement in the course of the ordinary business of the Bank; (iii) liens arising in the ordinary course of its business, or imposed or arising solely by operation of law (other than any statutory preference or priority under Article 2244(14) of the Civil Code of the Philippines), such as carrier's, warehousemen's and mechanic's liens and other similar liens arising in the ordinary course of business; (iv) liens for taxes, assessments or governmental charges on properties or assets of the Bank if the same shall not at the time be delinquent or thereafter can be paid without penalty, (v) liens arising from workmen's compensation laws, pensions and social security legislations; (vi) any lien which secures foreign currency and interest rate swap and derivative transactions undertaken by the Bank in the ordinary course of its business; (vii) the Registrar and Paying Agent's lien or security right on the funds of the Bank in relation to all fees, charges, and expenses, and any credit facility or accommodation granted to the Bank by the Registrar, as contemplated by the Registry and Paying Agency Agreement; and (viii) any extension, renewal or replenishment in whole or in part of the foregoing liens.
- (p) The Bank and each of its Principal Subsidiaries is conducting its business and operations in compliance with applicable laws and regulations, has filed true, complete, and timely tax returns, and has paid all taxes due in respect of the ownership of its properties and assets or the conduct of its operations, except to the extent that the payment of such taxes is being contested in good faith and by appropriate proceedings.
- (q) The Bank and each of its Principal Subsidiaries is compliant with all Philippine laws, statutes, regulations, and circulars, including without limitation the circulars, rules, regulations, and orders issued by the BSP, applicable to it.
- (r) The Bank has in good faith complied with, and corrected the findings, and continues to implement the recommendations, to the satisfaction of the BSP, resulting from all past audits and examinations conducted by the BSP on the Bank.
- (s) The Bank and each of its Principal Subsidiaries has obtained all the necessary authorizations, approvals, licenses, permits or privileges required from all governmental and regulatory bodies for the conduct of its business and operations as well as those of its Principal Subsidiaries as currently conducted, and shall have free and continued use thereof, except where such failure to possess or obtain the same could not qualify as, or result in, an Adverse Effect.
- (t) The Bank and each of its Principal Subsidiaries, maintains insurance with responsible and reputable insurance companies in such amounts, covering such risks as are prudent and appropriate and as are usually carried by companies engaged in similar business as those in which the Bank operates. There are no claims pending, or to the best of the Bank's knowledge after due and reasonable inquiry, threatened against the Bank or any of its Principal Subsidiaries by any employee or third party, in respect of any accident or injury not fully covered by insurance.
- (u) None of the Bank or any of its Principal Subsidiaries, or, to the best of the Bank's knowledge after due and careful inquiry, their respective directors or officers nor any agent, employee, affiliate or other person acting on behalf of any of them, is aware of or has taken or will take any action, directly or indirectly, that would result in a violation by such persons of any applicable statutes, laws, rules, regulations, judgments, orders or decrees relating to anti-bribery or other corrupt practices, including, without limitation, making any offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give or authorization of the giving of anything of value to any government official or any political party or official thereof or any candidate for political office, to influence official action or secure an improper advantage, or in contravention of any applicable anti-bribery or anti-corruption laws. The Bank and its Principal

Subsidiaries have conducted and will continue to conduct their businesses in compliance with all applicable statutes, laws, rules, regulations, judgments, orders or decrees relating to anti-bribery or other corrupt practices and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, compliance therewith, and will not use the proceeds of the offering, directly or indirectly, in violation of applicable anti-bribery or anti-corruption laws. There are no pending or (to the best knowledge of the Bank and its Principal Subsidiaries after due and careful inquiry) threatened actions, suits or proceedings by or before any court or governmental agency, authority or body or any arbitrator alleging such corrupt practices against any of the Bank and its Principal Subsidiaries.

- (v) The operations of the Bank and its Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of all applicable laws, and in compliance with all applicable anti-money laundering and anti-terrorism financing statutes, the rules and regulations thereunder, and to the extent applicable to the Bank and its subsidiaries and affiliates or any of their respective properties, any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “Anti-Money Laundering and Anti-Terrorism Financing Laws”) and subject to the provisions of the Bond Agreements, no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving any of the Bank or its subsidiaries with respect to the Anti-Money Laundering and Anti-Terrorism Financing Laws is pending or, to the best knowledge of the Bank after due and careful inquiry, threatened. The proceeds hereof shall not be used directly or indirectly in violation of the Anti-Money Laundering and Anti-Terrorism Financing Laws.
- (w) The Bank and each of its Principal Subsidiaries maintains systems of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with Philippine Financial Reporting Standards and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) the Bank and each of its Principal Subsidiaries has made and kept books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of such entity and provide a sufficient basis for the preparation of the Bank’s consolidated financial statements in accordance with Philippine Financial Reporting Standards; and the Bank’s current management information and accounting control system has been in operation for at least twelve (12) months during which none of the Bank nor any of its Principal Subsidiaries has experienced any material difficulties with regard to (i) through (v) above;
- (x) The Bank and its Principal Subsidiaries have no outstanding guarantees or contingent payment obligations in respect of indebtedness of third parties except those issued in the ordinary course of business or as described in the Offering Circular and/or the applicable Pricing Supplement; the Bank and its Principal Subsidiaries are in compliance with all of its obligations under any outstanding guarantees or contingent payment obligations as described in the Offering Circular and/or the applicable Pricing Supplement;
- (y) The Offering Circular and/or the applicable Pricing Supplement accurately and fully describes:
 - (i) all trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, which the Bank believes would materially affect liquidity and are reasonably likely to occur and necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank; and (ii) all off- balance sheet transactions, arrangements, and obligations; and neither the Bank nor any of its Principal Subsidiaries has any material relationships with unconsolidated entities that are contractually limited to narrow activities that facilitate the transfer of or access to assets by the Bank or any other subsidiary, such as structured finance entities and special purpose entities that are reasonably likely to have a material effect on the liquidity of the Bank or its Subsidiaries or the availability thereof or the requirements of the Bank or its Subsidiaries for capital resources;
- (z) The Bank has appointed and will maintain as its auditors, a firm of independent public accountants of internationally recognized standing.
- (aa) All information provided by the Bank to its external auditors required for the purposes of their comfort letters in connection with the offering and sale of the Bonds has been supplied, or as the case may be, will be supplied, in good faith and after due and careful enquiry; such information was when supplied and remains (to the extent not subsequently updated by further information supplied to such persons prior to the date hereof), or as the case may be, will be when supplied, true and accurate in all material respects and no further information has been withheld the absence of which might reasonably have affected the contents of any of such letters in any material respect;
- (bb) Except as specifically described in the Offering Circular, the Bank and its Principal Subsidiaries legally and validly own or possess, all patents, licenses, inventions, copyrights, know-how, trademarks, service marks, trade names or other intellectual property (collectively, “*Intellectual Property*”) necessary to carry on the business now operated by them, and

they have not received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect its interests therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would reasonably be expected to result in an Adverse Effect; and

- (cc) Each of the Bank and its Principal Subsidiaries is Solvent. As used in this paragraph, the term “*Solvent*” means, with respect to a particular date, that on such date (i) the present fair market value (or present fair saleable value) of its assets is not less than the total amount required to pay its liabilities on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) it is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business; (iii) it is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature; (iv) it is not engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which it is engaged; (v) it will be able to meet its obligations under all its outstanding indebtedness as it falls due; and (vi) it is not a defendant in any action that would result in a judgment that it is or would become unable to satisfy.

These representations and warranties are true and correct as of the Issue Date and shall remain true and correct as long as any Series or Tranche of Bonds or any portion thereof remain outstanding, by reference to the facts and circumstances then existing.

COVENANTS

For as long as any Series or Tranche of the Bonds or any portion thereof remain outstanding, the Bank shall:

- (a) pay and discharge all taxes, assessments, and government charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it prior to the date on which penalties are assessed thereto; pay and discharge when due all lawful claims which, if unpaid, might become a lien or charge upon any of the properties of the Bank; and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture, or sale; *provided*, that the Bank shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested in good faith and by proper proceedings or as could not reasonably be expected to have an Adverse Effect. The Registrar shall be notified by the Bank within thirty (30) days from the date of the receipt of written notice of the resolution of such proceedings.
- (b) preserve and maintain its corporate existence or, in the case of a merger, consolidation, reorganization, reconstruction or amalgamation, ensure that the surviving corporation or the corporation formed thereby effectively assumes without qualification or condition, the entire obligations of the Bank under the Bonds and for such corporation to preserve and maintain its corporate existence.
- (c) maintain adequate financial records and prepare all financial statements in accordance with Philippine Financial Reporting Standards, consistently applied and in compliance with the regulations of the government body having jurisdiction over it, and, subject to receipt of a written request within a reasonable period, furnish to such requesting Bondholder or its duly designated representatives copies of the books of accounts and records pertinent to the compliance by the Bank of the Terms and its obligations under the Bonds.
- (d) comply with all the requirements, terms, covenants, conditions, and provisions of all laws, rules, regulations, orders, writs, judgments, indentures, mortgages, deeds of trust, agreements, and other instruments, arrangements, obligations, and duties to which it, its business or its assets may be subject, or by which it, its business, or its assets are legally bound where non-compliance would have an Adverse Effect.
- (e) satisfactorily comply with all BSP directives, orders, issuances, and letters, including those regarding its capital, licenses, risk management, and operations; and satisfactorily take all corrective measures that may be required under BSP audit reports on its operations.
- (f) promptly and satisfactorily pay all indebtedness and other liabilities and perform all contractual obligations pursuant to all agreements to which it is a party to or by which it or any of its properties may be bound, except those being contested in good faith and by proper proceedings or as could not reasonably be regarded to have an Adverse Effect.
- (g) pay all amounts due under the Bonds at the times and in the manner specified herein, and perform all its obligations, undertakings, and covenants under the Bonds.
- (h) exert its best efforts to obtain at its sole expense the withdrawal of any order delaying, suspending or otherwise materially

and adversely affecting the transactions with respect to the Bonds at the earliest time possible.

- (i) ensure that any documents related to the Bonds will, at all times, comply in all material respects with the applicable laws, rules, regulations, and circulars, and, if necessary, make the appropriate revisions, supplements, and amendments to make them comply with such laws, rules, regulations, and circulars.
- (j) make available to the Bondholders financial and other information regarding the Bank by filing with the SEC, PDEx, and/or the Philippine Stock Exchange (“PSE”) at the time required or within any allowed extension, the reports required by the SEC, PDEx and/or PSE, as the case may be, from listed companies in particular and from corporations in general.
- (k) maintain the services of its current external auditor and where the current external auditor of the Bank shall cease to be the external auditor of the Bank for any reason, the Bank shall appoint another reputable, responsible and internationally accredited external auditor.
- (l) not engage in any business except that authorized by its articles of incorporation;
- (m) not sell, transfer, convey, or otherwise dispose of all or substantially all of its assets;
- (n) except as may be allowed under existing Bank policies and practices pursuant to benefits, compensation, reimbursements, and allowances and BSP Rules and regulations, not extend any loan or advances to its directors and officers;
- (o) not assign, transfer, or otherwise convey or encumber any right to receive any of its material income or revenues unless in its ordinary course of business;
- (p) not declare or pay any dividends (other than stock dividends) during an Event of Default or if declaration or payment of such dividends would result in an Event of Default;
- (q) not voluntarily suspend all or substantially all of its business operations;
- (r) not grant, in any of its future loan or credit agreements, any creditor any right, above and beyond what is required under Philippine law, to apply amounts on deposit with or in possession of any such creditor by way of set-off in reduction of any amount owing under any loan or credit agreements;
- (s) except with the consent of the Majority Bondholders (which consent shall not be unreasonably withheld), not enter into any management contracts, profit-sharing, or any similar contracts or arrangements whereby its business or operations are managed by, or its income or profits are, or might be shared with, another person, firm or company, which management contracts, profit-sharing or any similar contracts or arrangements will materially and adversely affect the Bank’s ability to perform its material obligations under the Bonds;
- (t) except with the consent of the Majority Bondholders (which consent shall not be unreasonably withheld), not amend its articles of incorporation or by-laws if such amendments have the effect of changing the general character of its business from that being carried on at the date hereof;
- (u) not, and shall not permit or authorize any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the Bonds or other transaction(s) contemplated by these Terms and Conditions and the Bond Agreements to fund any trade, business or other activities: (i) involving or for the benefit of any Restricted Party, or (ii) in any other manner that would reasonably be expected to result in the Bank or any party to the Bond Agreements being in breach of any Sanctions (if and to the extent applicable to either of them) or becoming a Restricted Party; and
- (v) as long as any obligations under the Bonds remain outstanding, not create, issue, assume or otherwise incur any bond, note, debenture, or similar security which shall be or purport to be unsecured and unsubordinated obligations of the Bank, unless such obligations rank *pari passu* with, or junior to, the Bank’s obligations under the Bonds in any proceedings in respect of the Bank for insolvency, winding up, liquidation, receivership, or other similar proceedings.

The covenants of the Bank shall survive the issuance of any Series or Tranche of the Bonds and shall be performed fully and faithfully by the Bank at all times while any Series or Tranche of the Bonds or any portion thereof remain outstanding.

EVENTS AND CONSEQUENCES OF DEFAULT

The Bank shall be considered in default under the Bond Agreements in respect of any Series or Tranche of the Bonds in case

any of the following events (each an “Event of Default”) shall occur and is continuing:

- (d) *Non-payment.* The Bank defaults in the repayment of any principal in respect of the relevant Series or Tranche of Bonds on the relevant due date for payment thereof or default is made in the payment of any amount of interest in respect of such Series or Tranche of Bonds on the relevant due date of payment thereof, provided, that such non-payment shall not constitute an Event of Default if the Bank has confirmed the relevant Payment Instruction Report (as defined in the Registry and Paying Agency Agreement) prepared by the Registrar and Paying Agent and there are sufficient funds standing in the relevant Payment Account (as defined in the Registry and Paying Agency Agreement) on a relevant payment date.
- (e) *Insolvency Default.* The Bank: (i) is *declared* insolvent or bankrupt or unable to pay its debts; (ii) stops, suspends or threatens to stop or suspend payment of all or a material part of its debts; (iii) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due); or (iv) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts; or (v) appoints a trustee or receiver of all or a substantial portion of its properties. In addition, if a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Bank, such agreement or declaration shall also constitute an Event of Default under this paragraph.
- (f) *Cross-default.* The Bank: (i) defaults in the repayment of any amount of principal and premium (if any) or interest, in respect of any contract executed by the Bank with any bank, financial institution or other person, corporation or entity for the payment of borrowed money in an aggregate amount exceeding USD10,000,000.00 or its equivalent which constitutes an event of default, or with the giving of notice or the passage of time would constitute an event of default, under said contract; (ii) violates any other term or condition of a contract, law, or regulation, which is irremediable or, if remediable, (x) is not remedied by the Bank within thirty (30) days from notice sent to the Bank in accordance with Notice of Default provision or is otherwise not contested by the Bank, and (y) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; or (iii) defaults in the repayment of any amount of principal or interest, in respect of any Series or Tranche of Bonds issued pursuant to the Bond Program; provided that the events specified in (i) and (ii) shall have an Adverse Effect on the Bank’s ability to perform its obligations under the Bonds.
- (g) *Winding-Up Proceedings.* The Bank takes any corporate action or other steps are taken or legal proceedings are started for its winding up, bankruptcy, dissolution or reorganization (except in any such case for the purposes of a merger, consolidation, reorganization, reconstruction or amalgamation upon which the continuing corporation or the corporation formed thereby effectively assumes the entire obligations of the Bank under the Bonds or for the appointment of a receiver, administrator, administrative receiver, or similar officer of it or of any or all of its revenues and assets).
- (h) *Illegality.* Any act or condition or thing required to be done, fulfilled, or performed at any time in order (i) to enable the Bank lawfully to enter into, exercise its rights and perform the obligations expressed to be assumed by it under the Bonds, or (ii) to ensure that the obligations expressed to be assumed by the Bank hereunder are legal, valid and binding, is not done, fulfilled or performed at such time and such failure, if remediable, is not remedied by the Bank within thirty (30) days from notice sent to the Bank in accordance with the Notice of Default provision.
- (i) *Representation/Warranty Default.* Any representation and warranty of the Bank or any certificate or opinion submitted by the Bank in connection with the issuance of the Bonds is untrue, incorrect, or misleading in any material respect.
- (j) *Covenant Default.* The Bank fails to perform or violates its covenants under the Bonds, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of thirty (30) days from notice sent to the Bank in accordance with the Notice of Default provision.
- (k) *License Default.* Any governmental consent, license, approval, authorization, declaration, filing, or registration which is granted or required in connection with the Bonds expires or is terminated, revoked, or modified and the result thereof is to make the Bank unable to discharge its obligations hereunder or thereunder.
- (l) *Expropriation Default.* The government or any competent authority takes any action to suspend the whole or the substantial portion of the operations of the Bank, or condemns, seizes, nationalizes or expropriates (with or without compensation) the Bank or any substantial portion of its properties or assets.
- (m) *Judgment Default.* Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty in excess of USD10,000,000.00 or its equivalent in any other currency is entered against the Bank and the enforcement of which is not stayed, and is not paid, discharged, or duly bonded within thirty (30) days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement.
- (n) *Writ and Similar Process Default.* Any writ, warrant of attachment or execution, or similar process shall be issued or levied

against more than half of the Bank's assets, singly or in the aggregate, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within thirty (30) days after its issue or levy.

- (o) *Closure Default.* The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) days, except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or force majeure; provided, that in any such event, there is no Adverse Effect.
- (p) *Contest Default.* The Bank shall contest in writing the validity or enforceability of the Trust Agreement or the Bonds or shall deny generally in writing the liability of the Bonds under the Trust Agreement or the Bond Agreement.

Notice of Default

Subject to the terms of the Trust Agreement, the Trustee shall, within ten (10) Business Days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default as described in item (a) of “*Events and Consequences of Default*” above, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

Consequences of Default

If any one or more of the Events of Default shall have occurred and be continuing, after any applicable cure period shall have lapsed, and if any such event shall not have been waived by the Majority Bondholders as set out below, then:

the Trustee shall, by notice in writing delivered to the Bank, or upon the written direction of the Majority Bondholders whose written instructions/consents/letters shall be authenticated and summarized by the Registrar to the Trustee and by notice in writing delivered to the Bank, or (ii) the Majority Bondholders may, by notice in writing to the Bank and the Trustee stating the Event of Default relied upon, declare the principal and all accrued interest (including Penalty Interest, as specified below) on all the Bonds and other charges thereon (including any incremental tax that may be due on the interest income already earned under the Bonds), if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without presentment, demand, protest, or further notice of all kinds, all of which are hereby expressly waived by the Bank.

This provision, however, is subject to the condition that the Majority Bondholders may, by written notice to the Bank thereafter rescind and annul such declaration and its consequences or waive any past default of the Bank under the Bonds, upon such terms, conditions and agreements, if any, as they may determine; but no such rescission and annulment shall extend or shall affect any subsequent default or shall impair any right arising therefrom. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Bonds.

Penalty Interest

In case any amount payable by the Bank under the Bonds, whether for principal, interest, or otherwise, is not paid on the relevant due date, the Bank shall, without prejudice to its obligations to pay the said principal, interest, and other amounts, pay interest on the defaulted amount(s) at the rate of one percent (1%) per month, net of applicable withholding taxes (the “*Penalty Interest*”) from the time the amount falls due until it is fully paid.

Payment in the Event of Default

Subject to the applicable laws of the Philippines on bankruptcy, winding-up or liquidation and the preferences established by law and under these Terms and Conditions, including the provisions of “*Waiver of Default by the Bondholders*” below, the Bank covenants that, upon the occurrence of any Event of Default, then in any such case, the Bank will pay to the Bondholders entitled to such payment, through the Registrar and Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal, net of applicable withholding taxes, and with Penalty Interest thereon, when applicable, and, in addition thereto, the Bank will pay to the Registrar and Paying Agent the actual amounts to cover the cost and expenses of collection, including reasonable compensation to the Registrar and Paying Agent, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without gross negligence or bad faith by the Registrar and Paying Agent hereunder.

Application of Payments

Upon the occurrence of an Event of Default, any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Bond Agreements relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows:

- (a) first: to the pro-rata payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, the Registrar, the Paying Agent, PDEX, Lead Arrangers, Selling Agents (other than the Bank), and their respective agents, attorneys and counsel, and all documented and reasonable expenses and liabilities incurred or disbursement made by them without gross negligence or bad faith;
- (b) second: to the payment of all outstanding interest (including any Penalty Interest and incremental tax thereon), in the order of maturity of such interest;
- (c) third: to the payment of the whole amount then due and unpaid on the Bonds for principal; and
- (d) fourth: the remainder, if any, shall be paid to the Bank, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the discussion below on "*Ability to File Suit*".

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

Ability to File Suit

No Bondholder shall have any right, by virtue of or by availing of any provision of the Bond Agreements or these Terms and Conditions, to institute any suit, action or proceeding for the collection of any sum due from the Bank hereunder on account of principal, interest, and other charges, or for the appointment of a receiver or similar officer, or for any other remedy hereunder unless: (i) such Bondholder previously shall have given to the Bank and the Trustee written notice of the occurrence of an Event of Default; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

Waiver of Default by the Bondholders

The Majority Bondholders may, on behalf of the Bondholders, waive any past default, except the Events of Default referred to in "*Events of Default*" paragraphs (a), (b), (d), (h) (i), or (l), and their respective consequences.

In case of any such waiver, the Bank and the Bondholders shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate(s) representing the Bonds.

SUBSTITUTION

Substitution of the Bonds is not contemplated.

TRUSTEE; NOTICES

Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Agreement, the Offering Circular and this Terms and Conditions and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Development Bank of the Philippines Trust Banking Group
Attention:	Camilo G. Sanchez Vice President and Head, Trust Banking Group
Address:	Trust Banking Group Development Bank of the Philippines Sen Gil J. Puyat Avenue, corner Makati Avenue Makati City, Philippines
Subject:	UBP Senior Fixed Rate Bonds
Fax No.:	+63 2 8818 9511 local 3400

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Notice to the Registrar and the Bank

All documents required to be submitted to the Registrar or the Bank pursuant to the Registry and Paying Agency Agreement and these Terms and Conditions and all correspondence, addressed to such parties shall be delivered to the following addresses:

To the Registrar:	Philippine Depository and Trust Corporation
Attention:	Josephine Dela Cruz Director
Address:	29th Floor BDO Equitable Tower, 8751 Paseo de Roxas, Makati City, Metro Manila, Philippines
Subject:	UBP Senior Fixed Rate Bonds
Telephone no.:	(+632) 8884-4425
E-mail:	baby_delacruz@pds.com.ph
Attention:	Patricia Camille Garcia Registry Officer
Telephone no.:	(+632) 8884-4413
E-mail:	peachy.garcia@pds.com.ph
To the Bank:	Union Bank of the Philippines
Attention:	Johnson L. Sia Executive Vice PresidentTreasurer
Address:	23/F UnionBank Plaza, Meralco Avenue corner Onyx Street, Ortigas Center, Pasig City, Philippines
Telephone No.:	(+632) 8638 8601 (+632) 8667 6388 local 8601
Fax No.:	(+632) 8638 0368
E-mail:	jlsia@unionbankph.com

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Any requests for documentation or certification and other similar matters available within the records of the Registrar must be communicated by the Bondholders to the Registrar in writing and shall be subject to review, acceptance, and approval by the Registrar. Upon such acceptance and approval, the Bondholder shall pay to the Registrar the amount as per the Registrar's pay schedule plus the costs of legal review, courier and the like. The fees may be adjusted from time to time, at the discretion of the Registrar.

Notice to the Bondholders

Notices to Bondholders shall be sent to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein (including with respect to a notice of the occurrence of an Event of Default or a Notice of Meeting which must be disseminated by publication), notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) ordinary mail; (iii); electronic mail; (iv) by one-time publication in a newspaper of general circulation in the Philippines; or (v) personal delivery to the address of record in the Register of Bondholders. The Registrar shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received: (i) ten (10) days from posting, if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by ordinary mail; (iii) on the date of delivery for electronic mail; (iv) on date of publication; or (v) on date of delivery, for personal delivery.

Binding and Conclusive Nature

Except as provided in the Registry and Paying Agency Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Registrar for the purposes of the provisions of the Registry and Paying Agency Agreement, will (in the absence of willful default, bad faith or manifest error) be binding on the Bank and all Bondholders, and the Registrar shall not be liable to the Bank or the Bondholders in connection with the exercise or non-exercise by the Registrar of its powers, duties and discretion under the Registry and Paying Agency Agreement.

DUTIES AND RESPONSIBILITIES OF THE TRUSTEE

The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement and inform the Bondholders of any event which has a material adverse effect on the ability of the Bank to comply with its obligations to the Bondholders, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns or is informed of such events. The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the master certificates of indebtedness for the total issuance of the Bonds. The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with the terms and conditions of this Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Bank with all its representations and warranties, and the observance by the Bank of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Bank.

The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of an Event of Default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

None of the provisions contained in the Trust Agreement, the Offering Circular, or this Terms and Conditions shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

RESIGNATION AND CHANGE OF TRUSTEE

- (a) The Trustee may at any time resign by giving ninety (90) days' prior written notice to the Bank and to the Bondholders of such resignation.
- (b) Upon receiving such notice of resignation of the Trustee, the Bank shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a bona fide bondholder for at least six (6) months (the "bona fide Bondholder") may, on behalf of himself and all other Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee. Subject to the provision of subsection (e) below, such a successor trustee should possess all the qualifications required under pertinent laws, otherwise, the incumbent trustee shall continue to act as such.

In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Bank may within thirty (30) days from there remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If the Bank fails to remove the Trustee concerned and appoint a successor trustee, any bona fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee. Subject to the provisions of subsection (e) below, such successor trustee should possess all the qualifications required under pertinent laws; otherwise, the incumbent trustee shall continue to act as such until a successor trustee is duly appointed

- (c) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Bank of the required evidence under the provisions on *"Evidence Supporting the Action of the Bondholders"* in this Terms and Conditions.
- (d) Without prejudice to any liabilities of the Trustee which have accrued, any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions of this subsection shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (a) (the *"Resignation Effective Date"*) provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the *"Holdover Period"*), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Bank provided further that the resigning Trustee shall be entitled to the payment of the fee stipulated in the Trust Agreement during the Holdover Period.

SUCCESSOR TRUSTEE

- (a) Any successor trustee appointed shall execute, acknowledge and deliver to the Bank and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of the Bank or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, the Bank shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties. Upon effectivity of the removal or resignation of the Trustee as provided above, the Trustee's liabilities and obligations shall immediately cease.
- (b) Upon acceptance of the appointment by a successor trustee, the Bank shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Bank fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of the Bank.

REPORTS TO THE BONDHOLDERS

The Trustee shall submit to the Bondholders on or before 28 February of each year from Issue Date, until full payment of the Bonds, a brief report dated 31 December of the immediately preceding year with respect to:

- (i) The funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and
- (ii) Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.

Inspection of Documents

The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

1. Trust Agreement;
2. Registry and Paying Agency Agreement; and
3. Articles of incorporation and by-laws of the Bank

MEETINGS OF BONDHOLDERS

A meeting of the Bondholders may be called at any time and from time to time for the purpose of taking any action authorized to be taken by or on behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Indenture Agreement and Registry and Paying Agency Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

In respect of any matter presented for resolution that affect the rights and interests of only the holders of a particular Tranche or Series of Bonds, only such Bondholders of the particular Series or Tranche will be considered for quorum and approval purposes.

Notice of Meetings

Meetings of the Bondholders may be called by: (1) the Bank, or (2) the Majority Bondholders (reckoned on the basis of the Register of Bondholders as of the date on which notice to the Registrar is given), by giving written instructions to issue a notice of such meeting to the Trustee, which instructions must include the proposed time, place and (in reasonable detail) purpose of the meeting.

The Trustee shall no later than the Business Day immediately following its receipt of notice from the Majority Bondholders of a request for a meeting, send a copy of such notice to the Bank by personal delivery together with information on the total amount of the Bonds required to reach the threshold for Majority Bondholders and, whether or not based on its calculations, the request for the meeting was signed by the Majority Bondholders. The Bank shall promptly and in no event later than five (5) Business Days from its receipt of such notice from the Trustee, deliver written notice to the Trustee confirming whether or not it agrees with the determination that the Bondholders calling the meeting constitute the Majority Bondholders.

If the Bank is the party calling the meeting or has confirmed that it agrees with the determination that the Bondholders calling the meeting constitute the Majority Bondholders, the Trustee shall, within twenty (20) days of its receipt of such instructions or confirmation, cause the publication of the notice received from the Bank or the Majority Bondholders (as applicable) of such meeting to the Bondholders (with a copy to the Bank, if the Bank is not the party calling for such meeting) in accordance the provisions of “*Notice to the Bondholders*” above, which notice shall state the time and place of the meeting and the purpose of such meeting in reasonable detail. The date of the meeting shall not be more than forty-five (45) days nor less than fifteen (15) days from the date such notice is issued. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Bank within ten

(10) days from receipt of the duly supported billing statement.

Failure of the Trustee to Call a Meeting

In case at any time the Bank or the Majority Bondholders (reckoned on the basis of the Register of Bondholders as of the date on which instructions to call a meeting are given to the Trustee) requested the Trustee to call a meeting of the Bondholders by written notice setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have issued, in accordance with the notice requirements, the notice of such meeting within twenty (20) days after receipt of such request, then the Bank or the Majority Bondholders may determine the time and place for such meeting and may call such meeting by issuing notice thereof in accordance with the provisions of “*Notice of Meetings*” above.

For the avoidance of doubt, the Trustee shall not be liable for any failure to call a meeting notwithstanding the receipt of instructions to do so from the Bank or the Majority Bondholders, save when such failure is due to willful default or gross negligence.

- (i) Quorum

The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. For the avoidance of doubt, it shall be the responsibility of the party calling the meeting to determine whether or not a quorum has been achieved (based on a list of the registered Bondholders as of the Business Day immediately preceding the meeting, as certified by the Registrar), and the Trustee shall not have any obligation to determine compliance with quorum requirements.

For the avoidance of doubt, only such Bondholders of the particular Series or Tranche shall be considered for quorum and approval purposes.

Procedure for Meetings

- (a) The Bank or the Bondholders calling the meeting, as the case may be, shall, in like manner, move for the election of the chairman and secretary of the meeting.
- (b) Any meeting of the Bondholders duly called may be adjourned from time to time for a period or periods not to exceed in the aggregate of six (6) months from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of the particular Series or Tranche of Bonds holding the meeting, or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders (of such particular Series or Tranche) shall be the persons entitled to vote at such meeting and any representatives of the Bank and its legal counsel.

Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (of such particular Series or Tranche). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Bank as if the votes were unanimous. A Bondholder shall have such number of votes as the amount of Bonds (of such particular Series or Tranche) held.

For the avoidance of doubt, only the vote of such Bondholders of the particular Series or Tranche subject of the meeting will be considered for approval purposes.

Role of the Trustee in Meetings of the Bondholders

The party calling the meeting of the Bondholders (of a particular Series or Tranche) may make such reasonable regulations as it may deem advisable for such meeting, in regard to the appointment of proxies by registered Bondholders of the particular Series or Tranche of Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit. Proof of ownership of the particular Series or Tranche of Bonds shall be based on a list of the registered Bondholders (of a particular Series or Tranche) as of the Business Day immediately preceding the meeting, as certified by the Registrar.

Amendments

The Bank and the Trustee may amend these Terms and Conditions or the Bonds without notice to any Bondholder but with the written consent of the Majority Bondholders. However, without the consent of each Bondholder affected thereby, an amendment may not:

- 1. reduce the amount of Bondholder that must consent to an amendment or waiver;
- 2. reduce the rate of or extend the time for payment of interest on any Bond;
- 3. reduce the principal of or extend the Maturity Date of any Bond;
- 4. impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;

5. reduce the amount payable upon the redemption or repurchase of any Bond under the Terms and Conditions or change the time at which any Bond may be redeemed;
6. make any Bond payable in money other than that stated in the Bond;
7. subordinate any Bond to any other obligation of the Bank;
8. release any Bond interest that may have been granted in favor of the Bondholders;
9. amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or
10. make any change or waiver of this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Bank shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the section entitled “*Notice to the Bondholders*”.

Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the Bondholders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests, the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the Bondholders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; or (ii) the record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, as duly authenticated by the person selected to preside over the meeting of the Bondholders under “*Procedure for Meetings*”; or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Bank on the basis of such documents and information as it has deemed appropriate and that he has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.

Dispute Resolution

Any legal action or proceeding arising out of, or connected with, the Bonds and the Trust Agreements shall be brought exclusively in the proper courts of Makati City or Pasig City, each of the parties expressly waiving any other venue.

Waiver of Preference

The obligations of the Bank to the Bondholders created under the Bond Agreements and the Bonds shall not enjoy any priority of preference or special privileges whatsoever over any other unsecured, and unsubordinated obligations of the Bank. Accordingly, whatever priorities or preferences that the Bond Agreements or the Bonds may have conferred in favor of the Bondholders or any person deriving a right from them under and by virtue of Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced, provided, however, that should any creditor to the Bank hereinafter have a preference or priority over amounts owing under their respective agreements as a result of a notarization, and the Bank has not either procured a waiver of this preference to the satisfaction of the Bondholders and the Trustee or equally and ratably extended such preference to the Bondholders, then the waiver given hereunder is automatically withdrawn and deemed not given. For the avoidance of doubt, this waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall not be deemed to have been given by any of the other parties to the Bond Agreements, including the Lead Arrangers, Selling Agent, Registrar and Paying Agent, in their capacities as such.

USE OF PROCEEDS

The net proceeds from the Bonds Program shall be used to extend term liabilities, expand funding base, support business expansion plans, and for other general corporate purposes.

CAPITALISATION AND INDEBTEDNESS OF THE BANK

The following table sets out the unaudited consolidated capitalization and indebtedness of the Group as of June 30, 2023. This table should be read in conjunction with the Bank's unaudited interim condensed consolidated financial statements as of June 30, 2022 and for the six months ended June 30, 2023 reviewed by SyCip Gorres Velayo & Co., a member firm of Ernst & Young, in each case, prepared in accordance with PAS 34, Interim Financial Reporting included elsewhere in this Offering Circular.

	December 30, 2022	June 30, 2023
	(P millions)	(P millions)
Indebtedness		
Deposit Liabilities		
Demand	232,081.8	224,006.0
Savings	195,020.7	187,252.3
Time	281,201.4	279,011.3
Long-term negotiable certificate of deposits	3,000.0	3,000.0
	<u>711,303.9</u>	<u>693,269.6</u>
Bills Payable	132,846.8	144,401.1
Notes and Bonds Payable	51,644.3	52,165.5
Other Liabilities	48,386.	46,305.1
Total Liabilities	<u>944,181.3</u>	<u>936,141.2</u>
Equity		
Common stock	21,421.1	23,537.7
Treasury Stock	-	(2.1)
Additional paid-in capital	47,949.9	57,819.9
Surplus free	90,727.9	86,305.9
Surplus reserves	2,453.0	2,479.8
Stock dividends distributable	-	6,355.2
Net unrealized fair value gains on investment securities	(14,057.6)	(2,979.8)
Remeasurements of defined benefit plan	(1,227.7)	(1,149.3)
Other reserves	31.0	30.4
Total equity attributable to the Bank's stockholders	<u>147,297.6</u>	<u>172,397.9</u>
Non-controlling interests	844.7	859.8
Total equity	<u>148,142.3</u>	<u>173,257.6</u>
Total capitalization and indebtedness⁽¹⁾	<u>1,092,323.6</u>	<u>1,109,398.8</u>
Capital Ratios⁽²⁾		
CET 1 ratio	11.3%	14.5%
Tier 1 capital ratio	11.3%	14.5%
Total capital adequacy ratio	13.0%	16.2%

Notes:

(1) As of June 30, 2023, the Bank had total outstanding contingent liabilities of P344.5 billion.

(2) CET1, Tier 1 and total capital ratios are calculated based on Basel III rules.

Except as described above, there has been no significant change in the indebtedness, capitalization or contingent liabilities of the Bank since June 30, 2023.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information has been derived from (i) the audited consolidated financial statements of the Bank and its subsidiaries as of and for the year ended December 31, 2022 (the **Audited Consolidated Financial Statements**) and (ii) the unaudited interim consolidated financial statements of the Bank and its subsidiaries as of June 30, 2023 and for the six months ended June 30, 2022 and 2023 (the **Reviewed Interim Consolidated Financial Statements**). The Audited Consolidated Financial Statements have been prepared in accordance with PFRS. The Reviewed Interim Consolidated Financial Statements have been prepared in accordance with PAS 34, Interim Financial Reporting. Investors should read the following summary of consolidated financial and other data relating to the Bank in conjunction with the financial statements and the related notes included elsewhere in this Offering Circular. See “Index to Financial Statements”.

The following information should be read together with the Bank’s Audited Consolidated Financial Statements and Reviewed Interim Consolidated Financial Statements included in this Offering Circular as well as “Description of the Bank’s Assets and Liabilities” and “Risk Management”. All amounts presented in this section except for Average Daily Balance and Average Yield/Cost have been prepared in accordance with PFRS for the Bank and the Group.

CONSOLIDATED STATEMENTS OF INCOME

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	(audited)			(unaudited)	
	(P millions, except per share data)			(P millions, except per share data)	
Interest Income on					
Loans and other receivables	28,406.6	27,372.5	36,004.7	14,571.8	26,996.5
Investment securities at amortized cost and FVOCI ⁽¹⁾	8,084.6	7,706.8	12,489.7	5,425.1	7,672.4
Cash and cash equivalents	1,022.0	679.7	1,000.2	378.8	908.3
Trading securities at FVTPL ⁽²⁾	524.3	244.6	203.8	89.6	121.3
Interbank loans receivable	95.9	23.3	260.3	221.8	774.4
SPURRA	444.3	300.7	566.1		
	38,577.7	36,327.6	50,524.8	20,687.0	36,472.9
Interest Expenses on					
Deposit liabilities	5,616.8	2,967.7	6,021.7	1,750.5	7,350.0
Bills payable and other liabilities	4,230.6	3,544.8	5,601.7	1,964.4	5,169.3
	9,847.4	6,512.5	11,623.4	3,715.0	12,519.3
Net Interest Income	28,730.3	29,815.1	38,901.4	16,972.1	23,953.6
Provision for Credit Losses	8,381.9	5,811.4	4,068.4	1,556.0	4,982.2
Net Interest Income after Provision for Credit Losses	20,348.4	24,003.7	34,832.9	15,416.0	18,971.4
Other Income					
Gains on sale of investment securities at amortized cost	5,111.8	8,447.6	100.2	100.2	—
Gains on trading and investment securities at FVTPL and FVOCI	3,829.7	217.9	(181.4)	(428.0)	763.1
Service charges, fees and commissions	2,346.6	3,773.3	6,781.7	2,185.3	6,308.9
Miscellaneous	2,079.0	2,861.8	6,598.6	2,718.2	3,413.7
	13,367.1	15,300.7	13,299.1	4,575.8	10,485.7
Total Operating Income	33,715.5	39,304.4	48,132.02	19,991.80	29,457.07
Other Expenses					
Salaries and employee benefits	7,809.2	8,646.7	10,030.7	3,909.3	6,685.5
Taxes and licenses	3,503.2	2,881.5	4,110.2	1,727.4	2,762.6
Depreciation and amortization	1,406.9	1,623.7	1,607.9	705.3	1,008.7
Occupancy	904.8	890.6	1,026.9	465.1	609.5
Miscellaneous	7,749.1	10,277.1	14,751.7	5,152.6	10,736.4

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	(audited)			(unaudited)	
	(P millions, except per share data)			(P millions, except per share data)	
Profit before Tax	21,373.2	24,319.6	31,527.4	11,959.7	21,802.7
Provision for Income Tax	12,342.4	14,984.8	16,604.7	8,032.1	7,654.4
Income Tax Expenses	-	-	-	-	-
Net Profit	781.4	2,407.1	3,931.4	1,976.0	1,232.5
Net Profit	11,561.0	12,577.7	12,673.2	6,056.2	6,421.9
Attributable to:					
Parent Bank's stockholders	11,553.4	12,525.4	12,529.2	5,981.4	6,343.6
Non-controlling interests	7.6	52.4	144.0	74.8	78.3
Net Profit	11,561.0	12,577.7	12,673.2	6,056.2	6,421.9
Basic/Diluted Earnings per Share⁽³⁾	P7.58	P8.22	P6.55	P6.91	P5.49
Other Comprehensive Income (Loss)					
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>					
Realized gains on sale of investment securities at FVOCI recognized in profit or loss	(3,020.5)	(658.0)	(99.5)	(55.9)	(389.2)
Unrealized mark-to-market gains (losses) on investment securities at FVOCI	2,997.4	(845.9)	(12,510.4)	(9,703.7)	11,467.3
Cumulative translation adjustment	(15.3)	32.6	17.2	6.4	(0.5)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>					
Remeasurement gains (losses) on defined benefit plan	(634.6)	502.7	372.5	(6.2)	106.8
Income tax benefit (expense)	190.4	(193.3)	(93.0)	1.6	(24.9)
Total Other Comprehensive Income (Loss) for the period	(482.6)	(1,161.9)	(12,313.0)	(9,757.8)	11,159.3
Total Comprehensive Income for the period	11,078.4	11,415.9	360.2	(3,701.7)	17,581.1
Attributable to:					
Parent Bank's stockholders	11,078.4	11,362.6	217.0	(3,775.8)	17,499.2
Non-controlling interests	(0.0)	53.3	143.2	74.1	81.9

Notes:

(1) "FVOCI" refers to fair value through other comprehensive income.

(2) "FVTPL" refers to fair value through profit or loss.

(3) As a result of the stock dividends declared by the Bank on August 11, 2021 to stockholders of record as of December 9, 2021 and issued on January 5, 2022, the weighted average number of outstanding Common Shares for the years ended December 31, 2020, 2021 and 2022, and the six months ended June 30, 2022 and 2023 have been adjusted retrospectively. As required under PFRS, the Bank is required to adjust the weighted average number of shares for purposes of computing the basic earnings per share for all periods presented when there are stock dividends issued after reporting period but before the financial statements have been authorized for issue. For further details, see Note 31 to the unaudited interim consolidated financial statements of the Group as of and for the period ended June 30, 2023 included in this Offering Circular.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(audited)			(unaudited)
	(P millions)			(P millions)
Resources				
Cash and Other Cash Items	8,958.0	8,904.9	9,891.5	9,502.8
Due from Bangko Sentral ng Pilipinas	103,869.8	103,407.9	94,610.3	75,924.9
Due from Other Banks	68,532.2	54,258.5	46,240.0	24,250.4
Interbank Loans Receivable	-	17,492.7	6,937.8	8,882.6
Securities Purchased under Reverse Repurchase Agreements (SPURRA)	16,745.9	23,420.7	16,616.2	
Trading and Investment Securities				
At fair value through profit or loss	18,448.6	5,640.0	8,653.5	4,398.4
At amortized cost	155,811.0	166,362.2	244,627.9	315,037.8
At fair value through other comprehensive income	31,190.3	65,672.6	79,761.8	38,031.3

	As of December 31,			As of June 30,
	2020	2021	2022	2023
Loans and Other Receivables - Net	322,790.9	336,353.9	479,657.9	522,151.5
Investment in Subsidiaries and Associates	255.3	142.4	123.4	110.5
Bank Premises, Furniture, Fixtures and Equipment - Net	6,894.8	6,765.8	8,706.6	10,321.7
Investment Properties	8,922.4	8,673.3	8,258.9	8,158.8
Goodwill	15,348.5	14,818.9	62,310.3	62,406.3
Other Resources - Net	16,691.5	19,181.7	26,341.8	30,221.9
Total Resources	<u>774,459.2</u>	<u>831,095.5</u>	<u>1,092,737.9</u>	<u>1,109,398.8</u>
Liabilities and Capital Funds				
Deposit Liabilities				
Demand	159,783.5	204,561.0	232,081.8	224,006.0
Savings	98,957.8	136,430.0	195,020.7	187,252.3
Time	266,043.6	226,509.9	281,201.4	279,011.3
Long-term negotiable certificate of deposits	3,000.0	3,000.0	3,000.0	3,000.0
Total Deposit Liabilities	527,785.0	570,500.9	711,303.9	693,269.6
Bills Payable	54,223.5	51,168.1	132,846.8	144,401.1
Notes and Bonds Payable	59,853.7	69,854.0	51,644.3	52,165.5
Other Liabilities	27,444.6	27,359.2	48,800.5	46,305.1
Total Liabilities	<u>669,306.8</u>	<u>718,882.2</u>	<u>944,595.5</u>	<u>936,141.2</u>
Capital Funds				
Capital funds attributable to the Parent Bank's stockholders:				
Common stock	12,184.7	12,193.6	21,421.1	23,537.7
Treasury stock	-	-	-	(2.1)
Additional paid-in capital	14,215.0	14,214.6	47,949.9	57,819.9
Surplus free	77,096.2	82,122.8	90,727.9	86,305.9
Surplus reserves	2,645.1	2,798.7	2,453.0	2,479.8
Stock dividends distributable	-	3,048.4	-	6,355.2
Net unrealized fair value gains (losses) on investment securities	55.4	(1,448.5)	(14,057.6)	(2,979.8)
Remeasurements of defined benefit plan	(1,815.8)	(1,507.4)	(1,227.7)	(1,149.3)
Other reserves	(18.9)	13.8	31.0	30.4
Total capital funds attributable to the Parent Bank's stockholders	<u>104,361.7</u>	<u>111,435.9</u>	<u>147,297.6</u>	<u>172,397.9</u>
Non-controlling interests	<u>790.7</u>	<u>777.3</u>	<u>844.7</u>	<u>859.8</u>
Total Capital Funds	<u>105,152.4</u>	<u>112,213.2</u>	<u>148,142.3</u>	<u>173,257.6</u>
Total Liabilities and Capital Funds	<u>774,459.2</u>	<u>718,882.2</u>	<u>1,092,737.9</u>	<u>1,109,398.8</u>

CAPITAL ADEQUACY

The Philippines adopted capital adequacy requirements based on the Basel II Capital Accord through the issuance of BSP Circular No. 538, as amended by BSP Circular No. 781. BSP Circular No. 781 embodies the implementing guidelines of the revised Basel II standards and the reforms introduced by Basel III, which became effective on January 2014. As June 30, 2023, the Bank's risk-weighted capital adequacy ratio as reported to BSP (the ratio of total qualifying capital to risk-weighted assets), on a consolidated basis, was 16.2%, and the Bank's consolidated common equity tier 1 ("CET1") capital adequacy ratio as reported to BSP was 14.5%. Both ratios were above the capital adequacy requirements of the BSP of 8.5% CET1 ratio and 10% capital adequacy ratio applicable to the Bank as of June 30, 2023.

The following table sets forth details of capital resources and capital adequacy ratios of the Group, as of the dates indicated, as reported to the BSP, computed using Basel III standards:

	As of December 31,		As of June 30,	
	2021	2022	2022	2023
	(₱ millions)			
Tier 1 Capital				
Paid-up common stock	12,194	21,421	21,421	23,538
Common stock dividends	3,048	-	-	6,355
Additional paid-in capital	14,215	47,950	47,950	57,820
Surplus free	68,301	77,052	76,736	75,720
Undivided profits	12,913	11,506	5,841	6,300
Other comprehensive income	(2,887)	(15,289)	(12,623)	(4,021)
Minority interest in financial allied subsidiary	796	866	797	882

	As of December 31,		As of June 30,	
	2021	2022	2022	2023
Less: Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations and guaranteed granted to subsidiaries and affiliates	441	293	515	437
Less: Deferred tax assets	6,478	7,288	6,180	8,096
Less: Goodwill	13,936	57,232	13,799	57,393
Less: Other intangible assets.....	2,233	3,760	2,112	3,773
Less: Defined benefit pension fund assets	15	7	10	4
Less: Un-booked valuation reserves	2,435	2,109	2,306	
Less: Other equity investments in non-financial allied and non-allied undertakings				
Net Tier 1 Capital	83,042	72,817	115,200	96,889
Upper Tier 2 Capital				
Generable loan loss provision.....	3,820	4,443	4,657	4,479
Unsecured subordinated debt.....	6,800	6,756	6,800	6,759
Net Tier 2 Capital	10,620	11,199	11,457	11,239
Total Qualifying Capital	93,662	84,016	126,657	108,128

The following table sets out the Group's consolidated assets according to risk weight as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(P millions)			
Risk-weighted on-balance sheet assets:				
0% to 50%	58,054	56,239	70,287	68,301
75% to 100%	357,880	358,594	445,056	469,306
150%	23,133	21,698	19,470	23,778
Total risk-weighted on-balance sheet assets	439,067	436,531	534,813	561,385
Total risk-weighted off-balance exposures	8,197	10,699	10,411	10,898
Total counterparty risk-weighted assets in the banking and trading book.....	4,154	4,093	11,142	7,578
Market risk-weighted assets	12,045	4,619	7,127	14,042
Operational risk-weighted assets.....	46,175	52,642	80,922	74,642
Total risk-weighted assets	509,637	508,593	644,414	668,545

Average Statements of Financial Position and Related Interest

The following tables show the Group's average balances, interest earned/incurred and average interest rates for the three years ended December 31, 2020, 2021, and 2022 and for the six months ended June 30, 2022 and 2023. Average balances are generally based on a daily rate.

	For the years ended December 31,								
	2020			2021			2022		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(P millions, except percentages)								
Loans and other receivables	351,098.7	28,850.9	8.1%	309,103.1	27,673.2	8.8%	393,281.9	36,005.8	9.0%
Trading and investment securities	198,461.6	8,608.9	4.3%	210,913.0	7,951.4	3.7%	315,215.9	12,693.5	4.0%
Cash and cash equivalents ..	61,434.9	1,022.0	1.6%	93,612.0	679.7	0.7%	96,448.1	1,576.7	1.6%
Interbank loans receivable ..	10,683.3	95.9	0.9%	20,644.5	23.3	0.1%	14,098.0	248.8	1.7%
Total earning assets	621,678.6	38,577.7	6.1%	634,272.5	36,327.6	5.6%	819,043.8	50,524.8	6.1%
Deposit liabilities.....	513,858.2	5,616.8	1.1%	510,986.5	2,967.7	0.6%	620,995.7	6,021.7	1.0%
Bills payable and other liabilities.....	111,990.2	4,230.6	3.7%	110,583.4	3,544.8	3.2%	159,597.8	5,601.7	3.5%
Total interest bearing liabilities.....	625,848.5	9,847.4	1.5%	621,569.9	6,512.5	1.0%	780,593.5	11,623.4	1.5%

	For the six months ended June 30,					
	2022			2023		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(P millions, except percentages)					
Loans and other receivables.....	344,151.1	14,572.4	8.4%	496,616.8	26,996.5	10.8%

	For the six months ended June 30,					
	2022			2023		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(P millions, except percentages)					
Trading and investment securities	284,681.3	5,514.7	3.9%	355,067.7	7,793.7	4.4%
Cash and cash equivalents	99,164.0	561.4	1.1%	77,487.7	1,515.4	3.9%
Interbank loans receivable	18,514.1	38.5	0.4%	1,662.0	167.3	20.0%
Total earning assets	746,510.5	20,687.0	5.5%	930,834.2	36,472.9	7.8%
Deposit liabilities.....	572,807.0	1,750.5	0.6%	699,384.6	7,350.2	2.1%
Bills payable and other liabilities.....	129,209.9	1,964.4	3.0%	193,573.9	5,169.3	5.3%
Total interest bearing liabilities.....	702,016.8	3,715.0	1.1%	892,958.5	12,519.5	2.8%

Notes:

(1) Average yield/cost is interest income/expense divided by average daily balance then multiplied by 360 over number of days in a year.

SELECTED STATISTICAL DATA

The following information should be read together with the Bank's consolidated financial statements included in this Offering Circular as well as "Risk Management". All amounts presented in this section except for Average Daily Balance and Average Yield/Cost have been prepared in accordance with PFRS for the Bank and the Group.

Analysis of Changes in Interest Income and Interest Expense - Volume and Rate Analysis

The following tables provide an analysis of changes in the Group's interest income, interest expense, and net interest income between changes in volume (average daily balances) and changes in rates for the year ended December 31, 2022 compared with the year ended December 31, 2021, the year ended December 31, 2021 compared with the year ended December 31, 2020 and the six months ended June 30, 2023 compared with the nine months ended June 30, 2022. Volume and rate variances have been calculated on the movement in average daily balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities in proportion to absolute volume and rate change. The variance caused by the change in both volume and rate has been allocated in proportion to absolute volume and rate change.

	For the year ended December 31, 2021 compared with the year ended December 31, 2020				For the year ended December 31, 2022 compared with the year ended December 31, 2021			
	Increase (Decrease) due to change in				Increase (Decrease) due to change in			
	Net Change	Average Volume	Average Rate	Term	Net Change	Average Volume	Average Rate	Term
	(P millions)							
Interest income on:								
Loans and other receivables	(1,177.7)	(3,441.5)	2,342.6	(78.8)	8,332.6	7,536.3	796.2	—
Trading and investment securities	(657.5)	538.6	(1,172.6)	(23.5)	4,742.1	3,932.2	809.9	—
Cash and cash equivalents	(342.3)	533.8	(873.3)	(2.8)	897.0	20.6	876.5	—
Interbank loans receivable	(72.6)	89.2	(161.5)	(0.3)	225.5	(7.4)	232.8	—
Interest expense on:								
Deposit Liabilities	(2,649.1)	(31.3)	(2,602.4)	(15.3)	3,054.0	638.9	2,415.1	—
Bills Payable and other liabilities	(685.8)	(53.0)	(621.2)	(11.6)	2,056.9	1,571.2	485.7	—
Net Interest Income	1,084.8	(2,195.6)	3,358.9	(78.5)	9,086.3	9,271.6	(185.4)	—

	For the six months ended June 30, 2023 compared with the six months ended June 30, 2022			
	Increase (Decrease) due to change in			
	Net Change	Average Volume	Average Rate	Term
	(₹ millions)			
Interest income on:				
Trading and investment securities	12,424.1	6,455.9	5,968.3	-
Loans and receivables	2,279.0	1,363.5	915.5	-
Cash and cash equivalents	954.0	(122.7)	1,076.7	-
Interbank loans receivable	128.8	(35.0)	163.8	-
Interest expense on:				-
Deposit liabilities	5,599.7	386.8	5,212.9	-
Bills payable and other liabilities	3,204.9	978.6	2,226.3	-

Net Interest Income	6,981.3	6,296.2	685.1	-

Yields, Spreads and Margins

The following table sets out, for the years indicated, the yields, spreads and interest margins on the Group's interest-earning assets.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	(R in millions, except percentages)			
Interest income on interest-earning assets	38,577.7	36,327.6	50,524.8	36,472.9
Interest expense on interest-bearing liabilities	9,847.4	6,512.5	11,623.4	12,519.5
Average interest-earning assets ⁽¹⁾	621,678.6	634,272.5	819,043.8	930,834.2
Average interest-bearing liabilities ⁽²⁾	625,848.5	621,569.9	780,593.5	892,958.5
Average total assets ⁽³⁾	772,623.4	802,777.3	961,709.5	992,155.9
Average interest-earning assets as a percentage of average total assets	80.5%	79.0%	85.2%	93.8%
Average interest-bearing liabilities as a percentage of average total assets	81.0%	77.4%	81.2%	90.0%
Average interest-earning assets as a percentage of average interest-bearing liabilities	123.5%	129.2%	123.2%	111.1%
Yield ⁽⁴⁾	6.1%	5.7%	6.2%	7.8%
Cost of funds ⁽⁵⁾	1.5%	1.0%	1.5%	2.8%
Spread ⁽⁶⁾	4.6%	4.7%	4.7%	5.0%
Net interest margin ⁽⁷⁾	4.5%	4.7%	4.7%	5.1%

Notes:

- (1) Average interest-earning assets is composed of due from other banks, interbank loans receivable, trading and investment securities, and loans and discounts. Average interest-earning assets is calculated on the basis of the daily balances of such assets.
- (2) Average interest-bearing liabilities is composed of deposit liabilities, bills payable, and notes payable. Average interest-bearing liabilities is calculated on the basis of the daily balances of such liabilities.
- (3) Average total assets is the current balance of total assets plus the balance of total assets for the previous period divided by two.
- (4) Yield is interest income on interest-earning assets divided by average interest-earning assets.
- (5) Cost of funds is interest expense on interest-bearing liabilities divided by average interest-bearing liabilities.
- (6) Spread is the difference between the yield and the cost of funds.
- (7) Net interest margin is the difference between interest earned and interest expended divided by the average interest-earning assets.

Financial Ratios

The following table sets out certain key financial indicators of the Group, for the periods indicated.

	As of and for the year ended December 31			As of and for the six months ended June 30
	2020	2021	2022	2023
Dividend payout ratio ⁽¹⁾	36.9%	34.1%	37.6%	37.1%
Cost to average assets ⁽²⁾	3.9%	3.0%	4.3%	6.7%
Common equity tier 1 capital ratio ⁽³⁾	15.0%	16.3%	11.3%	14.5%
Capital conservation buffer ⁽³⁾	9.0%	10.3%	5.3%	8.5%
Tier 1 capital ratio ⁽³⁾	15.0%	16.3%	11.3%	14.5%
Total capital ratio ⁽³⁾	17.0%	18.4%	13.0%	16.2%
NPA ratio ⁽⁴⁾	3.5%	3.5%	2.9%	3.3%
Allowance as percentage of gross non-performing assets ⁽⁵⁾	45.0%	47.6%	45.5%	47.6%

Notes:

- (1) Dividend payout ratio is the ratio of dividend to net income after tax (excluding non-controlling interest).
- (2) Cost to average assets is the ratio of the operating expenses (including interest expense but excluding depreciation and amortization) to the average total assets. The cost to average assets ratio for the six months ended June 30, 2023 is based on annualized cost.
- (3) Capital adequacy ratios as of December 31, 2020, 2021 and 2022 and June 30, 2023 were computed based on Basel III standards.
- (4) Ratio of non-performing assets (gross ROPA plus NPLs) to gross assets (total assets per audited financial statements) (see details in section "— Non-performing loans")
- (5) Allowance as a percentage of gross non-performing assets is the ratio of NPA provisions made to the gross NPAs.

Return on Equity and Assets

The following table presents selected financial ratios of the Group for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	(P in millions, except percentages)			
Net income ⁽¹⁾	11,553.4	12,525.4	12,529.2	6,343.6
Average total assets*	772,623.4	802,777.3	961,709.5	992,155.9
Average shareholders' equity ⁽¹⁾	100,929.0	107,898.8	129,366.77	157,851.3
Net income as a percentage of average total assets	1.5%	1.6%	1.3%	1.3%
Net income as a percentage of average shareholders' equity	11.5%	11.6%	9.7%	8.0%
Average shareholders' equity as a percentage of average total assets	13.1%	13.4%	13.5%	15.9%

Notes:

* Average is current balance plus previous year's balance divided by two.

(1) Attributable to the equity holders of the Bank.

Mismatch Analysis

The Group manages its liquidity risk by analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning. Specifically for the Bank, it utilizes a diverse range of sources of funds, although short-term deposits made with its network of domestic branches comprise the majority of such funding. To ensure that funding requirements are met, the Bank manages its liquidity risk by holding what it believes to be a sufficient amount of liquid assets of appropriate quality. It also maintains a balanced loan portfolio that is re-priced on a regular basis. Deposits with banks are made on a short-term basis.

The table below sets forth the Group's structural liquidity gap position as of June 30, 2023 (the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows). The analysis is based on the remaining period from the end of the reporting period to the contractual maturity date, or if earlier, the expected date the asset will be realized on the earliest period in which the Group can be required to pay its liabilities.

	As of June 30, 2023						Total
	On demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
	(P millions, except percentages)						
Financial Assets							
Cash and other cash items	9,502.8	-	-	-	-	-	9,502.8
Due from BSP	73,549.2	4,971.5	-	-	-	-	78,520.6
Due from other banks	24,250.4	-	-	-	-	-	24,250.4
Interbank loans receivable	-	919.7	-	-	-	-	919.7
SPURRA	5,026.3	3,118.6	-	-	-	-	8,144.9
Financial assets at FVTPL	-	3,880.0	-	-	-	-	3,880.0
Financial assets at amortized cost	-	1,264.1	1,436.0	2,772.3	6,714.8	356,334.5	368,521.8
Financial assets at FVOCI	-	312.8	124.6	468.8	995.0	58,220.8	60,122.0
Derivative assets — trading	-	172.1	137.4	226.9	219.0	987.6	1,743.0
Loans and receivables:							
Receivables from customers	34.1	105,919.8	49,275.9	47,264.0	74,771.8	331,630.0	608,895.6
Unquoted debt securities	-	-	-	-	-	-	-
Accrued interest receivable	-	10,269.1	-	-	-	-	10,269.1
Accounts receivable	-	-	-	-	-	10,910.9	10,910.9
Sales contract receivable	7.2	66.2	130.4	193.2	95.5	3,240.1	3,732.6
Other receivables	-	-	-	-	-	-	-
Other assets	-	844.6	-	-	-	-	844.6
	<u>112,370.0</u>	<u>131,738.6</u>	<u>51,104.2</u>	<u>50,925.2</u>	<u>82,796.1</u>	<u>761,323.8</u>	<u>1,190,258.0</u>

Financial Liabilities

Non-derivative liabilities

Deposit liabilities

As of June 30, 2023							
	On demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
	(₱ millions, except percentages)						
Demand	224,006.0						224,006.0
Savings	187,252.0						187,252.0
Time	1,402.0	186,899.0	63,170.0	12,375.0	9,854.0	21,498.0	295,198.0
LTNCD	-	-	3,033.0	-	-	-	3,033.0
Bills payable	-	33,564.0	49,841.0	3,638.0	16,110.0	49,182.0	152,335.0
Manager's checks and demand drafts outstanding	8,417.0						8,417.0
Accrued interest payable		2,581.0					2,581.0
Accrued other expenses		9,460.0					9,460.0
Bonds payable	-	258.0	660.0	19,446.0	252.0	26,921.0	47,537.0
Subordinated debt	-	-	89.0	89.0	179.0	7,157.0	7,514.0
Other liabilities	-	11,211.0	-	-	-	-	11,211.0
Derivative liabilities – trading	-	246.2	772.6	80.8	254.9	880.0	2,234.4
	<u>421,077.0</u>	<u>244,219.2</u>	<u>117,565.6</u>	<u>35,628.8</u>	<u>26,649.9</u>	<u>105,638.0</u>	<u>950,778.4</u>
Liquidity Gap	-308,707.0	-112,480.6	-66,461.3	15,296.4	56,146.3	655,685.9	239,479.6
Liquidity Gap as % of Total Liabilities	-0.7	-0.5	-0.6	0.4	2.1	6.2	0.3
	-308,707.0	-112,480.6	-66,461.3	15,296.4	56,146.3	655,685.9	239,479.6
Loan commitments and financial guarantees	-	2,585.4	5,643.7	4,558.2	15,891.3	5,628.6	34,307.1

Notes:

- (1) Financial assets — analysis of equity securities into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realized.
- (2) Financial liabilities — the maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group may be required to pay.
- (3) Derivative assets and liabilities do not include derivatives embedded in financial and non-financial contracts.

DESCRIPTION OF THE BANK

Overview

Union Bank of the Philippines (the “Bank”) is a publicly listed universal bank whose principal shareholders are Aboitiz Equity Ventures, Inc. (“AEV”), Social Security System (“SSS”) and The Insular Life Assurance Company, Ltd. (“Insular Life”). The Bank has always been among the first to embrace technological innovations to empower its customers. The Bank leverages on technology and its agile culture to meet the customers’ changing and diverse needs and continuously enhance customer experience. Determined to be an enabler of the Philippines’ bid to be a G20 country by 2050, the Bank stands firm in its promise to power the future of banking by co-creating innovations for its customers and for a better world.

As of June 30, 2023, the Bank had a total of 385 branches and offices nationwide, which includes the branches and offices of its subsidiaries, City Savings (149 branches), FAIR Bank (11 branches), Bangko Kabayan (24 branches) and Progressive Bank (3 branches), and 602 ATMs.

The Bank’s consolidated total resources amounted to ₱774.5 billion, ₱831.1 billion, ₱1,092.7 billion and ₱1,109.4 billion as of December 31, 2020, 2021 and 2022, and June 30, 2023, respectively. As of June 30, 2023, the Bank ranked seventh in terms of total resources among publicly listed universal banks in the Philippines based on consolidated quarterly reports filed with the Philippine SEC. Net profit was ₱11.6 billion, ₱12.6 billion, ₱12.7 billion and ₱7.3 billion for the years ended December 31, 2020, 2021, and 2022 and for the six months ended June 30, 2023, respectively.

As of June 30, 2023, the Group’s Tier 1 and total CAR were at 14.5% and 16.2%, respectively, and remained higher than the minimum regulatory requirements. For the six months ended June 30, 2023, the Group’s return on average equity, return on average assets and cost-to-income (calculated as dividing total operating expenses by total income (net interest income plus other income) ratios were 7.9%, 1.2% and 63.3%, respectively.

The authorized capital stock of the Bank is ₱35,307,852,380.00 consisting of 2,530,785,238 Common Shares with a par value of ₱10.00 per share and 100,000,000 preferred shares with a par value of ₱100.00 per share. As of October 9, 2023, the Bank’s total outstanding and issued Common Shares was 2,313,969,559. As of the date of this Offering Circular, no preferred shares have been issued. Based on the closing price of ₱60.60 of its shares on the PSE on October 20, 2023, the Bank had a market capitalization of approximately ₱142.6 billion.

The Bank offers a broad range of products and services, which include deposit and related services; corporate, middle market and SME lending, consumer finance loans such as mortgage, auto, and salary loans, and credit cards; investment, treasury, and capital markets; trust and fund management; remittance, and cash management. In addition, the Bank offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier, and various life insurance products through its bancassurance partnership with Insular Life. These services are delivered through the Bank’s branches and digital banking channels such as UnionBank Online, UnionBank SME Business Banking and The Portal.

The Bank has four main business segments:

- (a) **Retail Banking.** This segment principally handles individual customers’ deposits and provides retail loans, such as automobiles and mortgage financing, credit card facilities and funds transfer facilities. This segment also includes the retail deposit and loan products and services provided by the Bank’s banking subsidiaries such as teachers’ salary loans and motorcycle loans provided by City Savings Bank, Inc. (“City Savings”) and digital loans provided by UnionDigital and the deposits from and loans to individuals and MSMEs in rural areas by the Bank’s three rural bank subsidiaries and the deposits, loans and other services provided by the Bank’s digital bank subsidiary, as described in this section below.
- (b) **Corporate and Commercial Banking.** This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional, MSME, and middle market customers.
- (c) **Treasury and Trust.** This segment is principally responsible for managing the Bank’s liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives. The segment also includes trust, asset management and fiduciary services provided by the Bank to its customers.
- (d) **Headquarters.** This segment includes corporate management, support and administrative units not specifically identified with Retail Banking, Corporate and Commercial Banking or Treasury and Trust.

For the six months ended June 30, 2023, the Group’s consumer, corporate and commercial banking, and treasury and others business segments accounted for 77.3%, 11.2% and 11.5%, respectively, of the Bank’s gross income. As of June 30, 2023, the

Group's consumer loans comprised 54.9% of its total loan portfolio (calculated as the outstanding balance of the Bank's consumer loans divided by the outstanding balance of its total loans), compared to 19% for the Philippine banking industry (outstanding consumer loans of the industry divided by the outstanding balance of total loans, net of interbank loans), according to BSP.

The Parent Bank has five banks as its subsidiaries: City Savings, First-Agro Industrial Rural Bank, Inc. ("FAIR Bank"), Bangko Kabayan, Inc. ("Bangko Kabayan"), Progressive Bank, Inc. ("PBI") and UnionDigital Bank Inc. ("UnionDigital"). City Savings primarily offers salary loans to teachers and other government employees and motorcycle loans, and are diversifying their loan portfolio by, among others, offering pension loans and tailored loans to employees of Philippine local government units. FAIR Bank, Bangko Kabayan and PBI are all regional rural banks focusing on serving individuals and micro, small and medium-sized enterprises in the regions surrounding their locations, with FAIR Bank's office and branches all located in Cebu and Negros Occidental areas in the Visayas region, Bangko Kabayan's branches all located in the areas of Batangas, Laguna and Quezon, Southern Luzon, and PBI's office and branches all located in Iloilo, the Visayas region. Bangko Kabayan is the surviving entity in the tripartite merger with FAIR Bank and PBI, which took effect on July 13, 2023. UnionDigital is the Bank's digital bank which commenced its operation on July 18, 2022, and is one of the six BSP-licensed digital banks in the Philippines.

The Bank recognizes that, given the changing customer demands and banking industry landscape, it must reposition itself to enhance its competitive advantage. In 2015, halfway through its FOCUS 2020 ten-year roadmap, the Bank took on a dual transformation strategy which aims to (i) strengthen the present business by repositioning itself as a digital bank and (ii) search for new business models of the future where banking may become an embedded experience.

To achieve its goal of becoming a leading digital bank, the Bank laid the foundation by building its digital enterprise architecture and developing an agile and innovative culture among its stakeholders. These enabled the Bank to transform its various customer touchpoints. In August 2017, the Bank launched UnionBank Online, its retail mobile banking app that digitizes the majority of activities a customer would perform in a physical branch. In 2019 to 2020, the Bank launched industry-leading features such as digital account opening which allows customers to open accounts and perform know-your-customer ("KYC") procedures without the need to go to a branch, mobile check deposit which allows users to deposit checks simply by taking a photo with the app, and a function named "send money to remittance centers" which allows customer to send money from their account to over 10,000 cash outlets nationwide. In May 2019, the Bank introduced its new business banking platform for corporates called The Portal, giving corporate clients access to their various accounts and perform various transactions digitally, including electronic funds transfer and remote mobile check deposits. In January 2021, the UnionBank SME Business Banking app was launched to cater to the needs of SMEs. The Bank also transformed its physical touchpoints and in 2017, launched the Ark, the first fully digital bank branch in the Philippines. The Bank has been transforming its branches to The ARK branches, i.e. fully digital branches, which feature paperless transactions and digital queueing, among others. As of September 2022, all the 198 branches of the Parent Bank had been transformed to The ARK branches, where 100% of the branch's transactions are conducted at the "Digital Transaction Portal" for seamless, straight-through processing.

The Bank is concurrently expanding its reach to the underbanked or underserved population (i.e., the portion of the adult population that are not necessarily unbanked, but actually serviced by the fragmented institutions and relying on face-to-face delivery and traditional brick-and-mortar banking infrastructure). The Bank's approach is to deliver services using innovative technologies to service these segments in a more cost-efficient manner. The Group's business expansion in this area is led by UnionDigital and City Savings together with the Bank's other rural bank subsidiaries. In 2021, the Bank was one of six financial institutions awarded with a digital banking license by the BSP. The Bank's digital bank, UnionDigital, started commercial operations on July 18, 2022.

To prepare for a future where banking will be an embedded experience, the Bank established UBX PH, a wholly-owned subsidiary of the Parent Bank which focuses on building platforms and providing technological services. UBX is an aggregation of platforms and has since its inception launched several of its digital platforms such as: "Project i2i," a fast-growing agency banking network and banking as a service solution provider; "Sentro," a homegrown eCommerce shop builder, with pre-integrated payment gateway (BUx) and delivery services; "BUx," a fast-growing end-to-end payment gateway in the Philippines, which accepts a wide range of payment options and which is embeddable and has been integrated in Sentro and other e-commerce websites as the payment gateway; and "SeekCap," a digital lending marketplace for MSMEs which enables same-day approval. UBX also invests in selected financial technology firms that are aligned with its strategy of embedding financial services in platforms. At the same time, it provides technology support to several of the Bank's pioneering digital initiatives in the financial services space, for example the Bank's offering of blockchain-based cross-border remittance transaction tool, cryptocurrency ATMs, and a stablecoin named "PHX."

History

The Parent Bank, originally known as "Union Savings and Mortgage Bank," was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. The Bank's common shares were listed

in the PSE on June 29, 1992 and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. The Bank became the 13th and youngest universal bank in the country in only its tenth year of operation as a commercial bank.

The Bank's principal shareholder groups include AEV, a shareholder of the Bank since 1988 and the public holding company of the Aboitiz group of companies (the "Aboitiz Group"), one of the largest conglomerates in the Philippines with interests in power generation and distribution, financial services, real estate, food manufacturing and industrial production; SSS, a Government-owned and -controlled corporation that provides social security to workers in the private sector; and Insular Life, one of the leading and largest Filipino-owned life insurance companies in the Philippines.

The Bank has undertaken two mergers, with the International Corporate Bank in 1994 and the International Exchange Bank ("iBank") in 2006.

Over the years, the Bank has garnered a record-breaking number of awards and recognition including "Asia Trailblazer Institution of the Year" from Retail Banker International; "Best Bank Transformation in South East Asia 2021" from Global Banking and Finance; "Best Bank for Customer Experience in South East Asia 2021" from Global Brands Magazine; 4-Time "Digital Bank of the Year (2018-2021)" from The Asset Triple A; "Most Recommended Retail Bank in Asia Pacific 2021" from BankQuality.com; "Fastest Growing Fintech Company, South East Asia 2021" for UBX from Global Banking and Finance; back-to-back "Best Retail Bank in the Philippines" from The Asian Banker; back-to-back "Best Bank for SMEs" (2020-2021) from Asiamoney; "SME Bank of the Year - Philippines 2021" from Asian Banking and Finance; back-to-back "#1 Best Service Domestic Bank in the Philippines 2020-2021" at the Asiamoney Cash Management Survey; "Asia's Best Bank Transformation" from Euromoney; "Asia-Pacific Retail Bank of the Year" from Retail Banker International; "Top 2 Most Helpful Banks in Asia Pacific during COVID-19" from BankQuality.com; "Asia Pacific Digital Trailblazer" for UnionBank and "DX CEO Asia Pacific" for President and CEO Edwin R. Bautista from IDC Asia Pacific DX Awards; three-time "Best Digital Bank Philippines" from Asiamoney and International Finance Magazine; and "Employer of the Year" awards from Stevie Awards for Great Employers, Asian Banking and Finance, and HR Asia.

Recent Developments

Acquisitions and Incorporation of Subsidiaries

Acquisition of Citigroup, Inc.'s Consumer Banking Business in the Philippines

On December 23, 2021, the Board of the Bank approved the acquisition of the consumer banking business of Citigroup, Inc. in the Philippines (the "**Citi Acquisition**"). The Bank will pay a cash consideration for the net assets of the consumer banking business of Citigroup, Inc. in the Philippines (subject to customary closing adjustments) plus a premium of ₱45.3 billion. To partially fund the Citi Acquisition, the Board approved the raising of additional capital through a stock rights offering of up to ₱40 billion (the "**Offer**"). The Offer is ongoing and is expected to run from April 25, 2022 to May 6, 2022 and to list on May 16, 2022.

The Citi Acquisition includes Citigroup, Inc.'s credit card, personal loans, wealth management, and retail deposit businesses in the Philippines. The acquisition also includes Citigroup, Inc.'s real estate interests in relation to Citibank Square in Eastwood, three full service bank branches, and five wealth centers.

The Citi Acquisition will be effected through the execution of a share and business transfer agreement which comprises (i) an asset and liability transfer of the consumer banking activities of Citigroup, Inc. in the Philippines, (ii) the sale of the shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and (iii) the sale of Citibank Square building and specific branches.

The closing of the Citi Acquisition is conditional upon satisfaction or waiver (if capable of being waived) of conditions precedent customary for similar transactions, including approval of the Philippine Competition Commission, approval of the BSP, prior written consent of the Philippine Deposit Insurance Corporation, approval of the Insurance Commission, and approval of the Securities and Exchange Commission. The Bank is not aware of any reason that these regulatory approvals will not be received in due course. The Bank expects to complete the Citi Acquisition in the second half of 2022 after regulatory approvals have been obtained, which are anticipated to be received by May 2022. If the aforementioned closing conditions are not satisfied or waived (if capable of waived), the Citi Acquisition may not be completed. In such case, the Bank will make the necessary disclosures to the Philippine SEC and PSE regarding the allocation of the use of proceeds.

The Bank expects the Citi Acquisition to increase its consumer loan portfolio, result in higher net interest margins and overall profitability in the long-run.

UnionDigital

In July 2021, the Bank was also one of the six entities granted permits by the BSP to operate a digital lender. In November 2021, the Bank received the Philippine SEC's approval for the incorporation of UnionDigital Bank, Inc. ("UnionDigital"), its subsidiary to operate as a digital bank. UnionDigital commenced its operation on July 18, 2022.

Others

In December 2016, City Savings and UIC, the Bank's two subsidiaries, in aggregate acquired 77.78% of the common shares of First-Agro Industrial Rural Bank, Inc. ("FAIR Bank"). In 2019, 2020 and 2021, City Savings and UIC infused new capital into FAIR Bank and subscribed for new common shares, increasing their aggregate equity interest holding in Fair Bank to 100% as of June 30, 2023. FAIR Bank is a rural bank that provides banking and microfinance services and loan products to MSMEs, and micro housing institutions.

In June 2018, City Savings acquired 100% of the common shares of Philippine Resources Savings Bank Corporation ("PR Savings Bank"). As a condition precedent, City Savings also acquired 100% of the preferred shares of PR Savings Bank. PR Savings Bank was merged into City Savings in February 2019. PR Savings Bank is a thrift bank engaged in providing motorcycle, agri-machinery, and teachers' salary loans.

In December 2018, City Savings and UIC in aggregate acquired 51% of the common shares of PETNET, Inc. ("PETNET"). PETNET, more widely known by its retail brand name PERA HUB, has over 3,000 outlets nationwide which offers a variety of cash-based services, including remittance, currency exchange, and bills payment.

In December 2018, UBX Philippines Corporation ("UBX PH") was incorporated with the Philippine SEC. In February 2019, the Monetary Board approved UBX PH's start of commercial operations. The Bank holds 100% interest in UBX PH through UIC. UBX PH serves as the Bank's holding company to hold, purchase, and acquire businesses engaged in financial and information technology services. In October 2018, UBX Private Ltd. ("UBX SG") was incorporated by UIC in Singapore. It was acquired by UBX PH from UIC in April 2019. It is a holding company that is principally engaged in acquiring various fintech start-ups. See "*Subsidiaries*" for more information on the investments, acquisitions and divestments of UBX PH and UBX SG.

In March 2020, City Savings and UIC in aggregate acquired 70% of the common shares of Bangko Kabayan. Bangko Kabayan is a bank providing financial products and services to MSMEs and individuals in the local communities, including rural clients.

On January 5, 2018, City Savings and UIC signed an SPA to acquire 75% ownership interest of Progressive Bank, Inc. ("PBI") through a combination of (a) subscription to 18,000,000 new shares and (b) purchase of 11,980,916 common shares from the major stockholders of PBI pursuant to Special Powers of Attorney dated November 16, 2017. On March 16, 2020, the BSP approved the application of City Savings and UIC to acquire 75% ownership of PBI. On August 7, 2020, 18 million shares of PBI was subscribed and fully paid for in the following proportions, City Savings for 8,820,000 shares (22.06% of outstanding) and UIC for 9,180,000 shares (22.96% of outstanding) all at ₱1.00 per share. The Group has completed the closing conditions of the agreement, including the execution of deed of absolute sale of the shares which was executed on February 4, 2021. PBI is a rural bank based in Iloilo, Philippines, and engaged in the business of providing credit to farmers, and small, medium and micro business enterprises.

Partnerships

The Bank continuously evaluates opportunities that strategically fit its existing business, expand the products and services that it offers to its customers, and support its strategic roadmap. See "*Business Strategies*."

In August 2016, the Bank established the first alliance of its kind in the Philippines with Lombard Odier, a Swiss-based, global Private Bank, to expand its wealth and asset management businesses. Lombard Odier is a family-owned business with over two centuries of rich heritage and stability and thus, have established expertise in the fields of wealth management and transition, succession planning, business sustainability, and family governance. In July 2017, with Lombard Odier as investment consultant, the Bank launched the first local fund that uses a risk-based investment strategy, the UnionBank Capital Accumulation Global Fund of Funds, a USD-denominated unit investment trust fund ("UITF") that is invested in various funds traded in the global markets. In 2018, the Bank launched a PHP-denominated (currency hedged) version of the fund, making it a multi-currency-class global fund of funds. In March 2019, the Bank officially launched its private banking business, with the objective of providing clients with bespoke best-in-class wealth management solutions and with the support of its strategic partner Lombard Odier.

In January 2017, the Bank and City Savings entered into a bancassurance partnership with Insular Life for the sale and distribution of Insular Life insurance products across the Bank's and City Savings' respective networks. The bancassurance

partnership with Insular Life is a first in the Philippine market. Unlike the traditional model where a bank's staff is limited to referrals, the bancassurance partnership with Insular Life allows the Bank to have ownership of the sales force. The Bank's relationship managers ("RMs") and financial advisors ("FAs") are trained and licensed to cross-sell Insular Life insurance products. The Bank believes that its model enables a seamless sales process and facilitates client suitability analysis.

In May 2018, the Bank entered into a partnership with ConsenSys, a New York-based blockchain start-up, to utilize Kaleido, an enterprise blockchain solution launched on top of the Ethereum blockchain protocol that is used to process information and transactions more securely and transparently. In connection with this partnership, the Bank launched a pilot programme named "Project i2i" with the aim of connecting rural banks to the country's main financial network and help bring unbanked Filipinos under the mainstream financial system. Project i2i is currently managed by UBX PH and has more than 100 rural banks and financial institutions in its network.

Capital Markets Transactions

On October 22, 2020, the Bank issued U.S.\$300 million in fixed rate senior notes with a coupon of 2.125% per annum, maturing on October 22, 2025 under the Bank's medium term note program.

On December 9, 2020, the Bank issued ₱8.1 billion in fixed rate senior bonds under its ₱39.0 billion bond program. The bonds carry a coupon rate of 2.75% per annum and will mature on December 9, 2023.

On December 9, 2020, the Bank issued ₱885.0 million in fixed rate senior bonds under its ₱39.0 billion bond program. The bonds carry a coupon rate of 3.375% per annum and will mature on March 9, 2026.

On July 23, 2021, the International Finance Corporation (IFC) invested in U.S.\$150 million social bonds issued by the Bank under its sustainable finance framework.

On June 2, 2022, the Bank issued ₱11.0 Billion 1.5-year Digital Bonds issued through the digital registry and digital depository of the Phil. Depository & Trust Corp.

On September 12, 2022, the Bank executed a U.S.\$ 358 million Facility Agreement for a Syndicated Loan facility which was fully drawn by November 25, 2022.

The COVID-19 Pandemic

Measures the Bank Has Taken in Light of the COVID-19 Pandemic

The Bank has continued to prepare itself and its subsidiaries for any incident that might potentially disrupt business operations with robust business continuity plans. The Bank began monitoring COVID-19 updates in January 2020 when the initial COVID-19 outbreak in Wuhan was reported. Even before any quarantine measure was imposed by the Government, the Bank began to order non-frontline staff to work from home, provided laptop and mobility kits for employees, opened alternate sites, prepared systems to support the Bank's digital operations, and distributed supplies and materials (e.g., mask, alcohol, etc.) to the staff. These measures allowed the Bank to offer uninterrupted services during the lockdowns in response to the COVID-19 pandemic.

The Bank has taken the following measures to ensure the continuance of its business and to protect health, safety, and welfare of its employees, customers and outsourced providers:

- ***Transition to remote work model.*** The Bank has developed work-from-home guidelines in the event that quarantine or safe and healthy measures necessitate work-from-home arrangements. Work-from-home guidelines were set with key principles on productive mobility and sustaining high-performance culture in the digital workspace as its pillars, to guide employees to work from home effectively and line managers to manage remote working. The Bank provided employees with laptops with virtual private network and mobility kits and regularly monitors data centers even in lockdown periods, to enable remote working while ensuring proper data protection, cybersecurity and IT system stability;
- ***Gradual return to workplace.*** The Bank has developed a return-to-workplace manual, adopting the standards established by the Philippine Department of Health and the Philippine Department of Labor and Employment. The manual includes guidelines and protocols to ensure the health and safety of the employees who physically return to the workplace. Frequent publication of excerpts as reminders, training, monitoring and other measures have been taken to ensure compliance with the guidelines and protocols. The Bank has taken a phased-in approach in accordance with relevant government directives to enable gradual return to workplace while maintaining social distancing. Relevant plans are reviewed weekly by the Bank's Resiliency Committee.

- *Establishing safety and control measures.* The Bank has implemented its physical workspace safety plan by measures such as temperature monitoring, setting up sanitizer stations, appropriate social distancing, regular cleansing and disinfection of workspace, and use of virtual appointments, meetings and trainings. Meanwhile, the Bank has also implemented a broader plan for reinforcing workforce health, safety and well-being by implementing measures including, among others, continuous communication campaigns on social distancing and hygiene, work rotation shifts, transportation arrangements for branch employees, provision of food for certain employees, regular bank-sponsored testing, introduction of telemedicine and virtual medical consultation and appointment, suspected case reporting and contact tracing, provision of self-care tools to employees, and more flexible human resources policies; and
- *Implement engagement, health, wellness and welfare programs, to balance human interaction and the shift to remote working and to provide financial, healthcare and psychological support to employees.* Measures taken include, among others, uninterrupted payroll and benefits, special subsidy for eligible employees, remote working engagement activities, chat room to provide employees with emotional support and distress management support, and free webinars, virtual classes and podcasts for self-learning.

The Bank has demonstrated agility amidst the COVID-19 pandemic:

- First, the Bank has continuously developed its digital capabilities and maintained its advantage in providing digital banking services. For example, during the pandemic, the Bank added functions in its apps such as digital account opening and online check deposit to allow customers to bank from home. In particular, the Bank launched a function named “send money to remittance centers” in its UnionBank Online app, and thus connected its customers to more than 10,000 cash outlets nationwide. Also see “— *Competitive Strengths — Unique digital transformation strategy and successful implementation.*” The Bank also deployed bots to complete more tasks and further digitalized its branches, see “— *Business of the Bank — Branch Network.*”
- Second, the Bank has expanded its services to bring convenience to its clients during the pandemic. For example, the Bank launched the bank-on-wheels project by sending a mobile ATM to support areas with large transaction needs. The Bank also temporarily removed fees on fund transfers until July 2021. In addition, through collaboration with business partners, the Bank has enabled customers to deposit cash via machines at around 11,000 outlets and branches of its collaborators such as 7-11 stores, Czarina Outlets, RD Pawnshop and LCC Mall.

The COVID-19 pandemic has put pressure on the banking industry’s risk-taking and risk management activities, particularly on credit risk management. In response, the Bank enhanced its credit policies, including additional due diligence for lending for the purpose of risk management, and at the same time provided support for certain of its clients. For corporate, commercial and SME clients, the Bank regularly assesses the impact of the pandemic on its industry exposures and focused its effort on providing relief in repayment and preserving asset quality.

The Bank also activated credit lines of its SME clients eligible for credit guarantee facilities provided by the Philippine Guarantee Corporation, which is a government-owned and controlled corporation attached to the Philippine Department of Finance and provides credit guarantee for COVID-19-affected SMEs. Expansion into emerging consumer loan segments is expected to slow down, with the Bank’s efforts shifted towards providing customers with channels and options to reschedule their payments.

Impact on the Bank

Due to the Bank’s proactive business continuity arrangements, the Bank believes that it has effectively reduced the adverse impact of the pandemic on its operations. Most branches have remained open despite working on lean manpower. ATMs have been regularly monitored for cash level and replenished as needed. Call centers have remained operational on skeletal manpower and continued to answer customer inquiries. Backroom support and operations have been operational on skeletal manpower assigned at different site locations as well as manpower working from home. Data centers are at locations with very limited human footprint, have been monitored regularly and effectively managed remotely. Facilities have been equipped with security personnel to ensure safety. Remote communication were well tested before the start of the quarantine periods and have remained effective during the pandemic.

The Bank believes, despite certain adverse impact on its results of operation and financial position by the COVID-19 pandemic, it has sufficient liquidity, resources and sources of income and funding to place itself at a relatively strong position. In addition, the Bank was ranked by Bankquality.com the second Most Helpful Banks in Asia Pacific during COVID-19 and the first among Philippine banks, primarily due to the Bank’s digital capabilities and ability to deliver efficient services to clients. Meanwhile, however, any downturn in the world economy and the Philippine economy (including any downturn caused by the COVID-19 pandemic) could have an adverse effect on the Bank’s business, results of operation and financial position. For more information, see “*Investment Considerations — Risks Relating to the Bank — The Bank’s business and results of operations*”

have been and could continuously be adversely affected by public health epidemics or outbreaks of diseases such as the COVID-19 pandemic”.

Competitive Strengths

The Bank considers the following to be among its principal competitive strengths:

Strong group synergies and support from the Aboitiz Group.

AEV has been a shareholder of the Bank since 1988. As of June 30, 2023, the Bank is the second highest contributor to AEV’s revenues. The Bank believes that its business segments and product lines effectively support the business objectives of other Aboitiz Group companies in the areas of, among others, loans and other financial services.

The Bank enjoys various synergies with the other members of the Aboitiz Group, such as new business opportunities for joint project development, cross-selling of products to customers and shared marketing networks, and knowledge and expertise with respect to key economic sectors and business industries. As the sole banking business platform and a key strategic business segment of the Aboitiz Group, the Bank enjoys strong shareholder support from AEV. Key officers of the Aboitiz Group are members of the Bank’s Board and actively participate in the Bank’s various committees.

Strong, diversified, and experienced management team with track record of customer, talent and value retention.

The Bank has a strong, diversified, and experienced management team with a track record for successfully executing business plans and achieving results. The Bank’s management team and senior executive officers (consisting of officers at the senior vice president level and above) have, on average, over 15 years of experience in, among others, the banking and financial services, fast-moving consumer goods, telecommunications, and technology firm/sectors. In addition, the Bank’s management team and senior executive officers have a broad range of experience in their respective areas with some of the largest and most recognized institutions in the Philippines and in the region as well as with global offices of multinational firms.

Leverages on innovation as a differentiator in customizing cash management solutions for its anchor clients.

The Bank develops innovative products and services, including customized corporate cash management solutions, in a cost-efficient manner by leveraging on technology and its agile culture of development. For instance, the Bank launched the remote mobile check deposit in 2020 for corporates, allowing them to deposit check payments without the need to be physically present at the branch. See “— *Business of the Bank — Transaction Banking.*”

The Bank’s ability to use technology to develop advanced banking solutions has enabled it to capture and secure a loyal customer base, as well as to establish relationships with the suppliers, distributors, and dealers, and even further down to executives, employees, and customers, of its anchor corporate clients. This unique customer acquisition strategy has enabled the Bank to attain considerable scale without the capital investment and expenses attached to branch expansion.

Unique customer-centric branch sales and service culture.

Consistent with its brand promise of being relevant, being an expert, and challenging conventions, the Bank veered away from the traditional channel-centric organizational structure where the sales and service functions are under a branch manager. The Bank’s operations team is separate from sales at the branch level to ensure efficient and quality service as well as to mitigate operational risk. The Bank’s salesforce also has distinctly defined performance metrics to steer them towards achieving a common sales target.

The Bank’s customer-centric model is complemented by its ability to maintain operational efficiencies and boost productivity by streamlining processes through the use of technology. Its unique backroom structure enables the Bank to provide responsive, scalable, and secure transaction processing.

Unique digital transformation strategy and successful implementation.

The Bank has been implementing a digital transformation strategy which it believes is pioneer in the Philippine banking industry. The Bank’s digital transformation strategy is comprised of strengthening its present business by repositioning itself as a digital bank and searching for new business models of the future where banking may become embedded in people’s day-to-day lives. The Bank aims to expand its reach through digital channels and continuously enhance customer experience to be a preferred digital bank. At the same time, it envisions to drive financial inclusion by leveraging on technology to provide financial services to the underbanked and underserved population. The Bank believes that this two-pronged strategy will enhance its competitive advantage even during times of uncertainty and disruption.

In recent years, the Bank has made various progresses in its digital transformation. First, the Bank has been transforming its existing branches into digital ones. The Bank launched its fully digital branch called “The ARK,” where customers request and receive services through operating self-service machines, tablets or other digital tools. The Bank later launched “The ARK 2.0,” where 5G technology was applied to enable seamless connectivity with Internet of Things enabled services. For details, see “— *Business of the Bank — Branch Network.*” Second, the Bank has introduced various digital banking tools and platforms, for example, “UnionBank Online,” “UnionBank Business Banking” and “The Portal,” online platforms which enable customers to perform banking transactions and account management via website and mobile app; and other transaction platforms and digital business community including “Financial Supply Chain,” “GlobalLinker,” “i2i,” “Sentro,” “BUX,” and “SeekCap.” For details, see “— *Business of the Bank — Alternative Delivery Channels,*” and “— *Business of the Bank — Information Technology.*” In July 2021, the Bank was also one of the six entities granted permits by the BSP to operate a digital lender. In November 2021, the Bank received the Philippine SEC’s approval for the incorporation of UnionDigital Bank, Inc. (“Union Digital”). Union Digital is expected to start operations in the second half of 2022.

Through digital transformation, the Bank has developed strong digital capabilities, which enables it to deliver services efficiently to its customers and attract more customers during the COVID-19 pandemic. Over one million new accounts have been opened digitally since the start of COVID-19 related quarantine in the Philippines in 2020, and the number of signed-up users of the UnionBank Online app has reached 4.2 million as of March 31, 2023. Largely due to the Bank’s digital capabilities, the Bank was ranked by Bankquality.com the second Most Helpful Banks in Asia Pacific during COVID-19 and only Philippine bank in the top 20 list.

Above-industry profitability and cost-efficiency.

As part of its strategic roadmap, the Bank envisions to be among the top three universal bank in terms of financial value, measured through return on equity and cost-to-income ratios. From 2018 to 2022, the Group’s return on average equity and cost-to-income ratios averaged 11.4% and 57.2%, respectively, superior to the industry’s 9.5% and 58.7%. The Bank believes that its focus on higher-yielding consumer loans, optimized investment portfolio, expanding deposit base, and transformed infrastructure are key to its success and continuous development.

Cost efficient “asset-light” business model.

The Bank believes it has implemented an “asset-light” business model of selective expansion of its physical branch network. While other banks in the Philippines have, historically, taken aggressive branch expansion approaches, the Bank believes its targeted and selective branch expansion has resulted in greater operating cost efficiencies as against its peers. The Bank has remained to be among the most cost-effective banks in the country. For the years ended December 31, 2020 and 2021, the Group’s cost-to-income ratio was 50.8% and 53.9%, respectively, which are better compared to the industry average of 54.9% and 58.7%, respectively. For the year ended December 31, 2022 and the six months ended June 30, 2023, the Group’s cost-to-income ratio was 60.4% and 63.3%, slightly higher than the industry average of 55.2% and 55.2%, respectively. This is mainly due to the one-time integration costs related to the Acquired Citi Business since August 2022, among others. Moving forward, the Bank believes that the completion of the integration of the Acquired Citi Business, and the improvement of its digital banking services and capabilities will bring seamless customer experience and encourage customers to transact using its digital channels, rather than at physical branch locations.

Business Strategies

The Bank’s corporate vision is to become one of the top three universal banks in the Philippines “by building a bank of enduring greatness” in terms of financial value as measured by the return on equity and return on assets ratios, and operational excellence as measured by the cost-to-income ratio.

The key elements of the Bank’s strategy are as follows:

Further strengthen the Bank’s capital.

The Bank will further strengthen its capital by focusing on stable recurring income to reduce mark-to-market movements in its qualifying capital. In doing so, the emphasis is to further build the Bank’s core earning asset base. The Bank aims to expand its customer loan books, particularly on the higher-yielding consumer and SME segments. Earning asset expansion shall be supported by continued growth in deposits, with emphasis on low cost current account and savings account deposits (“CASA”). The Bank expects the Citi Acquisition to support this strategy through increasing its higher-yielding consumer loan portfolio, net interest margins and overall profitability in the long-run.

Complement the Bank's branch network with digital channels.

The Bank aims to complement its targeted branch network with optimal RM-to-branch ratio by leveraging on its transformed digital channels to attract and service customers. For example, the Bank's mobile app is envisioned to offer majority of the services a customer can avail at a branch, including account opening and check deposits. Similarly, RMs are able to attract customers outside of branches and virtually through digital account opening. UnionDigital, expected to be operational in the second half of 2022, will be branchless with its mobile application as the primary customer touchpoint. The Bank believes that this strategy will allow it to expand its customer base without the costs attached to a large physical network. Furthermore, this strategy is aligned with the changes in customer behavioral pattern with shift towards digital banking.

Deepen strategic relationships and develop new corporate relationships.

The Bank aims to expand, diversify, and deepen its customer base by introducing new and customized products and services (including cash management and other e-commerce enabling products) that cater to the needs of a wider range of customers. One of the drivers of this strategy is to leverage on the Bank's corporate relationships by attracting customers within its corporate clients' ecosystems. The Bank generates a portion of its retail loans from its corporate relationships through workplace arrangement programs for employees of its corporate clients. The Bank also offers financing products to the communities of suppliers and dealers surrounding the corporate entities that utilize the Bank's cash management systems. Lastly, the Bank also plans to extend the distribution of its foreign exchange and treasury products to its corporate clients.

Grow new partnerships through technology.

As part of its digital transformation strategy, the Bank engages financial technology partners to leverage on technological advances and enhance customer experience across its banking products and services. In addition, the Bank will capitalize on City Savings, PETNET and the i2i platform to increase its reach to mass market customers. The Bank will continue to partner with companies and institutions in various industries and sectors to provide unique product offerings. Through platforms like Globallinker, Sentro and BUX, the Bank also aims to engage more SME partners by providing them with the venues and platforms that will support their on-line sales and marketing aspirations.

Further improve the Bank's processes.

The Bank aims to reduce its operating costs while improving its productivity and quality of service. To achieve this objective, the Bank intends to continue streamlining its operations and processes, and minimizing costs by eliminating redundancies, automating processes, and institutionalizing a high- standard quality of service throughout the Bank's operations.

The Bank intends to extend its ability to customize banking solutions to its retail customers and to build capacity for retail volume through a digital back office. The Bank plans to provide its customers with an end-to-end transaction fulfilment experience through, among others, self-service functionality at its branches and convergent banking. This will be supplemented by increased access through the integration of the Bank's channels. The Bank believes that these initiatives will reduce operating costs while serving a larger customer base. To support the utilization of the Bank's electronic channels, the Bank also implemented various information technology and security measures such as the use of behavioral analytics for targeting and risk underwriting, the publication of its APIs, and the establishment of a 24/7 security center.

Further, the Bank intends to (i) shift from a "cloud-first" to a "cloud-only" strategy, which the Bank believes will allow it to scale on demand without proportionately increasing cost, (ii) increase the speed of its software delivery cycle which the Bank believes will increase efficiencies on IT spending, and increase quality and security, and (iii) optimize and expand the use of artificial intelligence, which the Bank believes will drive the next phase of its digital transformation and will pave the way to a hyper-personalized banking experience, streamline the Bank's data processes and help detect and combat financial crime.

Create a UnionBank experience for the Bank's customers.

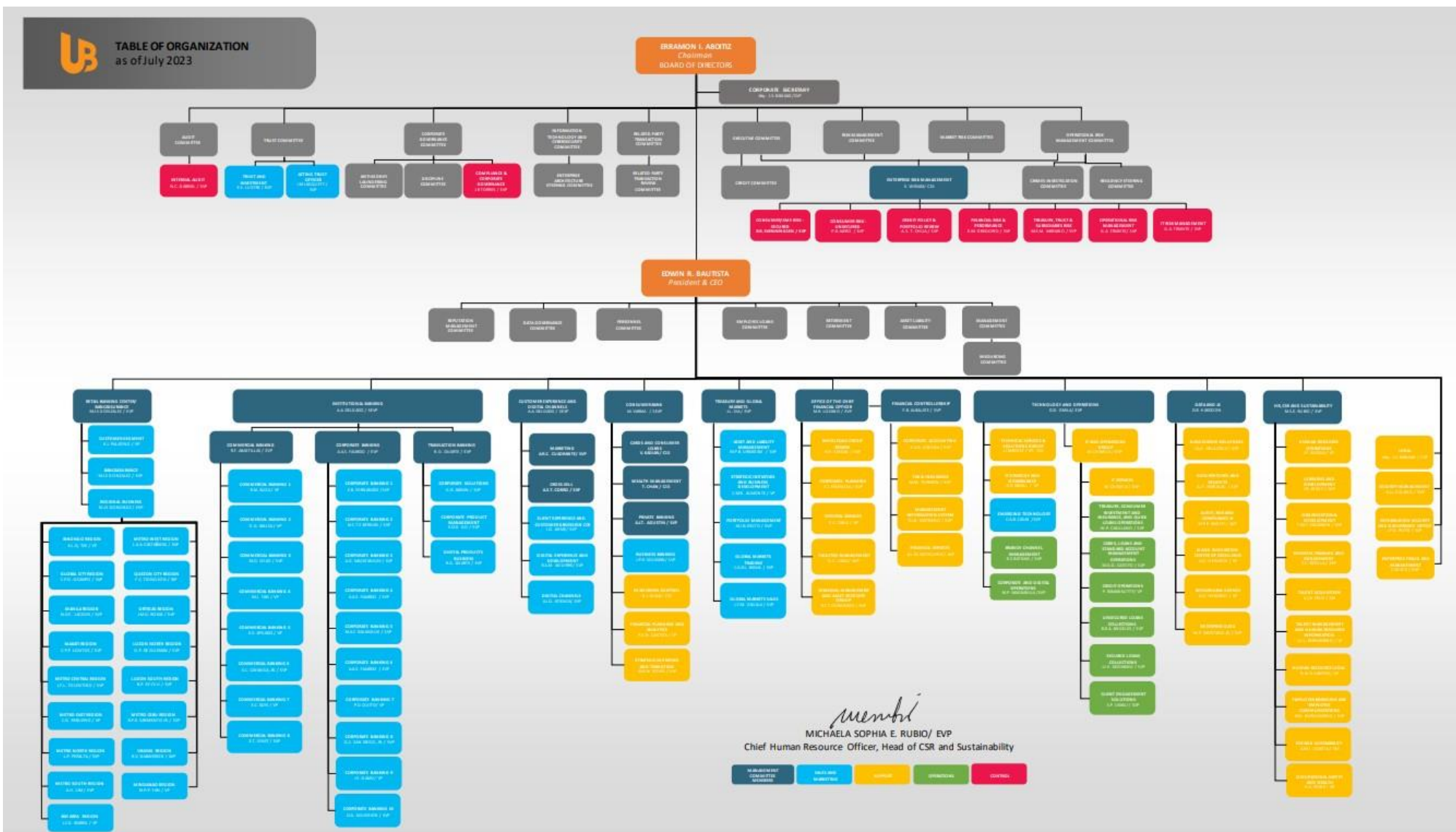
The Bank will continue to distinguish itself from its competitors by establishing a unique brand image in strategic markets. It will continue to position itself as a challenger of conventions to deliver smarter solutions to its customers. The Bank aims to provide a personal and efficient service to its customers through a team focused on smart banking which would help increase the loyalty of its customers.

Extend to mass market segments for financial inclusion.

The Bank aims to expand its reach into the unbanked and underbanked segments by offering financial services in a cost-efficient manner, enabled by technology. The Bank intends to replicate the operating model of City Savings in order to lower its cost of operations in serving the mass market, mainly through salary and motorcycle loans. Lastly, the Bank plans to leverage on UnionDigital to offer digital banking services with lower cost to serve while still delivering superior customer experience.

Organizational Structure

The following chart sets out an overview of the functional organizational structure of the Bank and its key divisions as of July 2023:



Business of the Bank

Overview

The Bank's core businesses are retail banking, consumer finance, corporate banking, commercial banking (comprising middle-market banking), cash management, trust banking, and treasury, funding and trading (involving management of the Bank's liquidity and funding requirements and handling of transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives). In addition, the Bank offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier, and various insurance products through its bancassurance partnership with Insular Life.

Retail Banking

The Bank's retail banking activities principally involve offering deposit products, loan products and services to retail customers comprising individuals, small businesses and sole proprietorships. The Bank's deposit products, loan products and services are also accessible to the customers through the Bank's internet banking portal and convergent banking mobile application, "UnionBank Online," where customers can, among others, open accounts, check balances, pay bills, transfer funds to banks and remittance centers on a real time basis.

As of June 30, 2023, the Bank had approximately 13.3 million customers in total, out of whom substantially all were retail customers and approximately 6.4 million were customers from government communities, including members of SSS, GSIS and Pag-IBIG.

Deposit Products

The Bank offers a comprehensive range of deposit products that contain features that are tailored to each segment's financial profile and other characteristics. The Bank's deposit products consist principally of the following:

- Peso demand deposits, which do not accrue interest or accrue interest at a rate that is lower than the rate applicable to time deposits and allow customers to deposit or withdraw funds at any time;
- Peso savings deposits, which allow customers to deposit and withdraw funds at any time and accrue interest at a rate set by the Bank;
- Peso time deposits, which generally require customers to maintain a deposit for a fixed term during which interest accrues at a fixed rate and any withdrawal before maturity may only be made by paying penalties;
- U.S. dollar savings deposits, which require customers to maintain a deposit of at least U.S.\$500 and allows customers to withdraw funds at any time and accrue interest at a rate set by the Bank;
- U.S. dollar access deposits, which require customers to maintain a deposit of at least U.S.\$10,000 and allows customers to withdraw funds at any time and accrue interest at a rate set by the Bank;
- U.S. dollar time deposits, which generally require customers to maintain a deposit of at least U.S.\$1,000 for a fixed term during which interest accrues at a fixed rate and any withdrawals before maturity may only be made by paying penalties; and
- other foreign currency time deposits, which allow customers to deposit funds denominated in Sterling Pounds, Euro, Japanese Yen or Australian dollars, generally requiring the customer to maintain a minimum deposit amount (which varies depending on the currency of deposits) for a fixed term during which interest accrues at a fixed rate and any withdrawals before maturity may only be made by paying penalties.

(a) In addition, the Bank offers various deposit products and accounts with special features, including, among others:

"ePaycard," debit card with payroll savings account for disbursement of employees' salary credits;

"Go Rewards Debit Card," internet-based deposit account that comes with a debit card and earn points for every peso spent which can be used for Cebu Pacific flights;

“PlayEveryday,” the Philippine’s first and only gamified program that comes with a debit card and earns points through digital transactions;

“Savings+,” a type of account with free group life insurance offered by Insular Life if qualified; and

“SSS Member Account,” account for SSS members which allows crediting of SSS benefits if qualified.

The Bank offers varying interest rates on its deposit products depending on market interest rates, the rate of return on its earning assets and interest rates offered by other commercial banks. Deposits generated by retail banking, including City Savings, FAIR Bank, Bangko Kabayan (acquired in March 2020), and PBI (acquired in July 2020) as of December 31, 2020, 2021 and 2022, and June 30, 2023 amounted to ₱343.1 billion, ₱398.8 billion, ₱524.2 billion and ₱507.7 billion, respectively, representing 65.0%, 69.9%, 73.7% and 73.2%, respectively, of the Bank’s total deposits on a consolidated basis.

The Bank offers “Business Class” priority banking accounts, which are targeted specifically at, and available only to, affluent retail customers with a total relationship balance of ₱1,000,000 (or its equivalent in other currencies). The “Business Class” priority banking account offers special services, such as dedicated service counters at selected branches of the Bank, financial advisory services, preferential pricing on its retail banking products, and a wide range of electronic banking services, including internet and mobile phone banking services.

Retail Loans

The Bank offers various types of consumer finance products to individuals, which consist principally of residential mortgage loans, auto loans, quick loans, and credit cards.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the Bank’s retail loans were 40.1%, 40.3%, 53.6% and 54.9% of its total loan portfolio (calculated as the outstanding balance of the Bank’s retail loans divided by the outstanding balance of its gross loans), respectively, compared to 19.5%, 18.6%, 18.8% and 19.4% for the Philippine banking industry (outstanding retail loans of the industry divided by the outstanding balance of total loans, net of interbank loans), respectively, according to the BSP.

The Bank reviews various factors in pricing its loan products, including the capacity of the borrower to repay the loan, estimated delinquency rates, funding costs, expenses related to making loans and a target spread. Loan terms are differentiated according to factors such as a customer’s financial condition, loan purpose, collateral and the quality of relationship with the Bank.

The following table shows a breakdown of the consumer banking portfolio of the Bank, on an unconsolidated basis, as of the periods indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(Percentages)			
Home loans	44.0%	43.1%	25.9%	24.1%
Salary loans ⁽¹⁾	36.1%	32.0%	23.6%	25.9%
Credit card business	6.9%	6.3%	31.3%	30.5%
Others ⁽²⁾	12.9%	18.6%	19.2%	19.5%
Total	100.0%	100.0%	100.0%	100.0%

Note:

(1) Salary loans include salary loans under City Savings.

(2) Others include digital loans, auto loans, quick loans and home credit receivables.

Home Loans

(a) Substantially all of the Bank’s home loans are extended to property buyers in the Philippines who intend to occupy the premises. All of the Bank’s home loans are secured by a first mortgage on the property. In addition, the Bank generally requires residential mortgage borrowers to have an equity interest. The loan-to-value (“LTV”) ratio typically ranges from 60.0% to 70.0% and the tenor of home loans typically ranges from five to 20 years. Interest rates are re-priced periodically based on prevailing market rates. Fixed rate options are also offered to provide flexibility to borrowers.

(b) As of June 30, 2023, the Bank’s total home loans amounted to ₱68.8 billion. The Bank plans to grow its home loan portfolio by actively marketing in partnership with leading property developers, with a digitized lending process that enhances customer experience of borrowers and developers. The Bank has also begun to expand its brokers channel to provide

customers more venues to apply for home loans, in addition to any of the Bank's branches. See "*Business of the Bank — Branch Network*."

- (c) When a borrower falls in arrears with its mortgage payments, it can either agree to a voluntary disposition of the property to the Bank or the Bank may commence foreclosure proceedings. Once the mortgaged collateral is foreclosed, the Bank classifies such collateral as ROPA and thereafter it is managed by the Bank's Asset Recovery Group. See "*Business of the Bank — Asset Recovery*."
- (d) As a result of the Citi Acquisition and migration of new customers to the Bank, the Bank sees significant cross-selling opportunities of products such as mortgages which were not previously offered by Citi to its customers in the Philippines.

Salary Loans

The Bank offers salary loans through City Savings. City Savings offers salary loans primarily to public school teachers under the Philippine Department of Education and also to employees of state and private schools, companies and government institutions.

Auto Loans

The Bank generates new auto loans through its branch network, existing bank depositors and network of RMs. Auto loans are also generated through the Bank's corporate relationships such as the workplace arrangement programs for employees of corporate clients, and fleet programs for corporate clients' vehicle requirements.

All of the Bank's auto loans are secured by a chattel mortgage over the vehicle 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% of the purchase price for a new car, and 25.0 to 30.0% in the case of a second-hand car. The tenor of auto loans generally ranges from 12 to 60 months with interest rates fixed over the life of the loan. When an instalment payment falls 90 days past the due date, the Bank may commence foreclosure proceedings. Foreclosed cars are generally sold by the Bank through a public auction. See "*Business of the Bank — Asset Recovery*."

As of June 30, 2023, the Group's total auto loans amounted to ₱2.3 billion.

Credit Card Products

The Bank's credit cards were launched in 1999. As a late entrant, the Bank adopted a segmentation strategy to gain market share. It used geographic, psychographic and behavioral variables to identify specific, unique and under-served market needs, and customized unique products for particular market segments. Over time, the Bank's credit card platform has become an anchor product in its retail banking business, and the Citi Acquisition would substantially increase the Bank's market share in the Philippine credit card markets.

The total credit card balance as of June 30, 2023 amounted to ₱87.1 billion. Beginning in 2010, the credit card group of the Bank shifted acquisition strategies to focus on the premium card segment, which resulted in the increase in the profitability of the portfolio. The Bank continues to acquire new customers through a wholesale approach by looking at co-branding opportunities and developing products for specific segments of the market. The Bank also continues to market its credit cards digitally through its website and UnionBank Online. Interest charged on revolved outstanding balance and deferred payments/instalments is 3.0% monthly effective interest rate which is computed based on the unpaid balance from previous statements while annual fees range from ₱1,500.0 to ₱5,000.0.

As of June 30, 2023, the Bank had approximately 1.4 million cards in force. Its products include the UnionBank Classic, Gold and Platinum (Visa and MasterCard) cards. It has more than 50 co-brand/affinity credit cards in partnership with various retail, educational, medical, financial, service, life and non-life insurance, and airline companies and institutions to provide unique offers to each partner's customer base. In 2016, the Bank, together with GetGo, the rewards program of Cebu Pacific Air ("Cebu Pacific"), and Visa, launched the Cebu Pacific GetGo cards. This fleet of debit and credit cards enables the holder to earn GetGo points from dining, shopping, and online purchases. Accumulated points are automatically transferred to the holder's GetGo account which may be used to redeem Cebu Pacific flights. On August 7, 2020, the Bank introduced a co-branded credit card with the e-commerce site Lazada. Cardholders earn Lazada credits through spending on the Lazada site and Lazada's strategic merchants.

The Bank's credit card business has expanded significantly as a result of the Citi Acquisition. The Acquired Citi Business offers a variety of credit cards including travel cards, rewards cards, cash back cards and others and has a large customer base. The Bank aims to, in the future, convert the Citi credit cards to cards under its own brand and offer cards with the same benefits

and convenience. As a result of the Citi Acquisition which was completed on August 1, 2022, the number of Bank's active credit card customers increased from approximately 305,000 to approximately 1.4 million as of June 30, 2023, with 1.0 million from the Acquired Citi Business, making the Bank's credit card business rank third by gross billings, fourth by ending receivables and fourth by active card customer base in the Philippines as of the same date, according to the Bank's operating information and third-party market information.

Auto Loans

The Bank generates new auto loans through its branch network, existing bank depositors and network of RMs. Auto loans are also generated through the Bank's corporate relationships such as the workplace arrangement programs for employees of corporate clients, and fleet programs for corporate clients' vehicle requirements.

All of the Bank's auto loans are secured by a chattel mortgage over the vehicle 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% of the purchase price for a new car, and 25.0 to 30.0% in the case of a second-hand car. The tenor of auto loans generally ranges from 12 to 60 months with interest rates fixed over the life of the loan. When an instalment payment falls 90 days past the due date, the Bank may commence foreclosure proceedings. Foreclosed cars are generally sold by the Bank through a public auction. See "*—Business of the Bank — Asset Recovery.*"

As of June 30, 2023, the Group's total auto loans amounted to ₱2.3 billion.

Quick Loans

In 2017, the Bank launched its Quick Loans Program targeted at existing payroll customers. In 2021, the target customers were expanded to the Bank's CASA depositors and credit card holders, and the Bank's customers who are pensioners or members of SSS or Pag-IBIG. Quick Loans is an all-digital access credit facility, powered by API and data analytics for marketing and fully-automated credit scoring. The process is straight through and the loan can be availed through the UnionBank Online application and the website. The term of quick loans can be one, two, three, six or 12 months. The maximum loan amount is ₱1.0 million and is determined based on the borrower's salary credits, average daily balance, information from telecommunication companies, anti-money laundering and unlawful activities checks, and other behavioral science and credit attributes. Interest rate ranges from 29% to 60% on an annualized basis. As of June 30, 2023, the Group's total quick loans amounted to ₱11.8 billion.

Marketing

To avoid potential conflicts inherent in having the same person handling both sales and operations in a branch, the Bank has separated these two functions – branch operations are handled by a branch manager, while direct marketing and sales of the Bank's products and services are undertaken through RMs. The Bank believes that such an arrangement improves efficiencies by allowing the Bank to maintain a nimble and flexible RM sales force and maximizes sales opportunities by allowing the RM sales force to focus on sales. This has allowed the Bank to increase the depth of relationships established with customers, especially wealthy customers who prefer human interaction. RMs are equipped with a digital sales tool Mobile Assistant Xpress ("MAX"), launched in 2017, which provides visibility into clients' past transactions and products offered and also shortened the time required to open an account from around two hours in 2016 to around 15 minutes in the first half of 2022. As many wealthy customers onboard digitally, MAX matches customer profiles to the appropriate RMs who can best suit their needs. As a result, RMs can obtain a holistic understanding of the clients and provide better advice and achieve better customer acquisition efficiency. The average number of new accounts opened per RM increased threefold for the first half of 2023, compared to three in 2016. The average balance of new accounts opened per RM increased threefold for the first half of 2023, compared to ₱20 million in 2016. As of June 30, 2023, the Bank had a total of 285 RMs.

Mobile Banking

UnionBank Online, launched in August 2017, is the online and mobile banking platform for the Bank's retail customers. It is designed with an omni-channel user experience wherein the same look and feel applies to different touchpoints (website and mobile app), operating systems (Android or iOS) and device types. UnionBank Online enables the Bank's customers to perform account management and banking transactions such as account opening, deposit checks, fund transfer, bill payment without visiting a branch or contacting the Bank's call center. Customers may login through fingerprint authentication, apart from password login. Customers are able to use UnionBank Online to send money to over 10,000 cash outlets nationwide and deposit checks simply by taking a photo with the application. It also enables real-time account opening via a digital application and thus facilitates customer onboarding process, and the Bank was the first Philippine universal bank to introduce such function in the Philippines. As of December 31, 2019, UnionBank Online had enabled approximately 24,000 digital account openings and served approximately 723,000 users. As of June 30, 2023, the number of digital account openings enabled by UnionBank Online increased to approximately 2.0 million and the number of customers increased to approximately 13.3 million.

The Bank also introduced an upgraded version of its cash management platform for corporates called The Portal and a similar application for SME clients called SME Business Banking App. See “— *Corporate Banking*” and “— *Commercial and SME Banking*” for more information.

Customer Engagement

Retail customer and consumer finance relationship and care are managed by the Bank’s Customer Engagement Group and handled by the Bank’s 24-hour call center, catering to deposit and card product queries, among others. The call center utilizes a mix of phone, social media, postal mail, email, fax and internet as customer touch points. In handling customer complaints, it adheres to certain service-level agreements such as feedback or resolution of ATM-related concerns within five banking days and redelivery of card within Metro Manila after five days. Customer complaint handling is continuously improved through resolution tracking.

The Bank is currently enhancing other enabling channels capable of digital self-servicing and extended reach. The Customer Engagement Group is composed of the following units; (1) 24X7 Inbound Voice Customer Service, (2) Outbound Tele Sales, (3) Customer Care / Digital Engagement and (4) Corporate Care / Business Support (5) Quality Assurance and Training (6) Performance Management Support.

Customer Service Chatbot

In 2017, the Bank launched “Rafa,” the Philippines’ first banking chatbot that delivers instant 24/7 customer service. Rafa is accessible through Facebook messenger. It is capable of answering customer queries on, among other things, the nearest ATM and branch, providing the latest foreign exchange rate of up to ten currencies, assisting customers who are exploring auto loans, and giving customers options to get the credit card that best suits them. It is also capable of assisting in processing account opening and loan applications. The Bank believes that Rafa provides a more personal and conversational customer experience compared to the interactive voice response or auto reply forms.

Transaction Banking

The Bank’s Transaction Banking Center offers cash management products and services which consist of a wide range of custom-tailored disbursement, remittance, collection, and information portal solutions. The Transaction Banking Center delivers its cash management products primarily through its online and mobile banking platform called The Portal or UnionBank Business Banking.

The Bank is able to specifically design and alter the interface of each cash management product to meet the specific needs of its customers with the end objective of helping them increase productivity, achieve cost efficiency, and generate savings. The Bank’s transaction banking activities are critical to customers’ day-to-day activities and have been a key component in the Bank’s customer acquisition and engagement strategy.

The Bank’s electronic payment products and services are utilized by several Government agencies, including the BIR, the SSS, the Philippine Health Insurance Corporation (“PhilHealth”), the Home Development Mutual Fund or Pag-IBIG and the Bureau of Customs (“BoC”). To provide corporate customers with seamless filing and payment convenience, the Bank launched OneHub.Gov, the first single web platform offering in the Philippines that enables customers to make online payments, and file salary loan payments and tax returns electronically with, government agencies, including the BIR, the SSS, PhilHealth, Pag-IBIG and the BoC.

In 2013, the Bank was accredited as a settlement bank by the Securities Clearing Corporation of the Philippines (“SCCP”) and the PSE which enabled broker firms to open trading accounts with the Bank for the settlement of trade transactions.

UnionBank also has the patent for the “First Financial Supply Blockchain in The Philippines”. UnionBank Supply Chain Financing (SCF) is a digital trade document presentment and payment facility that allows supply chain anchors to improve collections and disbursements processes, while allowing the Bank to finance MSMEs through alternative lending practices while utilizing the Blockchain’s immutability and smart contracts to mitigate risks.

At the height of the COVID-19 pandemic from 2020 to 2021, the Bank rolled out online check deposit solutions – Mobile Check Deposit (via app) and Remote Check Deposit (via check scanner) which enabled clients to deposit checks remotely despite the strict nationwide quarantine restrictions at the time. These online check deposit innovations not only promoted Filipinos’ health and safety but also helped ease clients towards using digital solution.

Similarly, during the pandemic, the majority of our corporate clients shifted their supplier payments from check to fund transfer. Although significantly faster, electronic fund transfer is unable to address BIR regulatory compliance such as Official Receipt collection or CWT issuance. This paved the way for Payexpress, which allows corporate clients to conveniently initiate payment

to suppliers and vendors via fund transfer to any UnionBank or other local bank account, upon collection of the Official Receipt (OR). Through this facility, generated Withholding Tax Certificates (CWT) and Invoice Vouchers are also sent via email to the beneficiaries. We piloted this to a major client in 2020 and was fully commercialized this year.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the Groups' transaction banking activities accounted for 89.3%, 89.9%, 78.2% and 82.3% of the Group's total deposits, respectively.

Corporate Banking

The Bank's corporate banking activities comprise principally of deposit and cash management products and loan offerings to large corporate customers. The customer accounts under this group belong to top tier corporations, conglomerates, and large multinational companies.

Deposit Products

The Corporate Banking Center offers a comprehensive range of deposit products that target different segments of the corporate market. To generate deposits and expand its corporate banking business, the Corporate Banking Center is also focused in becoming the customers' main operating bank by meeting the cash management requirements of its top corporate customers by offering collection, disbursement and payroll solutions aside from the traditional deposit products and credit facilities. This initiative, in coordination with the Bank's Transaction Banking Center, leverages the Bank's technological ability to customize its products and services to meet customer needs.

As of December 31, 2020, 2021, 2022 and June 30, 2023, the total deposits of the Bank's corporate customers amounted to ₱120.1 billion, ₱116.9 billion, ₱101.8 billion and ₱115.6 billion, respectively, representing 22.8%, 20.5%, 14.3% and 16.7%, respectively, of the Bank's total deposits.

Loan Products

The Bank provides a wide range of loan products and services to its corporate customers, including revolving credit lines, foreign currency loans, bills purchased, acceptances, trade finance facilities, project finance, term loans and corporate credit cards.

Most of the Bank's corporate clients are based in the Philippines and operate in various industries including real estate, power, and communications. The facilities offered to corporate customers include both secured and unsecured loan products, depending on the credit risks associated with a customer and its business. The Bank primarily provides short- to medium-term financing on a bilateral basis or participates in syndicated loans.

As of December 31, 2020, 2021 and 2022, and June 30, 2023, the total loans made by the Group to large corporate customers amounted to ₱117.5 billion, ₱119.5 billion, ₱131.1 billion and ₱141.6 billion, respectively, representing 36.5%, 35.6%, 27.6% and 27.2% of the Bank's total loans. The Group's three largest industry exposures (excluding household consumption loans) were to real estate activities, financial and insurance activities, and information and communication representing 18.4%, 9.6% and 7.0%, respectively, of the Bank's total loan portfolio as of June 30, 2023.

The Portal

The Bank has introduced a cash management platform for corporations called The Portal. It is a fully featured application which enables, among others, single sign-on for customers with multi-org access, real-time fund transfers and setting up business approval steps. It helps customers' merchant acquisition, account management and lending activities. It is an upgraded version of UnionBank Online, see "*— Retail Banking — Mobile Banking*" for more information. As of June 30, 2023, The Portal served 41,129 clients, an increase from 7,142 clients as of December 31, 2019. The Portal facilitated 2.2 million transactions in June 2023, a significant increase from 48,000 transactions in December 2019.

Commercial and SME Banking

The Bank's Commercial Banking Center provides loan products and services to customers from the middle market, SMEs, and individual entrepreneurs. The loan facilities provided to middle-market customers are predominantly composed of self-liquidating working capital facilities, which include promissory note lines, various discounting lines, and trade finance lines, among others.

The Bank believes that the development and expansion of its middle market and SME customer base is essential to its growth and success. The Bank plans to provide regional middle market customers with convenient channels for addressing their

borrowing and cash management requirements by offering a personalized and enhanced banking experience through loan services bundled with cash management, treasury, and trust banking products and services.

As of December 31, 2020, 2021 and 2022, and June 30, 2023, the total loans made by the Bank to commercial and SME customers amounted to ₱75.3 billion, ₱81.6 billion, ₱89.3 billion and ₱92.8 billion, respectively, representing 23.4%, 24.4%, 18.8% and 17.8% of the Bank's total loans. As of June 30, 2023, the Bank had over 9,500 middle market and SME banking customers. Contingent liabilities, comprised of unused commercial letters of credit and outstanding guarantees issued, amounted to ₱8.0 billion as of June 30, 2023.

The Bank introduced a cash management platform for MSME clients called MSME Business Banking in 2021. It is a fully featured application which enables, among others, single sign-on for customers with multi-org access, real-time fund transfers and setting up business approval steps. It assists in merchant acquiring, account management and lending activities. It is an upgraded version of UnionBank Online, see “— *Retail Banking — Mobile Banking*” for more information.

The Bank also launched “UPAY” in 2021, an integrated payment acceptance hub for SME customers to support collection of funds through various payment channels including UnionBank Online, Gcash and GrabPay, over the counter, and debit and credit cards. In addition, the Bank has launched “E-commerce Payment Gateway” with API connectivity via websites and mobile applications to enable merchants to accept major credit cards and alternative payment methods to support their customers' buying behavior and to deliver a cross-channel experience. Recurring customers could experience faster and more convenient payments by securely tokenizing payment credentials.

In connection with its corporate banking and commercial and SME banking, the Bank leverages on the community surrounding its anchor financial customers and its relationship with existing middle market customers, to engage these customers' distributors, suppliers, customers and other business relationships as prospective clients, which would expand the Bank's customer base.

Banking Subsidiaries

The Bank has five banks as its subsidiaries: City Savings, FAIR Bank, Bangko Kabayan, PBI and UnionDigital. Bangko Kabayan is the surviving entity in the tripartite merger with FAIR Bank and PBI, which took effect on July 13, 2023.

City Savings

The Bank offers salary loan products principally through City Savings which include salary loans to public school teachers under the DepEd's Automatic Payroll Deduction System (“APDS”) and to other government employees. The guidelines for the grant of salary loans to public school teachers are set out in a memorandum of agreement between the DepEd and City Savings. In 2016, City Savings launched its Pensionado loans for GSIS and SSS pensioners. In 2019, City Savings entered the motorcycle financing market through its acquisition of PR Savings Bank and it has substantially expanded its motorcycle loan business. It has also expanded its salary loan clientele to include employees of state and private schools, companies and government institutions. As of June 30, 2023, City Savings had 149 branches.

City Savings leverages technologies such as “i2i” and the “CitySavings Loan Ranger Mobile” application, its own branches and the Bank's network and customer base, as well as its collaboration with PETNET, one of the largest remittance networks in the Philippines, to increase its reach to mass market customers. “i2i” is a platform under UBX, through which City Savings is able to connect to people who do not have easy access to its branches and City Savings has disbursed government cash subsidy via “i2i,” see “— *UBX*” for more information on “i2i.” The “CitySavings Loan Ranger Mobile” application is a lending facility that allows customers to apply for re-loans on their own and thus customers do not need to visit a branch. Furthermore, City Savings provides another loan ranger module for sales associates to process loans remotely. Also see “— *Branch Network*” for more information on PETNET.

As of December 31, 2020, 2021 and 2022, and June 30, 2023, City Savings' total gross loan portfolio amounted to ₱57.2 billion, ₱57.6 billion, ₱78.8 billion and ₱93.5 billion, respectively. For the six months ended June 30, 2023, City Savings disbursed loans of ₱53.5 billion, comprising teachers' loans of ₱46.9 billion, motorcycle loans of ₱1.7 billion and other loans of ₱4.9 billion.

As of June 30, 2023, City Savings captured approximately 300,000 public school teachers or approximately 36% public school teachers in the Philippine public school system, securing 25% market share as measured by outstanding loan balance as of June 30, 2023, making it the largest lender of teachers' salary loans among private lending institutions. As of June 30, 2023, the teachers' salary loan portfolio of City Savings amounted to ₱73.9 billion. The teachers' salary loan portfolio is of a high quality as the loans are backed by DepEd's auto payroll deduction system.

As of June 30, 2023, City Savings had established distribution partnerships with over 380 motorcycle dealer in exclusive arrangement with City Savings. City Savings was developing its motorcycle loan business on the back of a proprietary data-science driven credit scoring model, see “— Credit Engine” for more information. As of June 30, 2023, City Savings secured approximately 30% market share among the independent motorcycle loans market in the Philippines as measured by outstanding loan balances. City Savings’ total motorcycle loan portfolio was ₱7.1 billion as of June 30, 2023.

City Savings also achieved growth in other market segments to diversify its loan portfolio. In particular, City Savings partners with PERA HUB to offer pension loans and tailored loans to employees of Philippine local government units and widens customer reach through remittance counters. As of June 30, 2023, City Savings’ other loan portfolio (i.e. strategic loans other than teachers’ salary loans and motorcycle loans) realized a growth of 44.0% compared to June 30, 2022.

FAIR Bank

FAIR Bank is a rural bank that provides banking and microfinance services and loan products to micro, small and medium enterprises, and micro housing institutions in the Visayas region of the Philippines. As of June 30, 2023, FAIR Bank had one banking office and ten branches located in Cebu and Negros Occidental areas in the Visayas region. Its deposit products include regular savings deposit, microfinance savings, Bulilit Happy Savers for children and students, time deposit and checking account. FAIR Bank also offers a wide range of loan products such as SME loan, agro-industrial loan (for working capital requirements or acquisition of fixed assets such as post-harvest facilities and piggery), *Kaabag* loan (a group-lending approach that provides additional capital resources to enterprising women), *Pamilya* loan (for working capital requirements of an individual’s business), *Palengke* loan (for working capital requirements of an individual’s business in the marketplace), and revolving credit line.

Bangko Kabayan

Bangko Kabayan is a rural bank with 24 branches as of June 30, 2023, all located in the areas of Batangas, Laguna and Quezon, Southern Luzon. Bangko Kabayan is the surviving entity in the tripartite merger with FAIR Bank and PBI, which took effect on July 13, 2023.

Bangko Kabayan provides deposit products such as savings deposits for safekeeping of funds, time deposits that earns higher interest rate than savings, checking deposits that can be used by individuals or enterprises to support their personal or business requirements, Bibo Kid Savers savings deposits for children aged 7 to 12, and basic savings deposits.

Bangko Kabayan offers various microfinance lending programs to assist individuals (*Kabayan* Loan) or groups finance commencement of businesses (*Kapitan* Loan), house improvements (*Gabay* Housing Loan), educational expenses (Educational Loan) and *Kabayan* Plus loans for existing microfinance borrowers with excellent payment records and business that needs higher loans.

Bangko Kabayan offers SME loans to the small and medium-sized enterprises for marketing and distribution of commodities, trading business, and manufacture of goods and to businesses in service industries. Bangko Kabayan offers agricultural loan for cultivation, development and improvement of agricultural land, raising poultry and livestock and improvement of fishpond and other development activities related to agriculture. Bangko Kabayan also offers housing loans to individuals for housing purposes and transport, vehicle and equipment loan as financing facility for cars, trucks and equipment buyers.

PBI

Progressive Bank, Inc. (“Progressive Bank”), a rural bank based in Iloilo, Philippines, and engaged in the business of providing credit to farmers, and small, medium and micro business enterprises. As of June 30, 2023, PBI had two offices and one branch.

UnionDigital

In July 2021, the Bank was one of six entities granted permits by the BSP to operate a digital bank. In November 2021, the Bank received the Philippine SEC’s approval for the incorporation of UnionDigital, its subsidiary to operate a digital bank. UnionDigital commenced its operation on July 18, 2022.

As a digital bank, UnionDigital has no physical branches and its financial products and services are processed end-to-end through digital systems. As of the date of this Prospectus, UnionDigital offers deposits products, and personal loans. It also plans to offer credit and debit cards, payment networks access, and micro-investment and digital assets. The Bank envisions developing UnionDigital into a one-stop full-fledged financial services marketplace offering digital saving and lending, payments, insurance, micro investment, digital assets, and other value-added services. The wide product suite of UnionDigital covers all five financial seasons from spending, saving, investing, protecting to borrowing, and extends beyond the traditional

products to alternatives covers, and will well satisfy the needs of unbanked and underserved communities and tech savvy generation. UnionDigital onboarded its first corporate account customer, Philippine Digital Asset Exchange, and it aims to expand its partnership base with other communities and corporates in the future. The Bank expects UnionDigital to deliver next-generation customer experience, featured with easy-to-use services, 24/7 connectivity, streamlines process, competitive pricing, agile product iteration and hyper-personalized offering.

UnionDigital is an essential part of the Bank's growth aspirations to accelerate the penetration of the larger untapped and underserved retail segments in the Philippines. UnionDigital aims to empower the Philippines' vision toward a fully digital economy, enabling Filipino communities, businesses, and regulators to leverage on fintech, blockchain, data science, cloud and open finance technologies, and artificial intelligence to achieve inclusive prosperity. The Bank has a clear customer allocation strategy with UnionDigital catering to underserved communities. UnionDigital will become the Bank's principal digital instrument to reach a larger untapped retail segment frictionless and efficiently, differentiating itself from traditional banks who rely greatly on brick-and-mortar infrastructure. These addressable customers, some of whom are also business owners that still have limited access to financial networks and services, are expected to create cross-selling opportunities for MSME banking.

Being completely digital, UnionDigital will also provide overseas Filipino workers with easy access to banking services in the Philippines. From August 2022, customers could direct an international or domestic Western Union money transfer to their accounts at the Bank through the Bank's digital applications. The connection between the Bank's system and Western Union's network will give UnionDigital an advantage in attracting overseas Filipino workers to be its customers.

UnionDigital also targets the tech-savvy next generation by collaboration with Web3 and digital asset service providers, for example, (i) in March 2022, UnionDigital signed a memorandum of understanding with Yield Guild Games for the purpose of collaborating to make financial products and services more accessible to the play-to-earn and Web3 communities in the Philippines; and (ii) in August 2022, UnionDigital signed an exclusive collaboration agreement with Nexplay, owner of a leading Southeast Asian e-sports and video game content ecosystem, to offer convenient digital financial services for Filipino gamers.

By tapping new client segments as described above, UnionDigital will complement the Bank's existing network of client coverage which is centered on serving the wealthier segment and mass market via its established channels under retail banking division, City Savings and the Acquired Citi Business.

Out of the six licensees by the BSP to operate digital banks, UnionDigital is the only digital bank established by a universal bank in the Philippines, which gives UnionDigital competitive advantages over the other digital banks:

- (i) By leveraging on the Bank's resources, personnel, systems and experience, UnionDigital could raise funding easily, build its team in a short time, and have access to the Bank's credit database and risk management system which other digital banks would spend large amount of time and resources to build. It will achieve seamless integration of governance of and benefit from public trust of a regulated bank, and meanwhile have the mindset and agility of a technology company, led by management with extensive financial technology experiences.
- (ii) UnionDigital is supported by the Bank's IT infrastructure and technological capabilities, and is thus able to deliver products and services empowered through disruptive technologies such as fintech, blockchain and open finance technologies, and is also able to leverage Bank's mature credit engine to serve and manage low-income customers who lack formal credit history in a cost-effective manner and to support its operations and risk management (see "*The Bank* developed and launched the technology-enabled platforms, channels, products and tools as part of its digital transformation. Digital transformation includes the building of infrastructure, technological capabilities, organizations and human resources, and the development and application of digital tools, products, platforms and channels, and aims to use digital technologies to create new and modify existing business processes, culture and customer experiences.
- (iii) UnionDigital is supported by the Bank in marketing and customer acquisition, in particular, the Bank aims to migrate certain of its existing customers to UnionDigital and also market UnionDigital through the Bank's network and ecosystem such as to local government constituents, overseas Filipino workers, online marketplace sellers, fintech communities and Web3 guild members. The Bank has merged the EON digital accounts into UnionDigital's system and EON account holders have become customers of UnionDigital. The EON brand was first launched in 1999 and re-launched in 2017 by the Bank as its first digital bank account specially designed for tech savvy customers, mostly e-gig practitioners and e-

commerce entrepreneurs. The Bank also has a customer allocation strategy with UnionDigital catering to underserved communities.

Trust Banking

The Bank provides a wide range of trust products and services through its Trust and Investment Services Group (“TISG”). The TISG is a full-service trust banking unit, which offers, among others, fund management, investment management services, escrow, custody, administrator ship and collateral agency services, and stock and transfer agency services. In addition to offering trust services to corporate customers, the TISG provides retail customers with alternative investment opportunities through its investment fund products. The Bank believes that its fee-based income from such investment fund products is one of the key drivers of its recurring income.

The funds managed by the TISG are sourced from corporate and retail customers. As of June 30, 2023, the Bank managed nine unit investment trust funds (“UITF”) products, which are primarily marketed to retail customers. The funds are geared towards long-term capital appreciation and are largely invested in fixed income securities of the Government and equity securities of financially sound corporations. As of June 30, 2023, total assets held in trust by the Bank amounted to ₱ 95.0billion.

Private Banking

In March 2019, the Bank officially launched its private banking business. The Private Banking Group (“PBG”) offers wealth advisory, access to local and global investment opportunities, including the crafting of a diversified multi-asset portfolio for its high-net-worth and ultra-high-net-worth clients. Together with its strategic ally, Swiss-based Private Bank Lombard Odier, the Private Banking Group makes available direct access to best-in-class assets such as government securities, corporate bonds, common and preferred equities, money market instruments, swaps and structured products, and other alternative investment outlets. In addition, they offer family services such as family governance, succession planning, inter-generational wealth and business transition, retirement and estate planning, philanthropy and sustainability.

In January 2022, the Bank’s PBG was named “Best Domestic Private Bank” in the Philippines at the Asian Private Banker Awards. Since 2019, the group has garnered various recognitions from global award-giving bodies in the Private banking and Wealth management industry.

Treasury, Funding and Trading

The Bank’s treasury, funding and trading businesses are undertaken by its Treasury and Global Markets Center, which also has the primary responsibility for managing the Bank’s sources of funding, and ensuring that the Bank has adequate liquidity at all times. In addition, it manages the Bank’s domestic and foreign currency-denominated investment instruments. The Treasury and Global Markets Center actively engages in trading for its own proprietary account, as well as distribution for individual and institutional investors who are customers of the Bank. It also engages in derivatives transactions for proprietary position-taking, to hedge the Bank’s foreign exchange and interest rate risks, as well as to service the investment and hedging requirements of its clients. The Treasury and Global Markets Center is responsible for conducting the Bank’s foreign exchange business.

Trading and Investment Securities

The Treasury and Global Markets Center manages the domestic and foreign currency-denominated securities trading and investment portfolios of the Bank. As a Government Securities Eligible Dealer, the Bank has been an active participant in the trading of Government securities, which mainly consist of treasury notes. The Bank also invests in foreign currency-denominated sovereign, quasi-sovereign and corporate bonds to match its foreign currency-denominated liabilities in the form of foreign currency deposits and notes, thereby reducing its foreign exchange risks.

As of December 31, 2020, 2021 and 2022, and June 30, 2023, the Bank’s trading and investment securities amounted to ₱205.4 billion, ₱237.7 billion, ₱333.0 billion and ₱357.5 billion, respectively, accounting for 26.5%, 28.6%, 30.5% and 32.2%, respectively, of the Bank’s consolidated total resources.

For the years ended December 31, 2020, 2021 and 2022, and for the six months ended June 30, 2023, the Bank’s interest income from trading and investments securities amounted to ₱8.1 billion, ₱7.7 billion, ₱12.5 and ₱7.7 billion, respectively, accounting for 21.0%, 21.2%, 24.7% and 21.0%, respectively, of its total interest income.

The following table sets out, as of the dates indicated, information relating to the Group’s total investment portfolio:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(₱ millions)		(₱ millions)	
Government securities ⁽¹⁾	185,808.8	214,419.8	311,334.2	335,065.1
Other debt securities ⁽²⁾	16,502.9	22,031.6	20,084.3	21,410.0
Total debt securities	202,311.7	236,451.4	331,418.5	356,475.1
Non-debt securities ⁽³⁾	3,477.9	1,472.6	1,929.6	1,299.9
Total	205,789.6	237,924.0	333,348.1	357,775.0
Less: Allowance for impairment.	(339.7)	(249.1)	(304.9)	(307.5)
Total	205,449.9	237,674.9	333,043.2	357,467.5

Notes:

(1) Comprised of Government bonds and other Government debt securities.

(2) Comprised of all non-Government debt securities.

(3) Comprised of equity securities and derivative assets.

Derivatives

The Bank is generally authorized and has additional derivatives authorization to engage in the trading and distribution of derivative instruments, such as currency and interest rate swaps, currency and interest rate forward contracts, financial futures, and options both for its proprietary and customers' accounts. Derivative transactions may also be entered into for the purpose of hedging currency, interest rate, credit and liquidity risks.

Asset Recovery

The Bank's Asset Recovery Group ("ARG") is responsible for the remedial management, loan restructuring, and asset recovery activities of all business centers of the Bank. When the collateral provided by either retail or corporate borrowers is foreclosed, such collateral is classified as ROPA and is managed by the Bank's ARG. As of June 30, 2023, the Group's ROPA amounted to ₱10.1 billion, comprised of the Bank's holdings in automobiles (₱1.01 billion), chattels (₱521.8 million), and real properties (₱8.6 billion).

The Bank generally sells its real estate ROPA through property auctions and negotiated sales. Real estate ROPA is generally sold on an instalment basis over a period of 15 years, and the Bank requires purchasers to make an initial down payment of at least 10% of the offered price. With respect to instalment payments that are classified as "sales contract receivables" ("SCR"), the Bank generally charges an interest rate of 11.0% to 15.0% per annum for the entire 15-year period. Titles to the real estate ROPA remain with the Bank until it receives full payment of the purchase price. Upon default in the payment of any SCR instalment, the purchaser is deemed to forfeit all prior principal payments, while the remaining unpaid balance will be booked as ROPA. Once the Bank repossesses the real estate ROPA, the property is resold through auctions or negotiated sales.

For the six months ended June 30, 2023, the Group sold ₱559.9 million worth of real estate ROPA. Real estate ROPA sales settled in cash for the six months ended June 30, 2023 amounted to ₱251.5 million, while the remainder was sold for payment on installment basis.

Acquired Citi Business

The Parent Bank's acquisition of Citigroup, Inc.'s consumer banking business in the Philippines was completed on August 1, 2022. The Bank acquired Citigroup, Inc.'s credit card, personal loans, wealth management, and retail deposit businesses in the Philippines and relevant real estate properties (together, the "Acquired Citi Business"). The transaction was effected through (i) an asset and liability transfer of the consumer banking activities of Citibank, N.A. Philippine Branch, (ii) the sale of all the shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and (iii) the sale of the real estate interests in Citibank Square building in Eastwood, Quezon City and three full-service bank branches. The total cash consideration is based on the net assets of the consumer banking business of Citigroup, Inc. in the Philippines plus a premium of ₱45.3 billion. Based on the closing statement as of July 31, 2022, the net asset value of the aforementioned business was ₱26.7 billion. The Citi Acquisition was approved by the Board of the Bank on December 23, 2021 and by the Monetary Board of the BSP on July 14, 2022. The Philippine Competition Commission issued clearance on April 5, 2022.

Other than cash and other cash items, due from BSP and due from other banks, the Bank determined the provisional fair values of the identifiable assets and liabilities acquired, which are subject to further adjustment once relevant information has been obtained. The provisional fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

	Provisional fair values recognized on acquisition date (₱ in millions)
Assets	
Cash and other cash items	1,598
Due from other banks	28,126
Loans and other receivables	65,581
Bank premises, furniture and fixtures, and equipment	2,120
Other resources	2,706
Total assets	100,131
Liabilities	
Deposit liabilities	65,265
Other liabilities	4,541
Total liabilities	69,806
Net assets acquired	30,325

The provisional goodwill from the acquisition is determined as follows:

	(₱ in millions)
Total purchase price	77,912
Less: Provisional fair values of net assets acquired	30,325
Provisional goodwill	47,587

The goodwill arising from the Citi Acquisition is attributed to the opportunities for future growth in the credit card business of the Group, and expected synergies in the consumer banking business of the combined Parent Bank and the acquired Citi business. The provisional fair value of the loans and receivables acquired as part of the business combination amounted to ₱65.58 billion, with gross contractual amount of ₱69.44 billion.

The Citi Acquisition has substantially increased the size of the Bank's business. Had the acquisition occurred at the beginning of 2022, the consolidated total operating income would have increased by ₱8.21 billion and net income would have increased by ₱1.24 billion.

The Bank aims to ensure a smooth transition for the former Citi customers and employees and expects full integration with the Acquired Citi Business within 12 to 18 months from August 1, 2022. Until full integration, former Citi customers will continue to use Citi's online platforms and mobile applications and use credit cards and other products under Citi's brand name, and former Citi branches will also be under Citi's brand name. The Acquired Citi Business will be managed by the same management team during the integration process as the entire management team has joined the Bank from Citi. In addition, approximately 1,500 employees have joined the Bank from Citi, including all the people the Bank identified as key talents, representing an overall manpower transfer rate of 90%. The Bank expects the former Citi employees, who initially work in separate departments, to be integrated into the Bank's departments and functional groups in the long run. The Bank expects to leverage Citi's capabilities to enhance its own delivery of services and products by, for example, including key features and functions which the Acquired Citi Business delivered for its customers. By doing so, the Bank aims to enable former Citi customers to enjoy the same or even better level of services and also improve the Bank's services to its original customers. Due to customers' confidence in the Bank, the attrition ratio was less than 1% and close to zero for the depositors and credit card holders at the Acquired Citi Business, respectively, from the announcement of the Citi Acquisition on December 23, 2021 to its completion on August 1, 2022.

Through a well-planned integration, the Bank expects to maximize revenue synergies including, among others, (i) cross-selling of products as mentioned above; (ii) increasing the Bank's asset under management and asset management revenue, and onboarding Citi's wealth management customers to the Bank's private banking business, which would improve customer experience and increase revenue as the Acquired Citi Business does not deliver private banking services; and (iii) the leveraging of Citi's best-in-class capabilities to enhance the Bank's own credit card business, such as with respect to utilization of credits, rewards programs and collections of debts. The Bank also expects to maximize cost synergies including by, among others, (i) lowering cost of funds due to the higher CASA base, as the amount of CASA deposits of the Bank was ₱417.2 billion and the percentage of CASA out of total deposits of the Bank was 61.2%, as of September 30, 2022, which was after the Citi Acquisition, compared to ₱360.0 billion and 59.8% as of June 30, 2022, which was before the Citi Acquisition; (ii) saving of IT costs by integrating the systems of the Bank and the acquired Citi Business, as the two systems are similar, with similar

technologies applied and following identical ways of working; (iii) complementing the Bank's product offerings with those of the Acquired Citi Business; and (iv) eliminating allocated costs, and utilizing shared services and manpower and supporting functions.

Through the increase of higher-yielding retail loan portfolio and net interest margins, the Citi Acquisition is expected to support the overall profitability and therefore capital position in the long run. The Bank will further strengthen its capital by focusing on stable recurring income to reduce mark-to-market movements in its qualifying capital. In doing so, the emphasis is to further build the Bank's core earning asset base, which shall be supported by continued growth in deposits, with emphasis on low-cost CASA deposits.

Branch Network

As of June 30, 2023, the Bank had a total of 385 branches nationwide, which includes the Parent Bank's 198 branches and the branches and offices of the Bank's subsidiaries, City Savings (149 branches), FAIR Bank (11 branches), Bangko Kabayan (24 branches) and Progressive Bank (3 branches). Three of the Parent Bank's branches were acquired from CitiBank as a result of the Citi Acquisition and without the relevant branch licenses. Therefore, the Parent Bank closed three other branches which were less profitable to provide the licenses.

Customers can do over-the-counter and self-service transactions at any of the Bank's branches. All the branches are provided with "Digital Transaction Portal," an in-house developed self-service innovation, which aims to facilitate faster processing time through paperless transactions and use of a card that stores bills payment and account information. The Bank's check verification system utilizes the Philippine Clearing House Corporation's check images, which is instrumental in enabling fast and reliable check clearing.

The Bank also has three mobile banking kiosks, also called "banks on wheels," which are vans equipped with 5G communication facilities and retrofitted with full branch capacities. Launched shortly before the announcement of the ECQ in 2020, these mobile banking kiosks have provided services such as balance inquiries, withdrawals, bill payments, funds transfer and account opening to areas where branch access is limited by natural disasters, pandemics or geography, and/or high volume of ATM transactions are needed for a specific period.

The Bank provides 24-hour banking services through its 602 ATMs as of June 30, 2023, 470 of which are located in its branches while 132 are in off-site locations, such as office buildings of selected key clients, hospitals, and entertainment/shopping centers. Customers are given access to the ATM facilities through ATM cards, which are issued to checking and savings account holders. The Bank also is a member of BACnet and Expressnet, which are ATM networks that allow its customers to use ATM terminals operated by other banks in the same network. Through these networks, customers have access to more than 14,000 additional ATMs nationwide.

The following table sets out details of the Bank's consolidated branches and ATMs in the Philippines in operation as of the specified dates:

	As of December 31,			As of June30,
	2020	2021	2022	2023
Metro Manila	137	135	126	126
Other areas of Luzon	136	138	147	147
Visayas	75	72	72	72
Mindanao	40	40	40	40
Total	388	385	385	385
ATMs	485	497	585	602

During the past few years, the Bank has made sustained efforts in digital transformation of its branch network to make the branches efficient, paperless and customer-centric through application of smart devices and other technologies. The Bank launched its first fully digital branch branded The ARK in September 2017, which was the Philippines' first fully digital branch. In January 2020, the Bank launched a The ARK 2.0 branch in Dasmariñas, Cavite, which leverages 5G technology for seamless connectivity with Internet of Things-enabled services. As September 2022, all the 198 branches of the Parent Bank had been transformed to The ARK branches where 100% of the branches' transactions are paperless, straight-through, and effected at the "Digital Transaction Portal." There is no bank teller, and customers are assisted by The ARK Ambassadors who are well trained bankers to guide customers on performing transactions on digital devices at The ARK branches, and there are uniquely designed spaces to support interaction between customers and The ARK Ambassadors. The Bank is on track to engage more than 1,000 The ARK Ambassadors by the end of 2022. Since no manual encoding is required from the Bank's staff to process transactions, the number of The ARK Ambassadors per branch is smaller than the number of bank tellers needed for traditional

banking, and is as small as three for some branches. In addition, The ARK Ambassadors have more time compared to traditional bank tellers to identify cross-selling opportunities and acquire new customers.

The ARK branches and The ARK Ambassadors feature efficient customer conversion, with approximately 180 thousand digital customers converted by The ARK Ambassadors in The ARK branches for the six months ended June 30, 2023. “Digital conversion” refers to converting existing customers using non-digital products to “digital customers” who use digital platforms and channels to access the Bank’s products and services. The Bank also launched in April 2019 its first automated teller machines for Bitcoin in The ARK in Makati, which allow customers to buy and sell Bitcoin units for cash.

Branches of PETNET (more widely known as PERA HUB), in which the Bank owns a 51.00% equity interest, operate as an extension of the Bank’s branch network by providing loan application processing for City Savings. As of June 30, 2023, there are 186 PETNET-owned branches equipped to process teachers’ salary and pension loans and 3,175 non-owned outlets or PERA HUB sub-agents as of the latest reported date. The Bank’s acquisition of PETNET in 2018 was meant to increase the operational synergies between PETNET and City Savings. The sales of DepEd Teachers Loans are performed and the sales of Pensionado loans (GSIS, SSS), OFW, and seafarer loans are exclusively performed by PETNET.

PESONet and InstaPay

Bank customers can transfer funds through the Government’s national retail payment systems Philippine Electronic Fund Transfer System and Operations Network (“PESONet”) and InstaPay by logging on to the Bank’s online platform and mobile application, eliminating the need to go in to a bank branch or use a payment counter for transactions.

PESONet allows businesses and individuals to initiate electronic fund transfers and recurring payments from accounts maintained in BSP-supervised financial institutions to corresponding accounts in other BSP-supervised financial institutions. Funds transferred through PESONet are available in the recipient account within the same banking day and is free of charge.

InstaPay allows customers to send and receive funds or make payments in real time through an unlimited number of transactions of up to ₱50,000 per transaction. Each transaction entails a fee of ₱10.

The Bank was the second largest sending bank for InstaPay transfers for the month of June 2023. Customers of the Acquired Citi Business will be able to use PESONet and InstaPay, which will solidify the Bank’s leading position for transfers via PESONet and InstaPay.

Digital Platforms and Other Digital Channels

The Bank’s thrust for digital transformation prompted it to launch digital platforms and channels intended to deliver products and services to various customer segments. Apart from UnionBank Online, The Portal and SME Business Banking, the Bank’s major digital platforms and channels include:

- “UPAY,” or the Unified Payments and Collections Platform consolidates several payment channels via a single integration point. Launched last May 2021, UPAY was the first, offered by a local bank, to offer a bank-agnostic, single platform that consolidates several online and offline payment options. It offers a simple integration either via the white-label payment page or via API to adhere to various client persona. In addition, UPAY can settle transactions in real-time through only one settlement bank, with a real-time transaction confirmation via API and a comprehensive, consolidated collection report. UPAY was built in response to the needs analysis performed by the bank with its customers, especially with the threat of the pandemic that forced businesses and government agencies to fast track their digital adaptation. Further to the response, UPAY not only caters to corporate customers but also micro, small and medium enterprises by equipping the bank’s SME Business Banking with the same capabilities of UPAY.
- “Supply Chain Financing (SCF)”, a digital trade document presentment and payment platform that provides convenient and easy access to credit to multiple tiers of the supply chain, specially the MSMEs. SCF allows anchors to benefit from digital trade document presentment and real-time payments. On the other hand, through additional risk management provided by Blockchain smart contracts and data immutability, SCF offers attested supply chain participants to get access to alternative credit. while supply chain participants benefit from alternative credit. SCF’s credit programs, such as Dealer Financing for working capital and Invoice Discounting for liquidity management, help MSMEs sustain and scale up businesses.
- “GlobalLinker,” a virtual B2B community and network platform for SMEs, providing access to services and marketplaces to help SMEs “tech up” and achieve digital transformation; and

- Products developed under UBX, which are discussed below.

The Bank also delivers services through APIs developed by third parties and itself and it is a pioneer in the development and application of APIs among the Philippines' banks.

UBX

UBX is a company incorporated in the Philippine and wholly owned by the Bank. UBX is a technology and innovation company tasked to experiment on emerging business models geared towards inclusive prosperity. UBX provides innovators opportunities to test their ideas and experiment with their products, and equips the innovators with resources such as mentorship and coaching, expert advice, financial support and assistance in legal, compliance, sales and marketing. For successful products, UBX would either acquire them or support their separate operation. UBX also collaborates with technology companies, financial institutions and other reputable companies on development and operation of fintech products. For example, UBX's xpanse is supported by eKYC solution provided by Alibaba Cloud and its SeekCap was co-developed by OneConnect and UBX.

UBX also serves as the Bank's investment house to hold, purchase, and acquire businesses engaged in financial and information technology services. UBX invests in fintech products that may provide strategic value. For example, UBX acquired 30% of the common shares of Shiptek Solutions Corporation in May 2019 and UBX Private Ltd. ("UBX SG"), the wholly owned subsidiary of UBX, acquired 25% of the common shares of Pacific Payments Pte. Ltd. in February 2020. Shiptek Solutions Corporation owns the XLOG platform, which offers end-to-end supply chain solution that consolidates shipping, warehousing, trucking and customs brokerage. By holding minority equity interest in fintech companies, UBX is able to enjoy economic benefits brought by fintech products without interfering with the founders' innovation and development.

By these efforts, UBX aims to become an aggregator of digital platforms and fintech products and an accelerator to build an embedded banking ecosystem. UBX leverages the disruptive insights, strategies and networks of digital platforms and fintech products to provide value to the Bank and also leverages on the Bank's digital strengths such as the Bank's open APIs that can be easily integrated with digital platforms and fintech products. In particular, UBX owns and operates four key digital platforms:

- "i2i." The name refers to "island-to-island, institution-to-institution, individual-to-individual." It is a fast-growing agency banking network and banking as a service solution provider that connects rural banks and non-banking financial institutions to each other and to the nation's financial networks while providing a digital transformation package for these institutions including core banking technology and digital banking channels, powered by blockchain technologies. As of June 30, 2023, 122 financial institutions had signed up on i2i;
- "Sentro," a homegrown eCommerce shop builder in the Philippines, with pre-integrated payment gateway and delivery services. It is an online business-to-business marketplace for the MSME ecosystem, with business solutions to include BUx. As of June 30, 2023, there had been approximately 37.1 thousand signups and 5.0 thousand stores published;
- "BUx," a fast-growing payment gateway for e-commerce in the Philippines, and an all-in-one payment platform which enables end-to-end payments. Merchants of all sizes can accept various forms of payments including over-the-counter, online banking, cash on delivery, e-wallets, installments as well as debit and credit cards. BUx has launched universal QR payments enabling merchants to accept payment with a scan from their customers' mobile devices. BUx also enables merchants to offer options of payment by installment and buy-now-pay-later. BUx was awarded "Best Digital Payment Facilitator – Philippines for 2021" by Global Brands Magazine. As of June 30, 2023, there had been approximately 117.5 thousand signups at BUx, and the number of transactions amounted to 3.2 million for the six months ended June 30, 2023; and
- "SeekCap," a digital lending marketplace for MSMEs in the Philippines that offers fast and affordable financing options including same-day approvals and leverages blockchain technology. SeekCap studies customer behavior patterns by using alternative data such as digital platform usage and geographical metadata, making it possible for MSME borrowers to qualify for loans compared to just looking at traditional credit factors. As of June 30, 2023, there had been approximately 55 thousand signups at SeekCap and for the six months ended June 30, 2023, the amount of disbursed loans was approximately ₱687.2 million, of which 97.3% was disbursed by the Bank;

UBX also owns and operates a number of other digital platforms and fintech products including the below, among others. These are relatively new products and the Bank is building momentum on their usage:

- “xpanse,” an open finance platform that enables banks, fintechs and startups to build new financial solutions through APIs and enables customer controlled data sharing across hundreds of member institutions in the Philippines.
- “Vinne,” a money management mobile application powered by blockchain technologies, giving access to decentralized finance applications;
- “Assured,” an innovative embeddable insurance platform which business partners can embed into their platforms through APIs and embeddable user experience, and thus make their products accessible to consumers who have been previously underserved. Through Assured, insurance options are presented as a value-added feature in everyday experiences such as online shopping. Offerings are context-based. Examples of offerings include personal accident insurance at bill payment, item loss and delivery failure protection on e-commerce platforms, and insurance coverage embedded to MSMEs’ activities such as inventory management and payroll processing. UBX partners with insurtechs and selected companies to increase insurance penetration rate; and
- “AKIN,” a next-generation blockchain-based identity verification solution. In the AKIN management system, verified digital identities are shared across the platform for smoother and frictionless transactions such as leasing, loaning, and banking.

With its technology capability, UBX offers technological and digital transformation services where it helps its clients build platforms and develop web applications with functions of, among others, payment gateway, cloud hosting, application development, and blockchain development. For example, in July 2022, the Philippine Postal Corporation signed an agreement with UBX that UBX will provide technical support in digital finance and open finance to help its digital transformation project.

UBX operates an office in Singapore through UBX SG, its wholly owned subsidiary. UBX expects to benefit from Singapore’s wealth of start-ups, deep fintech talent pool and rapid rise of fintech in financial transactions. UBX became a partner for Monetary Authority of Singapore’s Business Sans Borders project in 2019, where Sentro was integrated into the project, enabling SMEs from both Singapore and the Philippines to discover cross-border business opportunities.

UBX’s business experienced a strong growth. The number of monthly transactions at UBX’s platforms was 1.1 million for December 2021, and 0.5 million for December 2022, and 0.7 million for June 2023. The recurring gross revenue (which excludes income from crypto and investments) generated by UBX was ₱208.0 million for the six months ended June 30, 2023. Out of UBX’s platforms, the number of signups of financial institutions at i2i grew by 24%, the amount of business loans disbursed at SeekCap grew by 285%, and the number of stores published at Sentro grew by 8%.

As an aggregator of platforms and an innovation company with rapid-growing business, UBX aims to capitalize on customer leads across various industries, businesses and communities to harness synergies across ecosystems. UBX is predicated on a future where financial services are invisible: seamlessly embedded into the experiences and activities that truly matter to businesses and people.

Information Technology

The Bank is actively embracing technology, aiming to make its banking operations more accessible, efficient and customer-friendly and at the same time exploring new business models outside traditional banking.

The Bank’s Information Technology Services Group is responsible for the proper and efficient functioning of the Bank’s information technology systems and infrastructure. This group works together with other departments and groups of the Bank in applying information technology to implement the Bank’s technology initiatives and experimentation and facilitate the Bank’s digital transformation.

The Bank is the first bank in the Philippines to commercially publish its APIs and also is the first Philippine bank to participate in the API Exchange initiative of the ASEAN Financial Innovation Network. The Bank believes that APIs will enable it to create entirely new businesses and provide its customers with an even richer menu of services. The Bank implements an open API strategy by building one of the largest API marketplaces among the Philippine banks. “UnionBank Developer Portal,” the Bank’s API marketplace launched in 2017, allows external entities to easily sign up, choose from a catalogue of services and integrate them into their own platforms. The API marketplace permits a system-to-system communication between core clients’ platforms and the Bank’s core systems. It enables fintechs, innovation companies and corporate clients to tap into the Bank’s

banking services and other functionalities. The categories of services under these APIs include, among others, partnership, authentication, loans, cards, payment and transfers, and inquiries. As of June 30, 2023, there were over 157 open APIs on UnionBank Developer Portal, of which 140 were designed by the Bank. As of the same date, by estimate, 80% of fintechs in the Philippines were empowered at the Bank's portal (based on the Bank's estimate of a total of 177 fintechs in the Philippines). The number of API calls for the APIs on UnionBank Developer Portal was 141 million for the six months ended June 30, 2023, representing a growth of 56% from 90 million for the same period in 2022. The value of the transactions generated by the APIs on UnionBank Developer Portal amounted to ₱229 billion for the six months ended June 30, 2023, representing growth of 30 from ₱177billion for the same period in 2022.

The Bank is a pioneer in applying blockchain technology in banking in the Philippines. The Bank's project i2i platform aims to bring unbanked Filipinos to the financial system by connecting rural banks to the Philippines' main financial network using a secure retail payment system applying blockchain. The Bank has also teamed up with Oversea-Chinese Banking Corporation, Limited to offer a blockchain-based remittance solution from Singapore to the Philippines on the i2i platform. Separately, UBX, the Bank's wholly owned subsidiary, has been working with OneConnect, an associate of Ping An, to develop SeekCap, a lending marketplace for micro, small and medium-sized enterprises that leverages blockchain technology.

The Bank has developed sustained advantage in digital capabilities. Apart from the above, the Bank is one of the first banks in the Philippines which enabled digital account opening, online check deposits and online foreign exchange transactions. The Bank is also a pioneer in several experimentations such as the launch of a virtual currency ATM by a universal bank, the launch of the first commercial bank-backed stablecoin called PHX, and development of self-sovereign identity solution. In July 2021, the Bank was one of the six entities granted permits by the BSP to operate a digital bank. In November 2021, the Bank received the Philippine SEC's approval for the incorporation of Union Digital. Union Digital is expected to start operations in the second half of 2022. The Bank issued ₱11 billion digital bonds on June 2, 2022 through the digital registry and digital depository of the PDTC, utilizing infrastructure powered by #STACS blockchain, which is the first offering of digital peso bonds in the Philippines.

The Bank has also dedicated substantial efforts to ensure security in its information technology systems. In early 2017, the Bank received the certification for Payment Card Industry Data Security Standard version 3.2, making it the first universal bank in the Philippines to be certified with the latest card data security standard. In May 2017, the Bank inaugurated its IOC, a 24/7 security center and a collaborative facility for developing security measures against constantly evolving cybersecurity threats. The IOC is also responsible for monitoring the performance of the Bank's systems, servers, and applications, as well as monitoring uptime of leased lines.

The Bank is also actively applying other advanced information technologies. The Bank's The ARK branches apply 5G technology and Internet of Things technologies to provide smart banking.

To ensure system stability and security, in 2016 and 2018, the Bank relocated its disaster recovery data center and part of its production data center each to one offset facility, respectively. In April 2019, the Bank shifted its strategy from a production-disaster recovery data center to an active-active data center to fully maximize investments and achieve maximum availability. This shift has been enabled by the triangulated network consisting of the onside facilities and the two offset facilities.

In September 2022, the Bank inaugurated the UnionBank Innovation Campus ("UBIC"), a one-hectare commercial complex in Laguna. UBIC currently has one fully functional four-storey office building with lower ground, mezzanine, and roof top with a gross floor area of 7,588.65 square meters. The 5G-enabled office is the First Asia-Pacific Smart Campus for a financial institution, having used Huawei's Smart Campus technology for smart building operations, smart security management and digital collaboration tools among others. The property currently houses critical functions of the Bank and an Integrated Operations Center, further enhancing the Bank's Disaster Resiliency practices while providing ample space for collaboration and skills development.

Digital Transformation

The Bank developed and launched the technology-enabled platforms, channels, products and tools as part of its digital transformation. Digital transformation includes the building of infrastructure, technological capabilities, organizations and human resources, and the development and application of digital tools, products, platforms and channels, and aims to use digital technologies to create new and modify existing business processes, culture and customer experiences.

The Bank's digital transformation has three phases and it has completed the first two. The first phase was "building the core", which means transformation of infrastructure, technology, people and organization:

- Transformation of infrastructure and technology includes design of a digital enterprise architecture, business process automation and robotics process automation, building of an IOC and data centers, and design and implementation of an open API strategy. The Bank's digital enterprise architecture is a technological blueprint to guide the Bank in creating its new capabilities and planning its capital expenditures to deliver superior and unique customer experience, straight-through processes, six sigma reliability, secure and 24/7 availability of services. By business process automation and robotics process automation, the Bank has been using digital tools to automate repeatable, multistep business transactions and developing and deploying software robots to emulate human actions interacting with digital systems and software.
- Transformation of people and organization includes forming new groups, hiring industry experts, adding new roles, adopting agile ways of working, upskilling employees with on-demand learning tools.

The second phase focused on transformation of customer-facing channels, including transformation of branches, launch of online banking applications, digital platforms and the MAX digital RM tool.

The Bank is currently at the third phase, which focuses on rollout and commercialization. This phase includes enhancement of digital channels such as digital transformation of more branches and continuous introduction of new features and functions in its digital platforms and applications. This phase also includes digital marketing and consumer awareness campaigns to leverage on the Bank's digital channels and ecosystem to acquire more customers and expand its business. More importantly, the third phase includes the implementation of a cloud-only strategy to enable data processing by cloud technology to the maximum extent, embracing of DevSecOps to increase the speed of software delivery cycles, and expanded application of artificial intelligence to provide a hyper-personalized banking experience, streamline data processing and help detect and combat financial crimes. The Bank is migrating its IT infrastructure from on-premise to Amazon Web Services and expects to complete the migration by end of 2022, upon which the Bank will run almost 400 mission-critical applications on Amazon Web Services, and the Bank is also migrating over 900 virtual machines to VMware Cloud on Amazon Web Services. These will be the largest public cloud footprint for local banks in the Philippines. These are expected to further modernize the Bank's IT infrastructure, save operational expenses, drive operational efficiencies and innovate new services. The Bank is also working with Huawei to build a smart data center network to satisfy the need of the Bank's growing business and expanding product portfolio. In addition, the Bank is partnering with Deloitte and Red Hat to apply DevSecOps, which stands for development, security and operations. By applying DevSecOps, the Bank is shifting from the Agile methodology that focuses on development and is working to automate testing, embed information security and build operational intelligence and artificial intelligence, in order to shorten the timeframe between testing and deployment of applications and provide continuous delivery without compromising quality.

The Bank intends to stay ahead in the market and be ready for any technological disruption.

Credit Engine

The Bank has developed its in-house, proprietary credit engine using data science and artificial intelligence ("DSAI") to predict revenue opportunities, customers' future behaviors and suitability of credit products for customers. The credit engine has been developed in the following steps: first, available data were analyzed by data scientists and data engineers to develop artificial intelligence and machine learning models; second, model services were developed by machine learning and operations engineers or automated deployment and version control; third, models are deployed via APIs and embedded into application. The models could be developed and trained by using the Bank's credit and other data acquired during its decades of operation, and could also be improved according to their testing and application results. Once the initial models are deployed, DSAI can refresh the service by background processes without any overhead by the client and can upgrade or change service versions with limited overheads. Upon registration of the models on the API gateway, internal model changes are abstracted from

external consumers unless new API versions are released, and models are served as a service that can be integrated into any type of applications.

Starting from January 2021, the Bank replaced the traditional expert model with its DSAI credit engine for approval process of MSME business loans and personal loans. Under the traditional expert model, loan applications were filtered based on approval criteria, and whitelists were manually generated. In contrast, the DSAI credit engine applies a model-centric approach, loan pricing is automatic, and the models could be adjusted pursuant to the Bank's business strategies, market trends and others. Different from the traditional third party model, the credit engine is able to analyze a variety of information apart from credit data, such as socio-demographic, social-psychologic and mediating variables. Information is taken from, among others, the Bank itself, government institutions, statistical bureaus, credit bureaus, partner platforms, Google APIs, unstructured text, driving data, internet footprint, property and environment characteristics and life journey information. As a result, the credit engine is able to complete a credit approval process much faster and substantially improve lending approval rates and reduce delinquency rates. The credit engine is even able to, based on modelling, grant loans to low-income population many of whom lack formal credit history based on socio-demographic analysis built up from decades of proprietary credit data.

The Bank has been constantly monitoring the performance of the credit engine and improving and upgrading the models. Meanwhile, the credit engine is self-evolving by machine learning as the Bank's technology team feed it with additional data and feedbacks.

The development of the Bank's credit engine has been led by its well-organized team of industry experts including Dr. David R. Hardoon, who serves as Chief Data and AI Officer for the Bank, Chief Data and Innovation Officer for the Aboitiz Group, as well as Managing Director for Aboitiz Data Innovation. Previously, Dr. Hardoon was the Monetary Authority of Singapore's first appointed chief data officer. Other notable team members include Dr. Adrienne Heinrich who serves as AI Chief Executive of the Bank, Lead of Innovation and Process Management for the Aboitiz Group, and head of AI Center of Excellence for Aboitiz Data Innovation.

Subsidiaries

Universal banks in the Philippines, such as the Bank, may invest in the equity of banking-related companies or "allied undertakings." Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies and financial institutions catering to SMEs.

A publicly listed universal or commercial bank in the Philippines may own up to 100% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100% of the equity of thrift banks, rural banks or financial or non-financial allied enterprises. Prior Monetary Board approval is required for investments in allied and non-allied undertakings.

The total investments in equities of allied and non-allied enterprises shall not exceed 50% of the net worth of the Bank, subject to the further requirement that the equity investment in any one enterprise, whether allied or non-allied, shall not exceed 25% of the net worth of the Bank.

As of June 30, 2023, the Parent Bank's subsidiaries are as follows. The Parent Bank has 17 subsidiaries, i.e., companies in which it owns majority equity interests. Apart from UBX SG and UBX Remit Pte. Ltd. ("UBX Remit"), both of which are incorporated in Singapore, all of the Parent Bank's subsidiaries are incorporated in the Philippines.

Subsidiary	Percentage of Ownership	Nature of Business
City Savings Bank, Inc. ("City Savings") ⁽¹⁾	99.79%	Thrift Bank
PetNet, Inc. ("PETNET")	51.00%	Remittances/money transfer
First-Agro Industrial Rural Bank, Inc. ("FAIR Bank") ⁽²⁾	100.00%	Rural bank
UBP Investments Corporation ("UIC"), formerly Union Properties, Inc. ("UPI")	100.00%	Holding company
First Union Plans, Inc. ("FUPI") ⁽³⁾	100.00%	Pre-need
First Union Direct Corporation ("FUDC") ⁽³⁾	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. ("FUIFAI") ⁽³⁾	100.00%	Agent for insurance and financial products
UBP Securities, Inc. ⁽⁴⁾	100.00%	Securities brokerage
UnionData Corporation ⁽⁴⁾	100.00%	Data processing

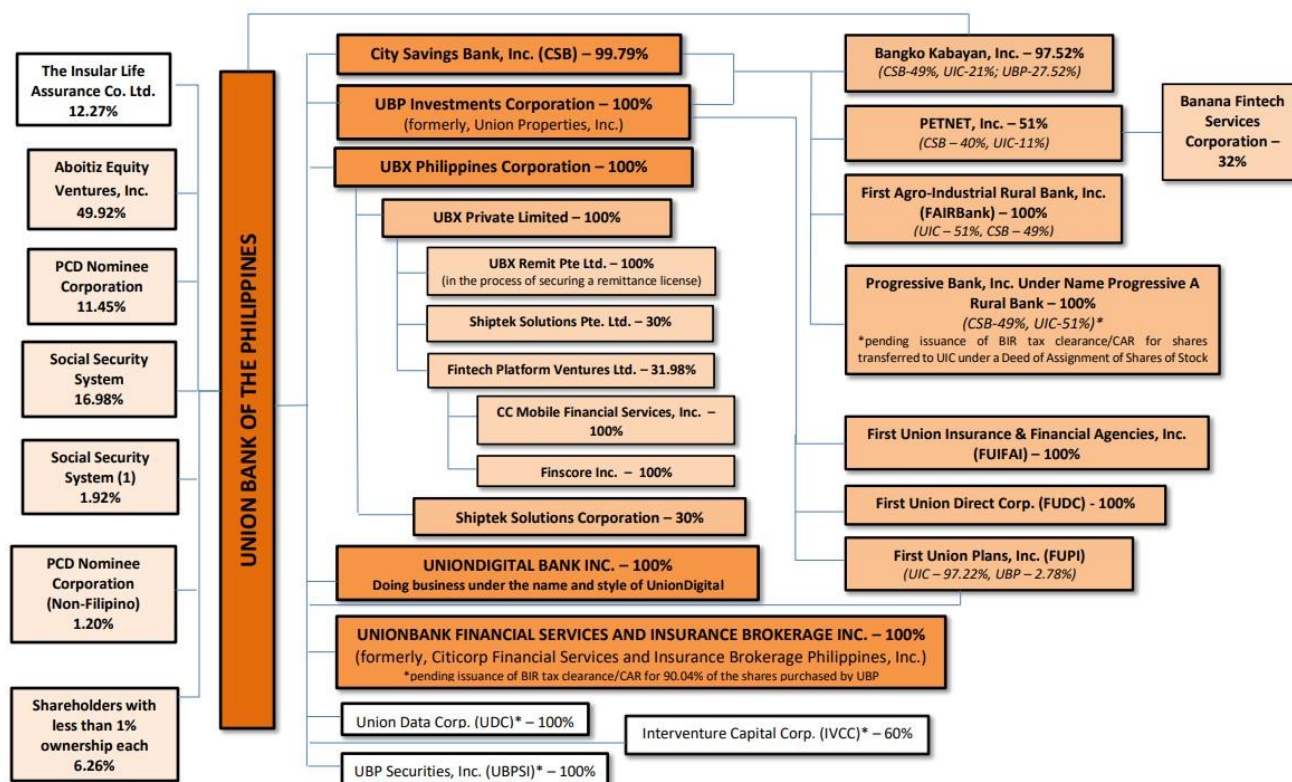
Subsidiary	Percentage of Ownership	Nature of Business
Interventure Capital Corporation ⁽⁴⁾	60.00%	Venture capital
UBX Philippines Corporation (“UBX”)	100.00%	Investment holding and innovation company
UBX Private Ltd. (“UBX SG”) ⁽⁵⁾	100.00%	Holding company
UBX Remit Pte. Ltd. (“UBX Remit”)	100.00%	Remittance company
Bangko Kabayan, Inc. (“Bangko Kabayan”) ⁽⁶⁾	70.00%	Private development bank
Progressive Bank, Inc. (“PBI”) ⁽⁷⁾	100.00%	Rural bank
UnionDigital Bank, Inc. (“UnionDigital”)	100.00%	Digital bank
Unionbank Financial Services and Insurance Brokerage Philippines, Inc. ⁽⁸⁾	100.00%	Insurance Broker and Securities Brokerage

Notes

- (1) On February 28, 2019, Philippine Resources Savings Bank, Inc. was merged with City Saving
- (2) On July 8, 2021, UIC acquired the shares of non-controlling interest of FAIR Bank.
- (3) FUPI, FUDC and FUFAI are wholly owned subsidiaries of UIC.
- (4) Non-operating subsidiaries.
- (5) Wholly owned subsidiary of UBX.
- (6) Acquired on March 12, 2020 through City Savings and UIC with 49% and 21% share in ownership, respectively.
- (7) Acquired on July 13, 2020 through City Savings and UIC with 49% and 26% share in ownership, respectively; on October 7, 2021, UIC acquired the shares of non-controlling interest of PBI.
- (8) Acquired as part of the Citi Acquisition on August 1, 2022

In July 2021, the Bank was one of six entities granted permits by the BSP to operate a digital bank. In November 2021, the Bank received the Philippine SEC’s approval for the incorporation of Union Digital. Union Digital commenced operation on July 18, 2022.

The following diagram illustrates the corporate structure of the Bank and its subsidiaries as of June 30, 2023:



* Dormant.

Note:

* Non-operating entities.

- (1) The percentage after the name of each entity indicates the percentage of equity interest the Parent Bank holds in such entity, directly and/or indirectly.
- (2) The percentages in italic form inside the parenthesis indicate the percentages of equity interest other entities hold in such entity.

(3) UnionBank Currency Brokers Corp is not included in this diagram because its corporate term ended on December 31, 2016, see “— Non-operating subsidiaries” below.

A brief description of each of the Bank’s active subsidiaries is set out below:

Citicorp Financial Services and Insurance Brokerage Philippines, Inc.

Citicorp Financial Services and Insurance Brokerage Philippines, Inc. was acquired on August 1, 2022 as part of the Citi Acquisition. Citicorp Financial Services and Insurance Brokerage Philippines, Inc. is primarily engaged in the business of marketing insurance and other financial products. It is a licensed broker in securities and a mutual fund distributor with the SEC, and a fixed income broker member of the Philippine Dealing System. It offers insurance and investment solutions to Citi customers and derives majority of its revenues from service fees and commissions. Also see “— Acquired Citi Business.”

UnionDigital

In July 2021, the Bank was one of six entities granted permits by the BSP to operate a digital bank. In November 2021, the Bank received the Philippine SEC’s approval for the incorporation of UnionDigital. UnionDigital commenced its operation on July 18, 2022. For more information on UnionDigital’s business operation, see the section entitled “— UnionDigital”.

City Savings

City Savings was incorporated and registered with the Philippine SEC on December 9, 1965. It is a thrift bank primarily engaged in granting teachers’ loans under the DepEd’s APDS. On December 9, 2014, the Philippine SEC approved the amendment of City Savings’ articles of incorporation extending its corporate term for another 50 years beginning on December 9, 2015. As of June 30, 2023, the Parent Bank owned 99.79% of City Savings’ issued and outstanding capital stock.

PR Savings Bank

Established in 1977 as the Rural Bank of Naguilian, PR Savings Bank is a thrift banking institution dedicated to serving the mass market by catering to the financial requirements of consumers, teachers, farmers and small business owners. Its lending services consist of motorcycle loans, salary loans to public school teachers, agricultural loans and microfinance. PR Savings Bank also offers regular savings deposit and time deposit accounts. The merger of City Savings and PR Savings Bank was approved by the BSP on December 27, 2018 while the Philippine SEC approved the same on February 28, 2019. On the date of the Philippine SEC’s approval, PR Savings Bank was merged into City Savings.

PETNET

PETNET, more widely known by its retail brand name PERA HUB, is one of the largest remittance networks in the country with over 3,000 outlets nationwide. It offers a variety of cash-based services including remittance, currency exchange and bills payment. In December 2018, City Savings and UIC in aggregate acquired 51% of the common shares of PETNET. As of June 30, 2023, the Parent Bank owned 51.00% of PETNET’s issued and outstanding capital stock.

FAIR Bank

FAIR Bank was incorporated and registered with the Philippine SEC on September 25, 1998. It is a rural bank primarily engaged in providing banking and microfinance services and loan products to micro, small and medium enterprises, and micro housing institutions. In December 2016, City Savings and UIC, the Parent Bank’s two subsidiaries, in aggregate acquired 77.78% of the common shares of FAIR Bank. In 2020, City Savings and UIC subscribed to 414,543 and 431,157 new common shares, respectively, of FAIR Bank at par value of ₱100 per share. As a result of the subscription, the percentage of ownership of UIC increased to 44.33% while City Savings’ ownership interest stood at 49%. On June 26, 2019, the board of directors of UIC approved the purchase of the remaining 199,998 shares held by the non-controlling interest of FAIR Bank for ₱50.15 per share (₱10.2 million). The purchase was completed in 2021 upon the execution of the Deeds of Absolute Sale on July 8, 2021, further increasing the percentage of ownership of UIC from 44.33% to 51%, while City Savings’ ownership interest stood at 49%, thus increasing their aggregate equity interest holding in FAIR Bank to 100%.

UIC

UPI was incorporated and registered with the Philippine SEC on December 23, 1993. Its new corporate name, UBP Investments Corporation, was approved by the Philippine SEC on July 22, 2019. It is engaged in the administration and management of the Bank's premises and other properties such as buildings, condominium, units and other real estate, wholly or partially owned by the Bank. UIC is also engaged in the sale of pre-need plans and marketing of financial products through its wholly owned subsidiaries, FUPI and FUDC. As of June 30, 2023, the Parent Bank owned 100.0% of UIC's issued and outstanding capital stock.

FUDC

FUDC was incorporated and registered with the Philippine SEC in 1999, and is a wholly owned subsidiary of UIC. It is a direct selling company that is principally engaged in the marketing of retail financial services and related products, such as credit cards of the Bank and pre-need pension plans of First Union Plans, Inc.

FUPI

FUPI was incorporated and registered with the Philippine SEC in 2000, and is a wholly owned subsidiary of UIC. It is principally engaged in the business of selling pre-need pension plans to retail customers. As of the date of this Prospectus, FUPI has ceased to market pre-need products but continues to service its existing customers.

FUIFAI

FUIFAI was incorporated and registered with the Philippine SEC in 2000, and is a wholly owned subsidiary of UIC. It was organized to primarily engage in the business of a general agent for life and non-life insurance, and other allied financial services.

UBX

UBX was incorporated and registered with the Philippine SEC in December 2018 and commenced commercial operations in February 2019. The Parent Bank holds 100% equity interest in UBX. UBX was incorporated to invest in, hold, own, purchase, lease, manage, sell or otherwise dispose of real and personal properties of every kind and description.

UBX serves as the Bank's investment house to hold, purchase, and acquire businesses engaged in financial and information technology services and is engaged in the development of financial technology innovations and in electronic commerce business. UBX acquired 30% of the common shares of Shiptek in May 2019 and acquired 35% of the common shares of CC Mobile Financial Services Philippines, Inc. ("CCPH") in September 2019. Shiptek is a technology solutions firm incorporated in the Philippines which operates, conducts and maintains the business of developing, marketing, selling, distributing and licensing the logistics solution technology known as XLOG. CCPH is a fintech company incorporated in the Philippines which offers microfinancing services.

On June 11, 2021, UBX sold all of its shares in CCPH to Fintech Platform Ventures Pte Ltd. ("FPV") pursuant to a corporate restructuring of the Finscore Group intended to consolidate the ownership of all its subsidiaries under FPV. The receivables for the sale of S\$1.0 million were assigned by UBX to UBX SG. UBX SG thereafter invested S\$0.35 million in cash and S\$1.0 million via assignment of receivables in FPV for 31.98% ownership.

On November 27, 2020, the Parent Bank's Board of Directors approved the additional capital infusion of ₱500 million into UBX. The capital infusion was approved by the BSP on February 15, 2021. The additional capital is intended to grow UBX's business operations and venture platforms.

For more information on UBX's business operation, see the section entitled "—UBX."

UBX SG

UBX SG was incorporated in Singapore in October 2018. It was wholly owned by UIC upon incorporation and was acquired by UBX in April 2019. It is a holding company that is principally engaged in acquiring various fintech start-ups. UBX SG owns 100% equity interest in UBX Remit.

In February 2020, UBX SG acquired 25% of the common shares of Pacific Payments Pte. Ltd. (“PPPL”) for S\$1.6 million. PPPL is a holding company incorporated in Singapore in November 2014. On June 18, 2021, UBX SG sold its 25% stake in PPPL for a total consideration of S\$5.4 million. UBX SG will use the proceeds to pursue growth and investments opportunities.

On January 31, 2021, UBX SG subscribed S\$2.5 million into Integra Partners’ Fund II as a limited partner. Out of the S\$2.5 million subscribed, UBX SG has already paid S\$286,000. Integra Partners is a venture capital firm based out of Singapore and is considered one of Southeast Asia’s premier fintech and healthtech venture capital funds. UBX SG’s investment in the fund indicates its commitment to invest in the fintech space and drive healthcare and financial inclusion in Southeast Asia. Additionally, the partnership further cements the existing strategic relationship with Integra Partners.

On August 2, 2021, UBX SG subscribed to 811 non-cumulative, non-convertible preference shares of NYK Ventures Pte Ltd. (“NYK”) at a price of S\$317.79 per share or a total of S\$0.26 million in addition to its existing interest of 1.96% in NYK. This additional subscription was an exercise of UBX SG’s pro rata rights to maintain an equity stake in NYK’s wholly owned subsidiary, PDAX, Inc. of 2.58%.

UBX Remit

UBX Remit was incorporated in Singapore and is wholly owned by UBX SG. It provides remittance and money- changing services.

Bangko Kabayan

Bangko Kabayan is a bank providing financial products and services to MSMEs and individuals in the local communities, including rural clients. Bangko Kabayan provides deposit products, microfinance, loan products, and other services including remittances and mobile banking. Many of Bangko Kabayan’s services are designed to meet the needs of micro and small businesses and individuals with limited financial means. In March 2020, City Savings and UIC in aggregate acquired 70% of the common shares of Bangko Kabayan. On June 22, 2023, the BSP approved the Bank’s request to purchase 1,011,961 shares in Bangko Kabayan. The purchase was complete on July 10, 2023. Bangko Kabayan is the surviving entity in the tripartite merger with FAIR Bank and PBI, which took effect on July 13, 2023.

PBI

PBI is authorized to engage in the business of extending credit to farmers, tenants, and rural industries or enterprises; and to transact all business that may be legally done by the rural banks formed under and in accordance with the existing Rural Banks Act (Republic Act No. 7353). The principal office address of PBI is located at Del Rosario St., Poblacion, Balasan, Iloilo, and operates an extension office in Pototan, Iloilo, for the purpose of providing microfinance loans along with its primary banking services; and a branch at No. 243 E. Lopez St., Brgy. Lourdes, Jaro, Iloilo City.

On January 5, 2018, City Savings and UIC signed an agreement to acquire 75% ownership interest of PBI through a combination of (a) subscription to 18,000,000 new shares and (b) purchase of 11,980,916 common shares from the major stockholders of PBI pursuant to Special Powers of Attorney dated November 16, 2017. On February 24, 2020, the BSP approved the application of City Savings and UIC to acquire 75% ownership of PBI. On August 7, 2020, 18 million shares of PBI was subscribed and fully paid for in the following proportions, City Savings for 8,820,000 shares (22.06% of outstanding) and UIC for 9,180,000 shares (22.96% of outstanding) all at ₱1.00 per share. The Bank has completed the closing conditions of the agreement, including the execution of deed of absolute sale of the shares which was executed on February 4, 2021.

On October 7, 2021, UIC acquired the remaining 19,993,640 shares held by the non-controlling interest of PBI for ₱1.80 per share (₱36.0 million in total), further increasing the percentage of ownership held by UIC from 26% to 51%, while the percentage of ownership held by City Savings remained 49%. As of June 30, 2023, the Parent Bank indirectly held 100% equity interest in PBI.

Non-operating subsidiaries

- (a) UBP Securities, Inc. (“UBPSI”) was incorporated and registered with the Philippine SEC on March 2, 1993. It was organized to engage in the business of buying, selling or dealing in stocks and other securities. In January 1995, as approved by UBPSI’s stockholders and board of directors, UBPSI sold its stock exchange seat in the PSE. Accordingly, UBPSI ceased its stock brokerage activities.

- (b) UnionBank Currency Brokers Corp (“UCBC”) was registered in the Philippine SEC on June 14, 1994. It was organized to engage in the foreign currency brokerage business. On March 23, 2001, the board of directors of UCBC approved the cessation of its business operations effective on April 16, 2001. Since then, UCBC’s activities were significantly limited to the settlement of its liabilities. The board of directors and the stockholders of UCBC have approved to shorten the UCBC’s corporate term to December 31, 2016. UCBC has secured a tax clearance from the BIR in 2018. UCBC filed the amended articles of incorporation with the Philippine SEC which stated that the term of UCBC’s existence was until December 31, 2016 and received a certificate of filing in April 2022.
- (c) UnionData Corporation (“UDC”) was registered with the Philippine SEC on September 8, 1998. It was organized to handle the centralized branch accounting services as well as the processing of credit card application forms of the Bank and the entire backroom operations of FUPI. On July 1, 2003, the board of directors of UDC approved the cessation of its business operations effective on August 30, 2003, and subsequently shortened its corporate term to December 31, 2017 by amending its articles of incorporation. The services previously handled by UDC are now undertaken by the Centralized Processing Service Unit of the Bank. UDC is still in process of securing the tax clearance from the BIR.
- (d) Interventure Capital Corporation (“IVCC”) was incorporated and registered with the Philippine SEC on October 10, 1980. It was organized to develop, promote, aid and assist financially any small or medium scale enterprises and to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law and the constitution. IVCC has ceased operations since 1992.

Mergers and Acquisitions

On August 1, 2022, the Parent Bank completed the Citi Acquisition and thus acquired Citigroup’s credit card, personal loans, wealth management, retail deposit businesses, as well as the real estate interests in Citibank Square in Eastwood and three full-service bank branches in the Philippines. For more information, see the section entitled “— *Acquired Citi Business*.”

Bangko Kabayan is the surviving entity in the tripartite merger with FAIR Bank and PBI. On March 21, 2022, the Philippine Competition Commission acknowledged that the proposed merger does not breach the thresholds for compulsory notification. The PDIC consent was received on June 17, 2022 and the approval from the Monetary Board of the BSP was received on November 15, 2022. The merger took effect on July 13, 2023.

Business Partnerships

The Bank continuously evaluates opportunities that strategically fit its existing business, expand the products and services that it offers to its customers, and support its strategic roadmap. See “— *Business Strategies*.”

In August 2016, the Bank established the first alliance of its kind in the Philippines with Lombard Odier, a Swiss-based, global Private Bank, to expand its wealth and asset management businesses. Lombard Odier is a family-owned business with over two centuries of rich heritage and stability and thus has established expertise in the fields of wealth management and transition, succession planning, business sustainability, and family governance. In July 2017, with Lombard Odier as investment consultant, the Bank launched the first local fund that uses a risk-based investment strategy, the UnionBank Capital Accumulation Global Fund of Funds, a USD-denominated UITF that is invested in various funds traded in the global markets. In 2018, the Bank launched a Peso-denominated (currency hedged) version of the fund, making it a multi-currency-class global fund of funds. In March 2019, the Bank officially launched its private banking business, with the objective of providing clients with bespoke best-in-class wealth management solutions and with the support of its strategic partner Lombard Odier.

In January 2017, the Parent Bank and City Savings entered into a 15-year bancassurance partnership with Insular Life for the sale and distribution of Insular Life insurance products across the Parent Bank’s and City Savings’ respective networks. The bancassurance partnership with Insular Life is a first in the Philippine market. Unlike the traditional model where a bank’s staff is limited to referrals, the bancassurance partnership with Insular Life allows the Bank to have ownership of the sales force. The Bank’s RMs and financial advisers are trained and licensed to cross-sell Insular Life insurance products. Insular Life

insurance products are also offered through UnionBank Online. The Bank believes that its model enables a seamless sales process and facilitates client suitability analysis.

In May 2018, the Bank entered into a partnership with ConsenSys, a New York-based blockchain start-up, to utilize Kaleido, an enterprise blockchain solution launched on top of the Ethereum blockchain protocol that is used to process information and transactions more securely and transparently. In connection with this partnership, the Bank launched a pilot programme named “Project i2i” with the aim of connecting rural banks to the country’s main financial network and bringing unbanked Filipinos under the mainstream financial system. Project i2i is currently managed by UBX and has more than 100 rural banks and financial institutions in its network.

In 2019, the Bank partnered with IBM to build the Bank’s “Financial Supply Chain” platform on the IBM Blockchain Platform. The Bank partnered with Hex Trust in 2021 and Metaco in 2022 to pilot its digital asset custody service.

In 2020, the Bank introduced agency banking cash deposit capability through its partnership with 7-Eleven and ECPay among others. As of August 1, 2022, the Bank had more than 11,000 partner agents.

Government Relationship

The Bank collaborates with GSIS, SSS and Pag-IBIG to provide tailored financial services and relevant digital applications for customers from these government communities. For example, the Bank offers GSIS unified multi-purpose ID (“UMID”) card and eCard, SSS UMID card and quickcard and Pag-IBIG loyalty card; in addition, through City Savings, the Bank offers various personal loan products including pension loans to SSS and GSIS members as well as employee loans to non-DepEd education institutions and local government units.

In particular, as of June 30, 2023, there were 6.4 million SSS members, GSIS members and Pag-IBIG members customers of the Bank.. SSS members and GSIS members had a total deposit balance of ₱2.7 billion and ₱26.7 billion, respectively, as of June 30, 2023. In June 2022, SSS entered into a business partnership with the Bank for the issuance of UMID Pay Card which is expected to begin in the fourth quarter of 2022. Through UMID Pay Card, SSS members will be able to receive their SSS benefits, loans and refunds through their accounts at the Bank.

The Bank has launched OneHub.Gov, the first single web platform offering in the Philippines that enables customers to make online payments with government agencies.

Collaboration with government programs and government institutions has enabled and will in the future continue to enable the Bank to acquire large number of customers at low cost.

Fintech Partners

The Bank partners with variety of fintech partners which provide services including, among others, payment gateways, instalment payment options, mobile point-of-sale solutions, insurance technologies, credit scoring and fraud detection solutions, and tax filing solutions, respectively. The Bank provides banking-as-a-service solutions to them. The Bank believes that these partnerships enhance its ability to provide the most cutting-edge services to its customers while allowing the Bank to tap onto the customer communities of these fintechs.

Employees

As of June 30, 2023, the Bank had 8,341 employees, of which 6,222 were classified as bank officers and engaged in a professional management capacity and 2,119 were classified as staff members, and of which 5,433 were employed by the Parent Bank and the others were employed by the Parent Bank’s subsidiaries.

The following table presents the number of the Bank’s employees by category as of the dates indicated:

	As of December 31,			As of June30,
	2020	2021	2022	2023
Bank officers	3,869	4,048	6,254	6,222
Staff	2,125	2,181	2,147	2,119
Total	5,994	6,229	8,401	8,341

The Bank is committed to its digital evolution and has invested in attracting the best talent to drive its transformation. As of June 30, 2023, the Parent Bank had 405 employees in digital roles such as infrastructure and service management, solutions delivery, and data science, representing 7.5% of total employees of the Parent Bank. Additionally, as of the same date, there were 111 and 52 employees in digital roles at UBX and UnionDigital, respectively. As of June 30, 2022, the Bank had over 500 headcounts (on a consolidated basis) in digital functions covering, among others, data science, enterprise data services, enterprise architecture, infrastructure and services management, user experience, artificial intelligence and data policy, audit, risk and compliance artificial intelligence, solutions delivery, fintech business, and transaction banking center. Such 500 headcounts include headcounts for UBX and UnionDigital and exclude outsourced personnel.

The Bank has a young and diversified employee structure. Out of the new joiners for the year ended December 31, 2022, 41% were below the age of 30 and 46% were between the ages of 30 and 50.

The Bank's management believes it has a good relationship with its staff. In June 2020, the Bank concluded discussions on the political and economic terms relating to its collective bargaining agreement with its employees for the years 2021 to 2025. The Bank negotiated the economic terms of its collective bargaining agreement in April 2023. The amendment on the 2020-2025 collective bargaining agreement was approved and ratified on July 7, 2023.

The Bank believes that the key for customer engagement is employee engagement. As such, the Bank provides its employees with comprehensive training facilities and programs, and workplace benefits for their professional development and personal well-being. Through its e-Learning portal, UnionBank University, the Bank is able to expand training reach to all branches and locations nationwide, while maximizing training budgets and reducing training costs.

As part of its initiatives to instill a culture of "continuous improvement" in its operations, the Bank continually sends high potential employees to Six Sigma Black and Green Belt training programs. To engrain its commitment to service quality and productivity, the Bank has made the Six Sigma Black Belt certification a requirement for career progression of its executives involved in operations. The Bank also developed its own six sigma orange belt training program under which candidates are responsible for regularly initiating process improvement projects with supervision from Six Sigma Green and Black Belt alumni. In addition, the Bank adopts the Define-Measure-Analyze-Improve-Control methodology for all its quality improvement projects.

To future-proof the Bank and provide opportunities for the Bank's employees and stakeholders to innovate together, the Bank has also created "PeopleTech," a supportive infrastructure, alongside processes and resources, to serve as organizational enablers. PeopleTech programs such as Data Science and Artificial Intelligence Institute and UB Xcellerator Program have been shaping the capability building initiatives of the Bank by upskilling, retooling, and empowering Filipinos through digital and emerging technology courses. As a result, around 80% of new digital and technology-related roles were filled internally as employees have been transforming their careers from traditional banking into technology related functions.

The Bank has launched UB Xcellerator Program which advocates digital for capability-building to make innovations happen everywhere. UB Xcellerator offers a variety of on-demand learning content and pathways to allow learners, educators, and career-shifters gain basic, intermediate, and advanced knowledge in blockchain, data science, artificial intelligence, robotics, and other emerging technologies.

The Bank was awarded "Best Companies to Work for in Asia" in 2022 by HR Asia and "Silver Stevie for Employer of the Year in Banking" in 2020 and 2021 by the Stevie Awards for Great Employers. The Bank received "Highly Commended Achievement – Excellence in Employer Recognition" in 2021 from Retail Banker International, and "Gold Quill Award of Merit (Heroes) 2021" by the International Association of Business Communicators. The Bank was also named "Best Company to Work for in Asia 2019" from HR Asia and was cited as "Dream Company to Work For" and the sole winner of the "Award for Excellence in HR through Technology (IUHub)" at the 2019 Philippines Best Employer Brand. The Bank also clinched three new awards at Asia's Best Employer Brand Awards 2019, namely, "Best Employer Brand 2019," "Award for HR Strategy," and "Award for Most Innovative Staffing & Recruitment Program."

Properties

As of June 30, 2023, the Bank owned 81 properties (excluding ROPA) in the Philippines. Most of these properties are used as offices for the Bank's head office, branch offices, or for back office operations. These properties are not subject to any mortgage, lien or encumbrance. In addition, the Bank also leases 187 properties in the Philippines used as the Bank's branches and offices. For the years ended December 31, 2020, 2021, 2022 and for the six months ended June 30, 2023, the total rental expenses (including amortization expense of ROU assets, and interest expense on lease liabilities) of the Bank amounted to ₱833.6 million, ₱796.6 million, ₱859.9 million and ₱492.4 million, respectively. The average term of these leases is five years.

Intellectual Property

As of June 30, 2023, the Bank had registered 77 trademarks and tradenames, including the logo of the Bank, “UnionBank” and “Union Bank of the Philippines”. The Bank also has a number of registrations of trademarks in connection with its products that have been filed with the Intellectual Property Office at the Department of Trade and Industry of the Philippines, which are currently pending.

Legal Proceedings

The Bank is a party in legal proceedings which arise in the ordinary course of its business activities. None of such legal proceedings arising in the ordinary course, either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial position.

Permits

Based on an opinion issued by Atty. Rowena C. De Castro-Matira dated February 3, 2022, the Bank and its subsidiaries have all the applicable and material national permits and licenses necessary to operate their respective businesses as currently conducted, and such permits and licenses are valid and subsisting or, in respect of certain permits, are in the process of being renewed or applied for, as of the date of the said opinion.

Corporate Social Responsibility

The Bank believes that it has a vital role and responsibility in building strong and resilient communities and has supported different causes in the areas of e-commerce, education, community well-being, and the environment.

The Bank’s Corporate Social Responsibility (“CSR”) program is aligned with the overall digital transformation strategy and guided by policies on sustainability and CSR. GoBeyond Communities (“GBC”), the main CSR intervention, is an engagement program that allows employees to promote advocacies by conceptualizing, developing, and implementing community-enriching programs with UnionBank funding.

In 2022, GBC focused on the overall sustainability mission of Tech Up Pilipinas as it leveraged the success of UnionBank’s innovation and digital transformation to help build strong and resilient communities. The Bank focused on the areas of e-commerce, education tech, and climate tech (community wellbeing and environment). In 2022, the Bank’s employees had recorded 8,924 volunteer hours, 83,162 beneficiaries, reaching a total of 1,326 communities.

The Bank’s corporate social responsibility thrust is focused on its People Tech initiatives, which aim to help employees, partners, and other stakeholders develop digital literacy and build the skills to prepare them for the future. The Bank is utilizing its in-house centers of excellence in data science and artificial intelligence, as well as its Xcellerator program to equip internal and external talents with emerging capabilities.

The Bank’s Xcellerator program has also been making impact through developing digital talents, with the aim of building up the capabilities of Filipino workers and making them tech-ready for emergent digital landscapes. UB Xcellerator focuses on educational institutions by enabling education partners to increase talents that will bring about innovations and game-changing products.

UB Xcellerator had provided courses and educational programs on digital skills such as blockchain, data science, and artificial intelligence to 16,209 individuals as of March 2023. Free programs on Cloud, Data Science, and Data Privacy were also offered in 2022, increasing enrollment by 82% and the number of unique learners by 62% compared to 2021. UB Xcellerator completed eight programs and three Gamechanger episodes in partnership with universities and government agencies.

UnionBank pursued other strategic CSR partnerships aligned with the Bank’s advocacy of innovation and its goal to co-create innovations for a better world. These include collaborations with:

- Development Academy of the Philippines (DAP) - Partnered to develop webinars and learning sessions on digital transformation to train a new batch of government executives and local government officials.
- Pasig City - Hosted the third Pasig City Climathon. The Bank supported participants who addressed social ills by designing waste management and renewable energy solutions. UnionBank awarded innovation prizes for the best socioeconomic and environmental solutions for the city.
- Global Learning Solutions Singapore - Established the Asian Institute of Digital Transformation (AIDT) in 2021. In six seasons, AIDT trained 199 professionals from the Government Sector, UB transformation partners, members of academe,

and Aboitiz Equity Ventures. The first three seasons kicked off with UnionBank Chief Human Resources Officer Michelle Rubio as Chief Learning Officer leading a team of volunteers from the Banking group who acted as Learning Mastery Coaches. UnionBank senior leaders Edwin Bautista, Henry Aguda, and David Hardoon are among the Global Faculty Mentors of AIDT's eight-week online Executive Masterclass in Digital Transformation. AIDT helps drive the Bank's mission to Tech Up Pilipinas by teaching organizations and leaders to create meaningful transformation and sustainable development.

- AHA! Learning Center – Mentored AHA scholars through #OwnYourFuture with AHA! Learning Center. AHA! Learning Center partners with local and international organizations to provide world-class, no-internet education solutions to empower Filipino public school students to become leaders.

Competition

The Bank faces competition in all its principal areas of business. Philippine domestic and foreign banks are the Bank's main competitors, followed by finance companies, mutual funds and investment banks. The Bank also faces competition from financial technology firms and non-financial firms. In particular, non-financial firms pose a challenge to Philippine banks by offering digital products such as mobile payments or online services. Financial technology firms utilize software to provide financial services, and disrupts existing financial systems and corporations that rely less on software by offering faster, more convenient, and more efficient ways of transacting. In addition, purely digital financial technology or non-financial firms have no branches and thus have lower costs. The Bank seeks to gain a competitive advantage by continuing to implement its digital transformation strategies.

As of June 30, 2023, according to data from the BSP, there were a total of 45 domestic and foreign universal and commercial banks operating in the Philippines. While mergers, acquisitions, and closures reduced the number of industry players, the entry of foreign banks under new and liberalized banking laws and regulations resulted in the growth of the number of universal and commercial banks. Corporate lending remained competitive resulting in even narrower spreads especially under a low interest rate environment. Pockets of growth were, however, seen in the middle corporate market, SMEs, and consumer segments.

See “*The Philippine Banking Industry —Competition.*”

RISK MANAGEMENT

The Bank is exposed to a range of potential risks arising from its business activities. Risk management is the process by which the Bank identifies its key risks, obtains consistent and understandable risk measures, decides which risks to take on or reduce and how this will be accomplished, and establishes procedures for monitoring the resultant risk positions. The objective of risk management is to ensure that the Bank conducts its business within the risk levels set by the Board while business units pursue their objective of maximizing returns.

Risk Management Structure

The Board exercises oversight of the Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Bank established independent risk management units ("RMU") that objectively review and ensure compliance to the risk parameters set by the Board. They are responsible for the monitoring and reporting of risks to senior management and the various committees of the Bank.

The Board is primarily responsible for setting the risk appetite, approving risk parameters, credit policies, and investment guidelines, as well as establishing the overall risk-taking capacity of the Bank. Committees have been established by the Board to oversee the increasingly varied risk management activities of the Bank with the active participation of senior management. The committees of the Board relevant in this context are the Executive Committee, Risk Management Committee ("RMC"), Market Risk Committee ("MRC"), the Operations Risk Management Committee ("ORMC"), and the Audit Committee. For a description of these committees, see *"Management – Board Committees."*

The Bank's Asset and Liability Committee ("ALCO") is responsible for ensuring that the Bank's liquidity management process is adequate, and that the Bank maintains adequate liquidity and sufficient capital. It manages the Bank's balance sheet and ensures that business strategies are consistent with the Bank's liquidity, capital, and funding strategies as well as sets targets for balance sheet size. It also establishes asset/liability pricing policies appropriate to the Bank's balance sheet objectives, and determines the level of stress condition the Bank is experiencing.

The ALCO is composed of the President, the Treasurer, Center Heads and Group Heads. The ALCO is chaired by the President.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives, and other activities undertaken by the Group. Credit risk is managed through strategies, policies, and limits that are approved by the respective board of directors of the various companies within the Group. In addition, the Bank has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The RMU of the Bank undertakes several functions with respect to credit risk management. The RMU independently performs credit risk assessment, evaluation, and review for its retail, commercial and corporate financial products to ensure consistency in the Bank's risk assessment process. The RMU also ensures that the Bank's credit policies and procedures are adequate, and are constantly updated to meet the changing demands or risk profiles of the business units. The RMU's portfolio management function involves review of the Bank's loan portfolio, including assessment of the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and the development of strategies for the Bank to achieve its desired portfolio mix and risk profile. The RMU reviews the Bank's loan portfolio quality in line with the Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix such as setting concentration limits. Identified concentrations of credit risks are controlled and managed accordingly. The RMU also monitors compliance with the BSP's limit on risk exposures.

Credit Risk Assessment for Corporate Lending

Corporate lending activities are undertaken by the Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies.

The Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its obligor risk rating master scale. The Bank assesses risks on a three-dimensional level: borrower risk, facility risk and security risk.

Borrower risk is evaluated by considering (i) quantitative factors, such as profitability, liquidity, capital adequacy, and sales growth; (ii) qualitative factors, such as management skills and management integrity; (iii) industry risk, and (iv) environmental and social risk (E&S risk). Industry risk is assessed by considering certain industry characteristics, such as its importance to the economy, growth outlook, cyclicity, industry structure, and relevant Government policies.

Facility risk is assessed based on features of the facility such as length of loan exposure. Security risk is assessed based on the quality of the collateral and the risk of potential deterioration over the term of the loan.

The credit rating for each borrower is reviewed annually or when there are extraordinary or adverse developments affecting the borrower, the industry, or the Philippine economy. Any major change in the credit scoring system, the risk asset acceptance criteria (“RAAC”) range, and/or the risk-adjusted pricing system is presented to and approved by the RMC.

The description of each credit quality grouping for the credit scores is explained further as follows:

- I. *High Quality Grade* - These accounts are of the highest quality and are likely to meet financial obligations.
- II. *Standard Grade* - These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.
- III. *Substandard Grade* - These accounts are vulnerable to non-payment but for which default has not yet occurred.
- IV. *Non-Performing* - These refer to accounts which are in default or those that demonstrate objective evidence of impairment.

Credit Risk Assessment for Commercial Lending

The Bank’s commercial banking activities are undertaken by its Commercial Banking Center (“ComBank”). These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services. Credit evaluation and risk assessment are aligned with corporate loans.

From the beginning of 2019, the Bank started to apply for non-financial ComBank accounts an adjusted obligor rating scale derived from the one applied for corporate loans, and the obligor rating scale followed the same RAAC framework. The obligor rating scale the Bank applies for ComBank accounts classified as banks and non-bank financial institutions has remained unchanged and is the same as the scale for corporate loans.

Credit Risk Assessment for Consumer Lending

Each of the product groups in the Bank’s consumer banking segment has its own risk guidelines and risk assessment system. Although each loan application is examined through an individual credit evaluation process (combined manual and automated process), the consumer loans are managed on a portfolio basis with respect to defaults as well as accept, reject and review standards.

The Bank has categorized the scorecard into three levels: outright accept, review band, and outright reject. The outright accept category refers to applicants that are within the risk profile acceptable to the Bank and whose applications are automatically approved, subject to the verification and validation system presently in place. The outright reject category refers to applicants that are below the minimum risk profile acceptable to the Bank. Applications that fall within the review band are borderline cases which are accepted or rejected based on the predetermined review parameters.

Credit Approval Authority and Process

Before any extension of credit, the Bank identifies the needs of the prospective borrower, analyses the appropriateness of the exposure, and evaluates inherent risks. The lending officers are responsible for soliciting target customers, identifying borrowing requirements, and initiating credit lines. The RMUs independently perform credit risk assessment and evaluation and prepare the credit application for approval by the relevant approving authority.

The Risk Management Committee (“RMC”) is a Board level committee responsible for, among others, reviewing credit facilities approved within management’s credit authority limit, screening credit policies prior to endorsement to the Board, and approving credit procedural guidelines.

The Executive Committee screens credit proposals which exceed management delegated authorities. Credit proposals exceeding the Executive Committee's credit authority limit and those which carry an unusual or material risk require approval of the Board. The Board has the ultimate authority to approve credit transactions, and is also the only body with authority to approve DOSRI loans.

Credit Monitoring and Review Process

Pursuant to the BSP's regulations, the Bank is required to establish a system of identifying and monitoring existing or potential problem loans and other risk assets, and of evaluating credit policies vis-à-vis prevailing circumstances and emerging portfolio trends. In compliance with this requirement, the RMUs, on a regular basis or as circumstances require, establish and maintain a system for monitoring, among others, the financial condition and compliance with existing covenants of individual accounts or a portfolio of accounts, and update senior management accordingly. All individual accounts of corporate and commercial lending are reviewed at least once a year together with the credit line renewal. Larger exposures and lower rated-borrowers or counterparties are reviewed more frequently, as necessary. The Credit Portfolio Review Unit ("CPR") is responsible for reviewing the Bank's loan portfolio quality.

The RPT committee is responsible for assisting the board in fulfilling its corporate governance responsibilities on Related Party Transactions. The Bank and its subsidiaries, from time to time and in the ordinary course of business, enter into loan transactions with Related Parties. All such loans are on a commercial and arm's-length basis. The General Banking Law and BSP regulations require that (a) the amount of individual outstanding loans, other credit accommodations, and guarantees to DOSRI should not exceed an amount equivalent to their unencumbered deposits and the book value of their paid in capital investment in the bank; (b) unsecured loans, other credit accommodations, and guarantees to DOSRI (of which, 70.0% must be secured) should not exceed 30.0% of the outstanding loans, other credit accommodations and guarantees, whichever is lower; and (c) the total outstanding loans, other credit accommodations, and guarantees to DOSRI may not, without the prior approval of the Monetary Board, exceed 15.0% of the Bank's total loan portfolio or 100.0% of the Bank's net worth. The total outstanding loans, other credit accommodations, and guarantees granted to each subsidiary or affiliate of a bank should not exceed (a) 10.0% of the net worth of the lending bank, or (b) 5.0% of such net worth, if unsecured. The total outstanding loans, other credit accommodations, and guarantees granted to all subsidiaries and affiliates of a bank should not exceed 20.0% of the net worth of the lending bank.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates, and equity prices. The Bank classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk ("VaR") methodology. The market risk for the non-trading positions are managed and monitored using other sensitivity analyses.

The Bank applies the VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Bank uses the historical simulation with full revaluation in calculating the VaR measures. The historical simulation with full revaluation approach is the general market accepted methodology in the measurement of the VaR. This methodology calculates the market value of each financial product for each scenario by applying simulated risk factors based on historical movements for a rolling one-year period to the market accepted valuation methodology defined for each product. VaR may also be underestimated or overestimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Bank's VaR model.

Since VaR is an integral part of the Bank's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits are monitored on a daily basis.

Market Risk Management Process

The Bank's Treasury Bank, in coordination with the Market and Liquidity Risk Unit ("MLRU"), develops risk measurements and management processes that are appropriate for the Bank's Treasury business. These risk measurements and processes are

approved by the MRC and the Board. A product program manual which sets out, among other things, a standardized process of measuring and managing credit, market and liquidity risks, operational procedures, and controls and approval procedures, is then prepared for each product.

Other Market Risk Limits

The Bank also manages its market risks through application of various limits set by the MRC and approved by the Board. Such limits primarily include the following:

- aggregate control limits — These place a ceiling on the total volume of trading/ownership of given product lines at given tenors;
- aggregate VaR limit — This places a ceiling on the monetary amount of potential loss on the FVTPL and FVOCI portfolios of the Bank deemed tolerable by management;
- nominal position limits — These determine the maximum size of open risk positions that may be held by the Bank within a given time period. Such limits include overnight and daylight position limits which may vary for overbought and oversold positions. These limits must conform to the regulatory limits set by the BSP;
- management action trigger/loss alert/stop loss limits — These establish management's tolerance levels for accepting cumulative year-to-date and month-to-date market risk losses on trading positions; and
- trader/dealer limits — These set the maximum volume of transactions that a trader/dealer may execute, and is determined relative to the depth of experience and level of expertise of the personnel making the risk-bearing decision.

Compliance with the above limits is closely monitored and reported in accordance with an escalation process established by the MRC.

The Model Validation Unit ("MVU") in coordination with the MLRU is responsible for conducting back-testing to compare hypothetical and actual trading results with the Bank's internal model-generated risk measures at the end of each quarter. Based on the results of the back-testing, if a certain market risk is not addressed by the Bank's internal model, the internal model is modified to capture such risk. The MRLU is also responsible for conducting quarterly stress tests on the Bank's portfolio of financial instruments and reporting the results of such tests to the MRC for a more concrete assessment of the risks. The stress tests evaluate the Bank's potential losses resulting from changes in market factors, such as foreign exchange rates and interest rates, caused by simulated hypothetical scenarios or historical events where extreme movements have been observed.

Interest Rate Risk

Interest Rate Risk in the Banking Book ("IRRBB") is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the Group's banking positions. When interest rates change, the underlying value of the assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Group's earnings by altering interest rate sensitive income & expenses, affecting its net interest income ("NII"). The ALCO establishes appropriate asset and liability pricing in support of its balance sheet objectives.

The Bank employs "gap analysis" to measure the interest rate sensitivity of its assets and liabilities, also known as Earnings-at-Risk ("EaR"). This sensitivity analysis is performed at least every quarter. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets and interest-bearing liabilities within a one year period. The EaR is calculated by first distributing the interest sensitive assets and liabilities into tenor buckets based on time remaining to the next re-pricing date or the time remaining to maturity and then subtracting the liabilities from the assets to obtain the re-pricing gap. The re-pricing gap per tenor bucket is then multiplied by the assumed interest rate movement and appropriate time factor to derive the EaR per tenor. The total EaR is computed as the sum of the EaR per tenor within one year. Additionally, the Bank also monitors medium- to long-term sensitivity to interest rate risk of its balance sheet through the Economic Value of Equity ("EVE") method. EVE measures the economic value which provides a more comprehensive view of potential medium- to long-term effects of changes in interest rates. To manage the interest rate risk exposures, BOD approved EAR and EVE limits were established. Likewise, both EAR, and EVE are complemented by **Foreign Exchange Risk**

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Bank's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Bank's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Bank is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

To manage the foreign exchange risk exposure BOD approved position and stop loss limits were established.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The ALCO and the Treasurer of the Bank ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Bank on a daily basis and under stressed situations. A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Bank and the circumstances under which the Bank may use such funds.

The Bank also manages its liquidity risks through the use of a maximum cumulative outflow ("MCO") limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Bank has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the Board.

As of June 30, 2023, the total amount of funds that were available to the Bank under credit facilities for secured and unsecured borrowings and swaps were ₱482.6 billion.

The Bank takes a multi-tiered approach to maintaining liquid assets. BSP regulations require the Bank to maintain minimum cash reserves and liquid assets as a proportion of its overall deposits. As of June 30, 2023, the Bank's principal source of liquidity is comprised of ₱9.5 billion of cash, deposits with other banks of ₱24.3 billion, due from BSP of ₱75.9 billion, and interbank loans receivable amounting to ₱0.9 billion. In addition to regulatory reserves, the Bank maintains what it believes to be a sufficient level of secondary reserves in the form of liquid assets such as investment securities that can be realized quickly. As of June 30, 2023, the total portfolio of investment securities of the Bank amounted to ₱357.5 billion.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems or external events. This definition includes legal risk, but excludes strategic and reputational risk. This also covers potential losses that could occur as a result of the Bank's use of technology-related products, services, delivery channels, and processes.

Each specific unit of the Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the Bank's operational risk management framework. At the Board level, an Operational Risk Management Committee was formed to provide overall direction in the management and execution of the Operational Risk Framework across the Bank.

Operational Controls and Procedures in Branches

The Bank has operating manuals detailing the procedures for the processing of various banking transactions and the operation of the application software. Amendments to these manuals are implemented through circulars sent to all offices.

The Bank has a scheme of delegation of financial powers that sets out the monetary limit for each employee concerned with respect to the processing of transactions in a customer's account. The Bank's banking software has multiple security features to protect the integrity of applications and data.

The Bank gives importance to computer security and has a comprehensive information technology security policy. Most of the information technology assets including critical servers are hosted in centralized data centers, which are subject to appropriate physical and logical access controls.

Operational Controls and Procedures for Internet Banking

The Bank has established a multi-factor security system to improve internet banking security. The Bank issues each customer that opens an internet banking account a user identity and password to access his account online. For security purposes, the customer will be required to change the default password on his first successful log in attempt. To further strengthen the security, the customer shall also be required to enroll a transaction password for his internet banking account. This transaction password will be required for every internet banking transaction made by the customer, to ensure the transaction's authenticity. Encryption, authentication, and validation are also in place for internet-based transactions. Network controls are implemented for secured internet banking.

Operational Controls and Procedures in Central Processing Services ("CPS") locations

To improve operational controls, enhance customer service at the Bank's physical locations, reduce operating costs, and capitalize on economies of scale, the Bank handles processing of common transactions at central locations by taking away such operations from each business center.

With two operating locations, one in Metro Manila and the other in Cebu City, the Bank's main backroom operations hub, uses high level of automation in its operations. Except for some critical processes that are jointly handled by both Manila and Cebu as a business continuity strategy, each CPS location, in general, houses its own centralized processes, thus setting it apart from the other location. The CPS location in Cebu City handles branch accounting, subsidiaries accounting, account reconciliation, expense accounting, and regulatory reporting while the CPS location in Metro Manila handles centralized production of cards, operation processes of check clearance, as well as back office activities for auto and residential mortgage loans and other administrative support services.

Operational Controls and Procedures in Treasury

The Bank has a high level of automation in its trading operations. The Bank uses technology to monitor risk limits and exposures. The Bank's front office, middle and back office, and accounting and reconciliation functions are fully segregated. The respective middle offices use various risk monitoring tools such as counter-party limits, nominal position limits, aggregate control limits, aggregate VaR limit, EaR limits, MCO limits, stop loss, loss alert, and individual dealer limits (per trader, position limits, stop loss and loss alert, among others). Procedures for reporting breaches in limits and escalation to management are also in place.

The Bank's front office treasury operations cover transactions in fixed income securities, inter-bank money markets, and foreign exchange. The Bank's traders analyses the market conditions and take views on price movements. Thereafter, they enter into transactions in conformity with various limits relating to counterparties, securities, and brokers. The agreements are confirmed by the middle office and then forwarded to the back office for settlement. The Bank also monitors delayed transactions.

The Treasury Middle Office Unit confirms trades and monitors counter-party credit risk limits and the MRU evaluates the mark-to-market impact on various positions taken by dealers, and monitors market risk exposure of the investment portfolio and adherence to various market risk limits set up by the MRC.

The Bank's back office undertakes the settlement of funds and securities. The back office has procedures and controls for minimizing operational risks, including procedures with respect to deal confirmations with counterparties, verifying the authenticity of counter-party checks and securities, ensuring receipt of contract notes from brokers, monitoring receipt of interest and principal amounts on due dates, ensuring transfer of title in the case of purchases of securities, reconciling actual security holdings with the holdings pursuant to the records, and reporting any irregularity or shortcoming observed.

Audit

The Internal Audit Group (IAG) is an independent unit responsible for providing assurance and advisory activity designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The IAG is responsible for undertaking a comprehensive audit of all business groups and other functions, in accordance with a risk-based audit plan, and provides an independent assessment of the adequacy and effectiveness of the risk management and control processes throughout the Bank. Various components of information technology from applications to databases, networks, and operating systems are covered under its one-year rolling audit plan. The one-year rolling audit plan is presented for approval every quarter to the Audit Committee.

The Head of the IAG reports directly to the Audit Committee. This reporting line and organizational structure ensure that the IAG has the full support and access required to conduct its work independently, efficiently, and systematically. The IAG issues various reports to the Audit Committee, management, and other relevant parties throughout the year, including audit reports, case investigation reports, subsidiary governance reports, and periodic reports issued to the Audit Committee, the Board and management.

Anti-Money Laundering Controls

Under the Republic Act 9160, the Bank is required to submit a "covered" transaction report involving a single transaction in cash or other equivalent monetary instruments in excess of ₱500,000.00 within one banking day. The Bank is also required to submit a "suspicious" transaction report to the AMLC of the BSP if there is reasonable ground to believe that any amounts processed are the proceeds of money laundering activities. Further, pursuant to AMLC Regulatory Issuance (ARI) A, B, and C No. 1, series of 2020 issued on January 29, 2020, the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof. The Bank is required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for five years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

In an effort to further prevent any money laundering activities through the Bank, it has adopted more stringent KYC policies and guidelines. Under the KYC guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account is opened. Each business unit is also required to monitor account activities to determine whether transactions conform to the normal or expected transactions for a customer or an account. Persons with higher potential or risk for money laundering require enhanced due diligence. Decisions to enter into a business relationship with a higher risk customer, such as a politically exposed person or a private individual holding a prominent position, are made exclusively at the senior management level.

Legal Risk

Legal risks belong to non-quantifiable risks that are not subject to specific numerical measurements but likewise require similar management attention. While unpredictable, non-quantifiable risk may cause severe impact of the Bank's profit and loss. These risks are mitigated by developing a strong "control culture" and an organizational structure that is risk-aware and an effective internal control system that continually monitors and updates processes and procedures.

Legal risks include the potential for the Bank to suffer a financial loss due to non-existent, incomplete, incorrect, and unenforceable documentation used by the Bank to protect and enforce its rights under contracts and obligations. This risk is closely related to credit risk as it most often involves legal problems with counterparties to the Bank's transactions. It is also closely related to other non-quantifiable risks that have to be assessed: fiduciary, reputational risk, and regulatory risk.

A legal review process is the primary control mechanism for legal risks and shall be part of every product program of the Bank. The review aims to validate the existence, propriety, and enforceability of documents, and verify the capacity and authority of counterparties and customers to enter into transactions.

Regulatory Risk

Regulatory risk refers to the potential risk for the Bank to suffer financial loss due to non-compliance with the laws or monetary, tax or other governmental regulations of a country. The monitoring of the Bank's compliance with these regulations, as well as the study of the potential impact of new laws and regulations, is the primary responsibility of the Bank's Chief Compliance and Corporate Governance Officer. The Compliance and Corporate Governance Office (CCGO) is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing and regularly reporting to the Corporate Governance Committee and the Board.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

The tables below and accompanying discussions provide selected financial highlights regarding the Bank's assets and liabilities. The following audited information should be read together with the Bank's consolidated financial statements included in this Offering Circular as well as "Risk Management" and "Description of the Bank".

FUNDING

Overview

The Group's funding operations are designed to ensure both a stable source of funds and effective liquidity management. The Group's main sources of funding are time, savings and demand deposits. Total deposits represented 82.8% of the Group's sources of funding as of June 30, 2023. As of the same period, time, savings and demand deposits represented 40.2%, 27.0% and 32.3%, respectively, of total deposits of ₱693.3 billion. In recent years, the Group has made directed efforts to increase its deposit base. The Group also sources its funding requirements from the interbank market and general financings.

Sources of Funding

The following table sets out an analysis of the Group's principal funding sources and the average cost of each funding source as of the periods indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(₱ millions)			
Deposits by currency:				
Peso	403,740.1	474,511.3	619,749.7	595,748.3
Foreign	124,044.9	95,989.6	91,554.3	97,521.3
Total	527,785.0	570,500.9	711,303.9	693,269.6
Borrowings ⁽¹⁾ :				
Peso	19,736.9	22,599.0	33,543.6	42,650.3
Foreign (included under bills payable)	34,486.6	28,569.1	99,303.2	101,750.7
Total	54,223.5	51,168.1	132,846.8	144,401.0

Note:

(1) Comprised of bills payable only.

Deposit liabilities bore an annual interest of 0.0% to 9.5% in 2020, 0.0% to 8.0% in 2021, 0.0% to 7.0% in 2022 and 0.0% to 7.0% for the six months ended June 30, 2023.

The range of the interest rates of bills payable per currency is set out in the table below:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
Pesos	3.3% to 4.5%	1.00% to 8.28%	1.00% to 8.37%	5.75% to 6.75%
Foreign currencies	0.04% to 3.1%	0.10% to 3.05%	1.06% to 5.23%	1.20% to 5.90%

Deposits

Historically, the Parent's principal source of deposits is its retail banking customers. As of June 30, 2023, retail banking customers accounted for 71.3% of the Parent's total deposit liabilities while customers of corporate banking and treasury accounted for the balance at 20.2% and 8.5%, respectively.

The Group's foreign currency deposits and funding are primarily handled through its FCDU operation, which is permitted to accept deposits and extend credit in foreign currencies. As of December 31, 2020, 2021 and 2022, and June 30, 2023, the Group's foreign currency deposits made up 23.5%, 16.8%, 12.9% and 14.1%, respectively, of its total deposits.

The Group has expanded its sources of funds in order to diversify the scheduled maturities of deposits and maintain a funding portfolio that will enable it to achieve funding stability, liquidity, and reduce the discrepancies between its loan and deposit maturities. The Group continues to grow its CASA through internal and external programs to encourage increases in deposits, particularly traditional demand and savings deposits.

As of June 30, 2023, 59.3% of the Group's outstanding deposits were demand and savings deposits which can be withdrawn on demand without any prior notice from the customer.

The following table sets out an analysis of the maturities of the deposit base of the Group:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(P millions)			
Demand	159,783.5	204,561.0	232,081.8	224,006.0
Savings	98,957.8	136,430.0	195,020.7	187,252.3
Time	266,043.6	226,509.9	281,201.4	279,011.3
Long term negotiable certificate of deposits	3,000.0	3,000.0	3,000.0	3,000.0
Total	527,785.0	570,500.9	711,303.9	693,269.6

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(P millions)			
Up to one year	495,966.7	509,089.0	649,537.3	652,344.2
One to five years	4,362.5	40,539.0	44,696.5	25,402.5
Over five years	27,455.8	20,872.9	17,070.1	15,522.9
Total	527,785.0	570,500.9	711,303.9	693,269.6

Credit Lines

The Group also maintains credit lines with domestic commercial banks and financial institutions in the interbank market primarily for treasury management purposes. Interbank borrowings are typically for short-term duration of between one day and a few weeks. Interbank deposits do not usually form a significant part of the Group's funding base but, together with the Government bond market, are important in the management of the Group's liquidity. The BSP is a lender of last resort to the Philippine banking industry.

The Group is a member of the Philippine Deposit Insurance Corporation (the "PDIC") which insures all deposits up to a maximum of P500,000.00 per depositor. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Group's deposit liabilities less certain exclusions.

Bills Payable and Notes Payable

The Group also sources funds through bills payable and other borrowings which include subordinated debt and bonds. The Group's bills payable represent borrowings from local and foreign banks. As of December 31, 2020, 2021 and 2022, and June 30, 2023, bills payable amounted to P54.2 billion, P51.2 billion, P132.8 billion and P144.4 billion, respectively, of which 63.6%, 55.8%, 74.8% and 70.5%, respectively, are denominated in foreign currencies. The Group also issues senior debt and subordinated debt from time to time to strengthen its capital base as well as to raise funds. The following describes certain details of the Group's outstanding senior debt and subordinated debt.

- On November 29, 2017, the Bank issued U.S.\$500 million in fixed rate senior notes with a coupon of 3.369% per annum, maturing on November 29, 2022 under the Bank's medium term note programme, which was established on November 14, 2017 ("MTN Programme").
- On December 7, 2018, the Bank issued P11.0 billion in fixed rate senior bonds with an interest rate of 7.061% per annum, maturing on December 7, 2020. The bonds were redeemed at their principal amount on December 7, 2020.
- On June 3, 2019, the Bank issued P5.8 billion fixed rate bonds due 2022 under its P39.0 billion bond program. The bonds carry a coupon rate of 6.000% per annum and will mature in June 2022.
- On November 20, 2014, the Bank issued its P7.2 billion unsecured subordinated notes qualifying as tier 2 capital due 2025. On February 20, 2020, the Bank exercised its voluntary redemption option to redeem the notes.
- On February 24, 2020, the Bank issued and listed on PDEX its P6.8 billion unsecured subordinated notes qualifying as tier 2 capital due 2030 under its BSP-approved issuance of P20.0 billion unsecured subordinated notes qualifying as tier 2 capital.
- On October 22, 2020, the Bank issued U.S.\$300 million in fixed rate senior notes with a coupon of 2.125% per annum, maturing on October 22, 2025 under the Bank's MTN Programme.

- On December 9, 2020, the Bank issued ₱8.1 billion in fixed rate senior bonds under its ₱39.0 billion bond program. The bonds carry a coupon rate of 2.75% per annum and will mature on December 9, 2023.
- On December 9, 2020, the Bank issued ₱885.0 million in fixed rate senior bonds under its ₱39.0 billion bond program. The bonds carry a coupon rate of 3.375% per annum and will mature on March 9, 2026.
- On July 23, 2021, the International Finance Corporation (IFC) invested in U.S.\$150 million social bonds issued by the Bank under its sustainable finance framework.
- On June 2, 2022, the Bank issued ₱11.0 Billion 1.5-year Digital Bonds issued through the digital registry and digital depository of the Phil. Depository & Trust Corp
- On September 12, 2022, the Bank executed a U.S.\$ 358 million Facility Agreement for a Syndicated Loan facility which was fully drawn by November 25, 2022.

Interest expense on notes and bonds payable of the Group amounted to ₱2.4 billion, ₱2.2 billion, ₱2.5 billion and ₱1.0 billion for the years ended December 31, 2020, 2021 and 2022, and for the six months ended June 30, 2023, respectively, and is included under the interest expense on bills payable and other liabilities account in the statements of income.

LIQUIDITY MANAGEMENT

The Group manages its liquidity to meet financial liabilities arising from the withdrawal of deposits, repayments of deposits at maturity and working capital needs. Funds are required to create assets in the form of loans and extensions of other forms of credit, investments in securities, trade financing, and capital investments. The Group seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio, the securing of ample money market lines and swap lines, and the maintenance of repurchase facilities.

On March 31, 2020, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of April 3, 2020 (and reiterated in Circular No. 1092 for reserve week July 31, 2020) for universal and commercial banks, to (a) 12% against demand deposits, “NOW” accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificate of time deposits (“CTDs”), long-term non-negotiable tax exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4% against long-term negotiable certificates of time deposits (“LTNCDs”); (d) 3% against bonds; and (e) 0% against basic deposit accounts as defined under Section X222 of the Manual of Regulations for Banks and for interbank call loan transactions (“IBCL”).

On July 27, 2020, the BSP issued BSP Circular No. 1092 reducing the reserve requirements against deposit and deposit substitute liabilities in local currency of banks, with effect from July 31, 2020 for thrift banks, to 3% against demand deposits, “NOW” accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, and deposit substitutes.

The required reserves must be kept in the form of deposits placed in a demand deposit account with the BSP. Government securities, which may form part of the reserves against deposits/deposit substitute liabilities of banks must bear an interest at the rate of 4.0% per annum, must be non-negotiable, and shall carry BSP support.

Pursuant to BSP Circular No. 1083, loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions: (1) that the MSME loan was granted after March 15, 2020; and (2) that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose. Qualified MSME loans are to be valued at amortized cost, gross of allowance for credit losses. The use of MSME loans as allowable alternative compliance with the reserve requirement is available to banks from April 24, 2020 to December 30, 2021.

On October 8, 2020, the BSP issued Circular No. 1100 amending Circulars No. 1087 and 1083, which provides the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

- a) Peso-denominated loans that are granted to MSMEs, excluding banks and non-bank financial institutions with quasi-banking license (“NBQB”), subject to the following conditions:
 - i) that the MSME loan was granted after March 15, 2020, provided, that if such MSME loan becomes past due or non-performing, it is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such MSME loan has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilize said past due or non-performing MSME loan

as alternative compliance with the reserve requirements for an additional 30 calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;

- ii) that the MSME loan that was granted on or before March 15, 2020 but has been renewed or restructured after March 15, 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day. For purposes of determining the increase in the bank's MSME loan portfolio, the bank shall exclude accrued interest and accumulated charges which have been capitalized or made part of the principal restructured MSME loans; and
- iii) that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks from April 24, 2020 to December 30, 2022, subject to early closure of the eligibility window by the Monetary Board, if warranted and with prior notice; and

- b) Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs, subject to the following conditions:
 - i) that the loan to the large enterprise was granted after March 15, 2020, provided, that a loan to a large enterprise that becomes past due or non-performing is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such loan to a large enterprise has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilize said past due or non-performing loan to a large enterprise as alternative compliance with the reserve requirements for an additional 30 calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;
 - ii) that the loan to the large enterprise that was granted on or before March 15, 2020 but has been renewed or restructured after March 15, 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day. For purposes of determining the increase in the bank's loan portfolio to large enterprises, the bank shall exclude accrued interest and accumulated charges which have been capitalized or made part of the principal restructured MSME loans; and
 - iii) that the loan to the large enterprise is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of loans to a large enterprise as allowable alternative compliance with the reserve requirements shall be available to banks/NBQBs from May 29, 2020 to December 29, 2022, subject to early closure of the eligibility window by the Monetary Board, if warranted and with prior notice.

The BSP also requires banks to maintain asset cover of 100.0% for foreign currency liabilities of their FCDUs. On April 8, 2020, the BSP issued BSP Memorandum Circular No. M-2020-023, which allows the alternative treatment of net unrealized losses arising from marking-to-market of financial assets/liabilities and revaluation of third currencies to U.S. dollar of assets in the FCDU book for purposes of determining compliance with the FCDU asset cover requirement. Under the Memorandum Circular, whenever the total of the following FCDU accounts: (x) items comprising the 'Net Unrealized Gains/(Losses) from Operations' credited/debited to 'Undivided Profits/(Losses)', as well as those not yet credited/debited to 'Undivided Profits/(Losses)'; (y) 'Net Unrealized Gains/(Losses) on Available For Sale Financial Assets' recognized directly in equity; and (z) 'Gains/(Losses) on Fair Value Adjustments of Hedging Instruments' recognized, results in a net "debit balance," a bank may for the period beginning the effectivity of the Memorandum Circular until September 30, 2020, add back the "net debit amount" to total assets in the FCDU book for purposes of determining compliance with the 100% asset cover requirement instead of transferring eligible foreign currency assets from the RBU book to FCDU book as required under the Manual of Regulations on Foreign Exchange Transactions.

The Group has consistently complied with the reserve requirements for Peso deposits and the cover requirements for FCDU described above.

The Group's liquid assets as of June 30, 2023 amounted to ₱123.0 billion, representing 11.1% of the Group's total assets. Liquid assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivable and trading and investment securities (excluding investments at amortized cost and financial assets at FVOCI).

The following table sets out information with respect to the Group's liquidity position as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(₹ millions, except percentages)			
Liquid assets ⁽¹⁾	199,808.6	213,124.7	182,949.3	122,959.1
Cash and other cash items	8,958.0	8,904.9	9,891.5	9,502.8
Due from BSP	103,869.8	103,408.0	94,610.3	75,924.9
Due from other banks	68,532.2	54,258.5	46,240.0	24,250.4
Interbank loans receivable and securities purchased under reverse repurchase agreement	16,745.0	40,913.4	23,554.0	8,882.6
Financial assets at FVTPL	18,448.6	5,640.0	8,653.5	4,398.4
Financial Ratios:				
Liquid assets to total assets	25.8%	25.6%	16.7%	11.1%
Liquid assets	199,808.6	213,124.7	182,949.3	122,959.1
Total assets	774,459.2	831,095.5	1,093,737.9	1,109,398.8
Liquid assets to total deposits	37.9%	37.4%	25.7%	17.7%
Liquid assets	199,808.6	213,124.7	182,949.3	122,959.1
Total deposits	527,785.0	570,500.9	711,303.9	693,269.6
Net loans ⁽²⁾ to total deposits	59.5%	57.0%	65.3%	73.1%
Total loans	324,612.9	338,471.1	478,259.91	523,403.3
Less: Allowance for Impairment	(10,473.9)	(13,435.0)	(14,038.7)	(16,924.8)
Net loans	314,139.0	325,036.1	464,221.2	506,478.5
Total deposits	527,785.0	570,500.9	711,303.9	693,269.6

Note:

(1) Liquid assets include cash and cash items, deposits with the BSP and deposits with other banks, interbank loans receivable and trading and investment securities but excludes those accounted for at amortized cost and FVOCI.

SECURITIES PORTFOLIO

The Group classifies its securities in the following categories: FVTPL, amortized cost and FVOCI investments.

As of June 30, 2023, the Group's investments comprised 32.2% of its total assets. The Group carries out its investment activities according to various investment and trading policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits, duration limits, and minimum acceptable credit rating.

The table below shows the balances of the Group's securities as of the dates indicated:

	As of December 31,						As of June 30,	
	2020		2021		2022		2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(₹ millions)							
Financial assets at FVTPL	18,448.6	18,448.6	5,640.0	5,640.0	8,653.5	8,653.5	4,398.4	4,398.4
Financial assets at amortized cost	155,811.0	176,826.3	166,362.2	164,087.5	244,627.9	219,164.6	315,037.8	293,450.2
Financial assets at FVOCI	31,190.3	31,190.3	65,672.6	65,672.6	79,761.8	79,761.8	38,031.3	38,031.3
Total	205,449.9	226,119.0	237,674.8	235,400.1	333,043.2	307,579.9	357,467.52	335,879.9

The following table sets out an analysis of the Group's total investment portfolio (gross of allowances for impairment losses) by maturity as of June 30, 2023:

	Due within one year	Due more than 1 to 5 years	Due more than 5 to 10 years	Due more than 10 years	Total
	(₹ millions)				
Financial assets at FVTPL	1,347.1	738.1	2,096.6	216.6	4,398.4
Financial assets at amortized cost	270.5	123,697.1	112,149.7	78,920.5	315,037.8
Financial assets at FVOCI	256.9	7,272.2	16,359.6	14,242.6	38,031.3
Total	1,874.5	131,707.4	130,605.90	93,279.7	357,467.5

Financial Assets at FVTPL

Financial assets at fair value through profit or loss ("FVTPL") are recorded at fair value. Changes in fair value relating to the held for trading positions are recognized in profit or loss under gain from sale of trading and non-trading financial assets – net.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the Group's financial assets at FVTPL amounted to ₱18.4 billion, ₱5.6 billion, ₱8.7 billion and ₱4.4 billion, respectively.

The following table sets forth, as of the dates indicated, information related to the Group's financial assets at FVTPL.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(₱ millions)			
Debt securities held for trading	15,012.5	4,365.0	6,996.6	3,398.2
Equity securities designated at FVTPL	2,753.7	209.5	481.4	481.8
Derivative assets	682.5	1,065.4	1,175.6	518.3
Total	18,448.6	5,640.0	8,653.5	4,398.3

Financial Assets at Amortized Cost

Financial assets at amortized cost are recorded at amortized cost. As of December 31, 2020, 2021 and 2022 and June 30, 2023, the Group's financial assets at amortized cost amounted to ₱155.8 billion, ₱166.4 billion, ₱244.6 billion and ₱315.0 billion, respectively. The following table sets forth, as of the dates indicated, information related to the Group's financial assets at amortized cost.

	As of December 31,				As of June 30,	
	2020		2021		2022	
	Book/ Market Value	Net Unrealized Gain (Loss)	Book/ Market Value	Net Unrealized Gain (Loss)	Book/ Market Value	Net Unrealized Gain (Loss)
	(₱ millions)					
Government	151,472.0	-	163,502.9	-	242,356.6	-
Private	4,339.0	-	2,859.3	-	2,271.3	-
Total	155,811.0	-	166,362.2	-	244,627.9	-

Financial Assets at FVOCI

Financial assets at fair value through other comprehensive income ("FVOCI") are recorded at fair value. Changes in fair value are recognized in other comprehensive income up until derecognition, when the fair value change will be recognized in profit or loss. The following table sets forth, as of the dates indicated, information related to the Group's financial assets at amortized cost. As of June 30, 2023, the Group's financial assets at FVOCI amounted to ₱38.0 billion.

	As of December 31,				As of June 30,	
	2020		2021		2022	
	Book/ Market Value	Net Unrealized Gain (Loss)	Book/ Market Value	Net Unrealized Gain (Loss)	Book/ Market Value	Net Unrealized Gain (Loss)
	(₱ millions)					
Government	20,237.7	(424.0)	47,097.1	(1,873.4)	62,104.9	(6,315.6)
Private	10,952.6	465.9	18,575.5	414.5	17,656.9	(7,799.8)
Total	31,190.3	41.9	65,672.6	(1,459.0)	79,761.8	(14,115.4)

LOAN PORTFOLIO

As of December 31, 2020, 2021 and 2022, the Group's total loan portfolio amounted to ₱339.5 billion, ₱336.4 billion and ₱479.6 billion, respectively, representing 43.8%, 40.5% and 43.9%, respectively, of its total assets while the total portfolio as of June 30, 2023 amounted to ₱522.2 billion, representing 47.1% of its total assets as of such date.

The Group maintains a well-diversified loan portfolio. The following table sets out the Group's gross loans and advances by principal lending units, as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(₱ millions)			
Corporate Banking	117,476.7	118,674.6	130,500.1	140,677.6
Commercial Banking	75,259.4	69,942.7	75,232.5	78,487.2
Consumer Finance ⁽¹⁾	127,656.9	121,959.5	228,859.9	257,927.1
Others ⁽²⁾	1,576.0	29,311.5	45,871.8	37,385.4
Total loan portfolio	321,969.0	339,888.3	480,464.3	514,477.3

Notes:

- (1) Consumer finance consists of credit cards, auto, mortgage, and quickloans, City Savings loans, and UnionDigital loans.
(2) Others consist of: bills purchased, branch loans, community banking, salary loans, HR loans, and other adjustments.

Industry Concentration

As of June 30, 2023, real estate activities, information and communication, and wholesale and retail trade sectors represented the largest sectors of the Group's loan portfolio at 42.8%. The majority of lending to these sectors takes the form of working capital loans. The Group has no specific limits with respect to portfolio mix, except for the regulatory limits for loans to the real estate sector and credit concentration limit to a particular industry or economic activity.

The internal limits are expressed as a percentage of the Group's net worth. These vary across industries depending on the prospects of the Group. For the regulatory limits, loans to real estate business are limited by BSP regulations to 25.0% in the aggregate of the Bank's total loan portfolio. Excluded from this ceiling are loans extended to individual households to finance the acquisition or improvement of residential units, regardless of amount, loans extended to land developers/construction companies for the purpose of development and/or construction of socialized and low cost residential properties, loans to the extent guaranteed by the Home Guaranty Corporation, loans to the extent collateralized by non-risk assets, and loans to finance the construction, rehabilitation, and improvement of infrastructure projects intended for public use. The trust departments of universal and commercial banks are also exempt from the said loan ceiling. The BSP also imposes a credit concentration limit of 30.0% of total loan portfolio to any industry or economic activity.

Banks are required to allocate 25.0% of their loanable funds for agriculture and fisheries credit in general. Alternatively, a bank may meet all or a portion of the mandatory agriculture and fisheries credit by investing in debt securities, and fixed term deposit products and equity securities of rural financial institutions, as well as providing loans and other credits under certain conditions. Due to the lack of agriculture and agrarian borrowers that meet the Bank's credit standards and due to the shortage in eligible Government securities, the Bank is unable to meet the required agricultural and agrarian reform credit.

The following tables set out an analysis of the Group's loans by economic activity, as defined and categorized by the BSP:

	As of December 31,						As of June 30,	
	2020		2021		2022		2023	
	(P millions, except percentages)							
Real estate activities	71,427.9	22.2%	71,078.5	21.1%	90,231.8	19.0%	94,977.3	18.3%
Financial and insurance activities	31,541.2	9.8%	31,266.6	9.3%	34,819.5	7.3%	49,899.3	9.6%
Electricity, gas steam and air conditioning supply	17,868.1	5.5%	13,689.3	4.1%	13,090.6	2.8%	12,336.4	2.4%
Manufacturing	11,829.1	3.7%	27,319.9	8.1%	28,515.1	6.0%	22,824.7	4.4%
Wholesale and retail trade, repair of motor vehicles	26,768.1	8.3%	31,257.7	9.3%	32,282.6	6.8%	32,610.5	6.3%
Information and communication	38,382.4	11.9%	39,455.5	11.7%	35,095.8	7.4%	36,276.2	7.0%
Agriculture, forestry and fishing	2,584.8	0.8%	1,675.7	0.5%	2,284.1	0.5%	3,177.4	0.6%
Transportation and storage	11,713.0	3.6%	18,859.2	5.6%	21,836.1	4.6%	22,421.8	4.3%
Activities of households as employers and undifferentiated goods and services	1,418.7	0.4%	2,330.1	0.7%	101,877.1	21.5%	103,720.7	19.9%
Other service activities	8,038.9	2.5%	2,349.4	0.7%	15,924.1	3.4%	10,318.5	2.0%
Construction	10,028.6	3.1%	4,334.9	1.3%	6,110.4	1.3%	5,256.5	1.0%
Accommodation and food service activities	1,631.0	0.5%	1,452.5	0.4%	1,540.7	0.3%	1,214.7	0.2%
Arts, entertainment and recreation...	12,728.4	4.0%	14,639.4	4.3%	12,627.8	2.6%	13,214.0	2.5%
Professional, scientific and technical activities	532.0	0.2%	702.0	0.2%	472.9	0.1%	518.9	0.1%
Others ⁽¹⁾	75,476.8	23.4%	76,322.3	22.7%	78,030.1	16.4%	111,207.0	21.4%
Total	321,969.0	100.0%	336,732.9	100.0%	474,738.7	100.0%	519,973.9	100.0%

Note:

(1) Others include water, public administration, education, human health, mining and quarrying, administrative and support service activities, and other household consumption.

The Group maintains a flexible policy toward exposure to the Philippine economy, in principal avoiding exposure of more than 30.0% to a particular individual sub-sector of the economy in accordance with regulatory requirements. The Group also monitors its exposure to specific sectors of the economy, specifically the real estate sector, to ensure compliance with specific pre-determined lending requirements imposed by law on all Philippine banks. The Group must likewise comply with legal requirements to make loans available to SMEs. Mandatory credit allocation laws require all Philippine banks to allocate at least 8.0% of their loan portfolios to micro and small-sized enterprises and at least 2.0% to medium-sized enterprises.

Maturity

As of June 30, 2023, loans due within one year represented 41.9% of the Group's total loans. Loans repayable on demand principally comprise inter-bank loans, while short-term loans principally comprise loans to corporates for working capital and loans to consumers and SMEs. Medium-and long-term loans are typically granted to corporations and businesses to finance capital expenditures and mortgages advanced for property purchases.

The following table sets out an analysis of the Group's loans by maturity (gross of allowance and net of unearned discount):

	As of December 31,						As of June 30,	
	2020		2021		2022		2023	
	(₱ millions, except percentages)							
Within one year	107,011.6	33.2%	114,346.9	34.0%	187,107.4	39.4%	217,674.9	41.9%
One to five years	108,573.1	33.7%	122,580.4	36.4%	169,117.0	35.6%	123,283.7	23.7%
More than five years	106,384.3	33.0%	99,805.6	29.6%	118,514.3	25.0%	179,015.3	34.4%
Total	321,969.0	100.0%	336,732.9	100.0%	474,738.7	100.0%	519,973.9	100.0%

Currencies

The Group provides loans to customers in Peso and certain foreign currencies. The Group maintains its practice of extending foreign currency loans primarily to exporters who have an identifiable source of foreign currency earnings from which to repay the loans or otherwise hedged, and to importers who have authorization from the BSP to purchase foreign currency to service their foreign currency obligations.

As of June 30, 2023, 96.1% of the Group's loan portfolio was denominated in Pesos with 3.9% being denominated in foreign currencies, the majority of which comprised U.S. dollars. Substantially all of the Group's foreign currency-denominated loans are loans to corporate customers.

The following table shows an analysis of the Group's gross loans (gross of allowance and unearned discount) by currency:

	As of December 31,						As of June 30,	
	2020		2021		2022		2023	
	(P millions, except percentages)							
Pesos	310,123.9	96.3%	322,439.7	95.8%	461,064.2	97.1%	499,471.92	96.1%
Foreign currency	11,845.1	3.7%	14,293.2	4.2%	13,674.5	2.9%	20,501.97	3.9%
Total	321,969.0	100.0%	336,732.9	100.0%	474,738.7	100.0%	519,973.89	100.0%

Interest Rates

An important component of the Group's asset and liability policy is its management of interest rate risk, which is the relationship between market interest rates and the Bank's interest rates on its interest-earning assets and interest-bearing liabilities. (See "Risk Management—Interest Rate Risk.")

The Bank's loan pricing is set by the Asset and Liability Committee ("ALCO"). The Bank's loan pricing is driven by market factors, the Bank's funding position, and the credit risk associated with the relevant borrower. The lending market in the Philippines is principally based on floating rate lending. The Bank's floating rate loans are re-priced periodically by reference to the Philippine domestic interest rates, and to the Bank's internal cost of funds known as the transfer pool rate plus a spread. As a result, the Bank's exposure to interest rate fluctuations is significantly reduced. (See "Risk Management—Interest Rate Risk.") The Bank's pricing policy with respect to its interest-bearing liabilities is set by the Bank's ALCO. CASA deposits do not pay any interest for deposits falling below a maintaining balance. The basic rate for savings account deposits that are above the minimum threshold is 0.10% per annum. The Bank also offers special interest rates for deposits under its time deposits account. These larger deposits are placed on pre-agreed terms and pay interest rates that generally track Philippine domestic interest rates.

Size and Concentration of Loans

The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25.0% of its net worth. In determining whether the Bank meets the single borrower limit ("SBL"), the Bank includes exposure to related accounts (including accounts of subsidiaries and parent companies of the borrower). This limit does not apply to loans which are secured with non-risk assets, including cash deposits and Government securities. The Bank has complied with the SBL on all of its loans. In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of Bangko Sentral-Supervised Financial Institutions (BSFIs), the BSP issued BSP Memorandum No. M-2020-011

dated March 19, 2020, as amended by BSP Memorandum No. M-2022-004 dated January 17, 2022, which increased the single borrower's limit from 25% to 30% until December 31, 2022.

On July 22, 2020, the BSP issued BSP Memorandum Circular No. 1091, excluding debt securities held by market makers from the SBL. Under such circular, the debt securities will be excluded from the SBL for a period of time, such as 90 days from date of acquisition if this happened on August 1, 2020 until July 31, 2021 or not exceeding 60 days if acquired August 1, 2021 and onwards.

As of June 30, 2023, the Group's single largest corporate borrower accounted for 6.4% of the Bank's gross loan portfolio. As of the same period, the Group's ten largest performing borrowers (including groups of individuals and companies) accounted for ₱136.4 billion or 26.2% of the Bank's gross loan portfolio. Of the Group's top ten borrowers, none were related parties.

The following table presents a breakdown of the Group's total loans by principal amount as of the periods indicated:

	As of December 31,						As of June 30,	
	2020		2021		2022		2023	
	(₱ millions, except percentages)							
₱5,000,000 or less	128,856.5	40.0%	135,050.2	40.1%	255,403.5	53.8%	285,293.7	54.9%
₱5,000,001 to ₱10,000,000	14,138.4	4.4%	13,445.6	4.0%	14,531.1	3.1%	16,024.3	3.1%
₱10,000,001 to ₱15,000,000	6,124.2	1.9%	5,636.6	1.7%	5,673.7	1.2%	6,251.8	1.2%
More than ₱15,000,000	172,850.0	53.7%	182,600.0	54.2%	199,130.4	41.9%	212,404.1	40.8%
Total	321,969.0	100.0%	336,732.4	100.0%	474,738.7	100.0%	519,973.90	100.0%

Secured and Unsecured Loans

The Group principally focuses on cash flows and cash generating capabilities in assessing the creditworthiness of borrowers. However, the Group will secondarily seek to minimize credit risk with respect to a loan by securing loans with collateral or guarantees. As of June 30, 2023, 19.7% of the Group's total loans were extended on a secured basis, with 2.2% backed by real estate mortgages.

The following table sets out the Group's secured and unsecured loans (gross of allowance and net of unearned discount), classified (in the case of secured loans) according to type of security:

	As of December 31,						As of June 30,	
	2020		2021		2022		2023	
	(₱ millions, except percentages)							
Secured:								
Government securities	-	-	-	-				
Real estate	13,197.8	4.1%	10,312.0	3.1%	12,265.7	2.6%	11,421.3	2.2%
Chattel mortgage	95.4	0.0%	483.8	0.1%	84.7	0.0%	460.3	0.1%
Deposit hold-out	1,172.0	0.4%	442.8	0.1%	374.1	0.1%	59.2	0.0%
Others	50,123.0	15.6%	35,608.0	10.6%	66,576.6	14.0%	90,597.9	17.4%
Total Secured	64,588.2	20.1%	46,846.6	13.9%	79,301.1	16.7%	102,538.7	19.7%
Unsecured ⁽¹⁾	257,380.8	79.9%	289,886.2	86.1%	395,437.4	83.3%	417,435.2	80.3%
Total	321,969.0	100.0%	336,732.88	100.0%	474,738.5	100.0%	519,973.9	100.0%

Note:

(1) Unsecured Loans consist of loans granted on clean basis, assignment of receivables, club shares, cross guaranty of parent company, negative pledge on all assets, surety and joint and several signatures.

Loan Administration and Loan Loss Provisioning

Loan Classifications

The Group classifies loans into three stages based on the expected credit loss ("ECL") model, in accordance with the provisions of PFRS 9. The Group recognizes credit impairment/allowance for credit losses even before an objective evidence of impairment becomes apparent. The Group considers past events, current conditions, and forecasts of future economic conditions in assessing impairment. Credit exposures are classified as follows:

Stage 1. Credit exposures that are considered "performing" and with not significant increase in credit risk since initial recognition or with low credit risk.

Stage 2. Credit exposures that are considered “under-performing” or not yet non-performing but with significant increase in credit risk since initial recognition.

Stage 3. Credit exposures with objective evidence of impairment, thus, considered as “non-performing.”

Provisions

Under existing BSP regulations, the Group should develop and document a sound loan loss methodology that can reasonably estimate provisions for loans and other credit accommodations and risk assets in a timely manner, using their experience and research and the guidance under existing BSP regulations to ensure that the specific and collective allowance for credit losses are adequate, and approximates the expected losses in the credit portfolio. In line with BSP Circular No. 1011 governing PFRS 9 implementation, stages 2 and 3 ECL are classified as specific provision, while stage 1 ECL for loans is booked as general provision. Compliance with the required 1% minimum floor for general loan loss provision is maintained by appropriating retained earnings with an amount equivalent to the excess of 1% of outstanding loan exposures over computed stage 1 ECL. The appropriated retained earnings is considered part of the Tier 2 capital subject to the limit provided under the Capital Adequacy Ratio framework.

In 2018, the Bank adopted the full version of PFRS 9 which requires the Bank to record an allowance for ECL for all loans and other debt financial assets carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition (general approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The Bank and its subsidiaries have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Significant factors that have affected the estimates on the ECL model include:

- The Group’s internal grading model, which assigns probabilities of default to individual grades. Sensitivities were applied to consider uncertainties on available economic forecasts.
- The Group’s definition of default, which is consistent with regulatory requirements.
- Development of ECL models, including the various formulas and the choice of inputs. In 2020, models have been reviewed and revised as appropriate based on latest economic outlook and studies from external sources.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, level of government spending, and collateral values, and their effect on probabilities of default, exposures at default and losses given default. Because of the uncertainties surrounding the business landscape, the quantitative overlays were complemented by experience-based expert judgment inputs through management overlay considered integral to the systematic process.

The following table sets out the Group’s reconciliation of its balance of allowance for credit losses of the loans receivables as of the periods indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(₱ millions)			
Balance of reserves at beginning of period	6,871.9	10,473.9	13,435.0	14,038.7
Provision during the year	8,381.9	5,811.4	4,068.4	4,982.2
Other adjustments ⁽¹⁾	(4,779.9)	(2,850.3)	(3,464.7)	(2,096.1)
Balance at end of period	10,473.9	13,435.0	14,038.7	16,924.8

Note:

(1) Includes write-offs, collections and other movements.

On a monthly basis, all past-due accounts are updated for movements according to aging of past due accounts reports, which are summarized for portfolio tracking purposes and used to implement pro-active strategies. Going forward, the Group may consider sales of a portion of its NPLs to manage its liabilities and performance.

Non-Performing Assets

In accordance with BSP guidelines, loans and other assets in litigation are classified as non-performing assets (“NPAs”). The Group’s NPAs are principally comprised of ROPA and NPLs. The table below sets out details of the Group’s NPLs, non-accruing loans, ROPA, NPAs, restructured loans, and write-offs for loan losses as of the specified periods:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(₱ millions, except percentages)			
NPLs – gross	17,042.8	18,949.8	21,879.7	26,511.0
NPLs – net	10,689.4	8,877.4	11,089.0	14,565.0
Total loans (without interbank call loan (“IBCL”))	324,612.9	338,471.1	478,259.9	523,403.3
Total loans (including IBCL)	324,612.9	355,963.7	485,197.6	524,322.5
Total NPLs to total loans (including IBCL) ⁽¹⁾	5.3%	5.3%	4.5%	5.1%
Total NPLs to total loans (without IBCL) ⁽¹⁾	5.3%	5.6%	4.6%	5.1%
Non-accruing loans	23,338.7	26,833.2	33,378.3	38,864.5
Non-accruing loans to total loans (without IBCL)	7.2%	7.9%	7.0%	7.4%
Non-accruing loans	23,338.7	26,833.2	33,378.3	38,864.5
Total loans (without IBCL)	324,612.9	338,471.1	485,197.6	524,322.5
NPAs as a percentage of total assets	3.5%	3.5%	2.9%	3.3%
NPAs	27,493.1	29,275.5	31,891.7	36,610.1
NPLs – gross	17,042.8			
ROPA	10,450.3	10,325.8	10,012.0	10,099.3
Total Assets	774,459.2	831,095.5	1,092,323.6	1,109,398.8
Allowance for impairment (loans) as a percentage of total NPLs	61.5%	70.9%	64.2%	63.8%
Allowance for impairment (loans)	10,473.9	13,435.0	14,038.7	16,924.8
NPLs – gross	17,042.8	13,932.9	14,515.5	17,440.8
Allowance for impairment (total) as a percentage of NPAs	45.0%	47.6%	45.5%	47.6%
Allowance for impairment (total)	12,365.7	13,932.9	14,515.5	17,440.8
NPAs	27,493.1	29,275.5	31,891.7	36,610.1
Total restructured loans ⁽²⁾	674.2	1379.6	4,832.4	4,959.9
Restructured loans as a percentage of total loans (without IBCL)	0.2%	0.4%	1.0%	0.9%

Notes:

- (1) On September 2002, the BSP issued BSP Circular No. 351 allowing banks that have no unbooked valuation reserves to exclude from non-performing classification loans classified “loss” in the latest examination of the BSP which are fully covered by allowance for impairment, provided that interest on said loans shall not be accrued. On October 16, 2012, the BSP issued BSP Circular No. 772, amending computation of net NPL ratio effective January 2013 to exclude specific allowance for credit losses on the total loan portfolio from the gross NPLs; provided that such specific allowance for credit losses on the total loan portfolio shall not be deducted from the total loan portfolio (including IBCL).
- (2) Total restructured loans include restructured credit card receivables.

Loans are classified as non-accruing (or past due) if (i) any repayment of principal at maturity or any scheduled payment of principal or interest due quarterly (or longer) is not made when due and (ii) in the case of any principal or interest due monthly, if the amount due is not paid and has remained outstanding for three months. In the case of (i), such loans are treated as non-

performing if the payment is not made within a further 30 days. In the case of (ii), such loans are treated as non-performing upon the occurrence of the default in payment.

Accrued interest arising from loan accounts are classified according to the classification of their corresponding loan accounts except for those which remain uncollected after six months from the date such loans or instalments have matured or have become past due for which a 100.0% allowance for uncollected accrued interest receivables is made.

Ten Largest NPLs

As of June 30, 2023, the Group's ten largest NPLs accounted for 0.4% of its gross loans to customers and 7.4% of its gross NPLs to customers. As of June 30, 2023, the Group's exposure to its ten largest NPLs amounted to ₱2.0 billion in aggregate.

As of June 30, 2023, none of the largest NPLs accounted for more than 1.9% of the Group's total amount of gross NPLs.

The following table sets out certain information relating to the Group's gross top ten NPLs as defined by industry or economic activity as of June 30, 2023:

Industry	Type of Banking Arrangement	Gross Principal Outstanding	Provisions (₱ millions)	Principal Outstanding Net of Provisions for Credit Losses	Type of Collateral
Wholesale and Retail Trade	L & D ⁽¹⁾	514.6	302.6	212.0	Clean
Manufacturing	L & D ⁽¹⁾	295.4	148.5	146.9	Clean
Electricity, Gas, Steam and Air Conditioning Supply	L & D ⁽¹⁾	217.5	145.3	72.2	Clean
Information and Communication	L & D ⁽¹⁾	215.7	220.5	(4.8)	Clean
Manufacturing	L & D ⁽¹⁾	134.6	138.8	(4.2)	Clean
Manufacturing	L & D ⁽¹⁾	133.1	133.0	0.0	Clean
Wholesale and Retail Trade	L & D ⁽¹⁾	129.1	75.1	54.0	Clean
Wholesale and Retail Trade	L & D ⁽¹⁾	114.0	115.0	(1.1)	Clean
Wholesale and Retail Trade	L & D ⁽¹⁾	107.6	109.2	(1.6)	Clean
Wholesale and Retail Trade	L & D ⁽¹⁾	100.0	101.0	(1.0)	Clean
Total		1,961.5	1,489.0	472.5	

Notes:

(1) L & D means loans and discounts.

(2) REM means real estate mortgage.

Loan Restructuring

The Group has, from time to time, restructured those NPLs which it considers suitable for restructuring in order to manage its loan portfolio and reduce its exposure to NPLs. The decision to restructure a NPL, as well as the method of restructuring, is borrower-specific. The Group has restructured loans through extensions of maturity or rescheduling interest or principal payments based on expected cash flows of the borrower. The Group has, in some instances, agreed to debt-for-asset swaps as part of a broader restructuring scheme.

In accordance with BSP guidelines, NPLs which are successfully restructured are considered to be current and no longer treated by the Group as non-performing, generally following three consecutive payments of required amortization of principal and/or interest, and for restructured loans with capitalized interest and which are not fully secured, six consecutive payments are generally required for the loan to be considered performing. However, these loans may only be removed from classified status following a review by the BSP or the credit review unit of the Group.

Foreclosure and Disposal of Assets

The Group's preferred strategy for managing its exposure to NPLs that are secured is to foreclose on a NPL if the borrower cannot or will not repay the loan on acceptable terms. In the case of larger loans, the Group may also consider accepting a *dacion en pago* arrangement.

The Group had real estate ROPA of ₱6.9 billion and ₱6.5 billion as of December 31, 2021 and 2022, respectively. This represents a net decrease of 5.3% from ₱6.9 billion as of December 31, 2021 as a result of disposal efforts which include regular auctions, division of properties into saleable lots, and online marketing initiatives. In 2023, a total of ₱0.7 billion worth of properties were foreclosed by the Group. Real estate ROPA remains at ₱6.4 billion consisting of 2,077 properties as of June 30, 2023.

For details of the Group's NPLs, non-accruing loans, ROPA, NPAs, restructured loans, and write-offs for loan losses as of and for the periods indicated, please refer to the table on NPAs above.

MANAGEMENT

Board of Directors

The overall management and supervision of the Bank is undertaken by its Board. The Board is empowered to direct, manage, and supervise, under its collective responsibility, the affairs of the Bank. The Articles of Incorporation of the Bank provide for a Board of not more than 15 directors. Directors are elected at the annual meeting of shareholders which is, in accordance with the Bank's by-laws, held on the fourth Friday of April each year. The 15 candidates receiving the highest number of votes shall be declared elected. Each elected director has a term of office of one year and is eligible for re-election the following year. As of the date of this Offering Circular, the Board consists of 15 directors.

The following table sets out certain information regarding the Bank's directors as of September 30, 2023.

Name	Citizenship	Position
Erramon I. Aboitiz	Filipino	Chairman
Justo A. Ortiz	Filipino	Vice Chairman
Edwin R. Bautista	Filipino	Director, President and Chief Executive Officer
Sabin M. Aboitiz.....	Filipino	Director
Ana Maria A. Delgado	Filipino	Director, Senior Executive Vice President, Chief Customer Experience Officer, Chief Digital Channel Officer, Head of Institutional Banking
Samel A. Aboitiz.....	Filipino	Director
Jose Emmanuel U. Hilado.....	Filipino	Director
Nina Perpetua D. Aguas.....	Filipino	Director
Rolando L. Macasaet	Filipino	Director
Robert Joseph M. De Claro	Filipino	Director
Roberto G. Manabat.....	Filipino	Lead Independent Director
Manuel D. Escueta	Filipino	Independent Director
Josiah L. Go	Filipino	Independent Director
Francisco Ed. Lim.....	Filipino	Independent Director
Honorio G. Poblador IV	Filipino	Independent Director

The business experience of each of the Bank's directors is set out below.

Erramon I. Aboitiz serves as Chairman of UnionBank. He is a Director of Aboitiz Equity Ventures, Inc., a publicly listed company, Aboitiz InfraCapital, Inc., Hedcor Sibulan, Inc.

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

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

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

Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas (UST) as he was conferred a Doctor of Humanities degree, Honoris Causa, on December 11, 2015. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University.

Edwin R. Bautista serves as Director and President & Chief Executive Officer of UnionBank. He also serves as director of the subsidiaries and affiliates of UnionBank: Chairman of First Union Plans, Inc.; Director of UBP Investments Corporation, UBX

Philippines Corporation, and UnionDigital Bank Inc. He is a Director of Aboitiz Power Corporation, a publicly listed company. He was the President and Chief Operating Officer of the Bank from January 1, 2016 to December 31, 2017. He also served as Senior Executive Vice President of the Bank from 2011 to 2015. He acted as President of the International Exchange Bank in 2006 until its merger with UnionBank. He was Senior Vice-President of UnionBank from 1997 to 2001 and Executive Vice President from 2001 to 2011. He previously worked as Senior Brand Manager at Procter and Gamble, Marketing and Sales Director of the Philippines and Guam at American Express International, and Vice President/Group Head of Transaction Banking at Citibank.

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

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

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

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

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

Ana Maria A. Delgado serves as Director and Senior Executive Vice President, Institutional Banking Head, Chief Customer Experience and Digital Channels Officer of Union Bank of the Philippines. She started her career with the Bank as a Product Manager under the Retail Banking Center. Prior to joining the Bank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008. She graduated with a Bachelor of Arts in Art History and Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010.

Ana is obsessed with fixing things and is constantly looking for new ways to elevate experiences. She believes that the real work of a marketer goes beyond creating engaging campaigns that simply sell products and services. To her the marketer of today needs to be at the forefront of designing and creating products and experiences that have the ability to transform people's lives.

Samel A. Aboitiz serves as Director of UnionBank. He is Vice President and Head of Finance & Accounting for Coal Business Unit of Aboitiz Power Corporation (AboitizPower), a publicly listed company. He is also concurrently Treasurer and Controller of Aboitiz & Company (ACO), and Vice President for Finance of Aboitiz Equity Ventures, Inc. (AEV), a publicly listed company. He is a member of the Board of Advisors of ACO, and the Board of Directors of San Fernando Light & Power Co. and Visayas Electric Company. He served as Assistant Vice President and Controller for Coal Business Unit of AboitizPower from January 2019 to July 2021; Deputy Head of Operations of PETNET, Inc. from July 2018 to December 2018; and Corporate Finance Manager of AEV from September 2016 to July 2018. Prior to joining the Aboitiz Group, he was Investment Banking Analyst for CLSA Exchange Capital, and with Castleton Commodities International as Freight Analyst.

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

Jose Emmanuel U. Hilado serves as Director of UnionBank. He is currently the Senior Vice President, Chief Financial Officer, and Corporate Information Officer of Aboitiz Equity Ventures (AEV). He has more than 30 years of banking experience behind him and has held various positions in Treasury, Trading, Investments, Correspondent Banking, Bank Operations, Human Resources, and Purchasing. Mr. Hilado had been the Senior Executive Vice President and Chief Financial Officer of the UnionBank from October 2022 to December 2022. Prior to this role, he was Senior Executive Vice President, Treasurer, and Head of Global Markets from July 2017 to Oct 2022. He has held various positions with publicly listed companies such as: Senior Executive Vice President and Chief Operating Officer of East West Bank Corporation; Treasurer of Rizal Commercial Banking Corporation for six (6) years; and Chief Trader at Banco De Oro Unibank ("BDO") for four (4) years. He also held numerous roles in International Business Development of Far East Bank & Trust Company and in Treasury of Equitable PCI Bank. He is currently a Director of UBP Investments Corporation and First Union Plans, Inc., both UnionBank subsidiaries.

While at BDO, he was also the Treasurer of BDO Private Bank for three (3) years. He was a member of various industry-related associations such as the Bankers Association of the Philippines' Open Market Committee, Money Market Association and ACI

Philippines and the Philippine Interpretations Committee (PIC) and is current a member of the Financial Executives Institute of the Philippines (FINEX). He was President of ACI Philippines from 2002 to 2006 and was its Director in 2004. ACI Philippines is a business organization for financial market professionals involved in foreign exchange, fixed income, and derivatives markets.

He obtained his Bachelor of Science degree in Business Economics at the University of the Philippines, and his MBA degree at Kellogg-Hong Kong University of Science and Technology. He is also a Certified Treasury Professional from the BAP-Ateneo Graduate School.

Nina Perpetua D. Aguas serves as Director of UnionBank. She is currently the Executive Chairperson of the Board of Trustees of The Insular Life Assurance Co., Ltd. and its subsidiaries: Insular Health Care, Inc. and Insular Foundation, Inc. She also sits as Non-Executive Director of Pilipinas Shell Petroleum Corporation; Independent Director of Monde Nissin Corporation, both publicly listed companies; and Director of Insurance Institute for Asia and the Pacific, Inc.

She was also the Board of Director and Chairperson of Bank of Florida (A Rural Bank) and has served as a member of the World Bank Group's Advisory Council on Gender and Development.

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

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

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

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

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

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

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

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

R.G. Manabat Foundation; and Chairman of Enactus Philippines.

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

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

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

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

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

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

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

Mr. Go is known as one of the Philippines' most respected marketing gurus and the most awarded business educators of the Philippines with 19 bestselling and record-breaking marketing and entrepreneurship books. He has been recognized as one of the Agora Awardees in 1994, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 2001, one of the Ten Outstanding Young Persons (TOYP) of the World in 2002 and one of only two Lifetime Achievement Awardees by the Association of Marketing Educators (2007), the youngest marketing educator to be bestowed this honor. He was also given the Brand Leadership Award during the World Brand Congress in India (2009). His accomplishments were recognized by the international community where he has been included in the 10th edition of the International Who's Who of Intellectuals (England).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Involvement in Legal Proceedings

The Bank is not aware of any of the following events having occurred during the past five years up to the date of this Offering Circular that are material to an evaluation of the ability or integrity of any director, nominee for election as director, Senior Management, underwriter or controlling person of the Bank:

* publicly listed company

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

Compensation of Directors and Executive Officers

Information as to the aggregate compensation of the Bank's CEO and four other most highly compensated executive officers during the years ended December 31, 2020, 2021 and 2022 is as follows:

Year ended December 31,	Salary	Bonuses (₱ millions)	Other Annual Compensation ⁽³⁾
2020 ⁽¹⁾	148.5	37.1	0.0
2021 ⁽²⁾	161.5	40.4	0.0
2022 ⁽³⁾	158.0	39.5	0.0

Notes:

- (1) All other officers and directors as a group unnamed received salaries amounting to ₱2.6 billion and bonuses amounting to ₱646.7 million for the year ended December 31, 2020.
- (2) All other officers and directors as a group unnamed received salaries amounting to ₱2.9 billion and bonuses amounting to ₱726.1 million for the year ended December 31, 2021.
- (3) All other officers and directors as a group unnamed received salaries amounting to ₱4.2 billion and bonuses amounting to ₱1.0 billion for the year ended December 31, 2022.

The non-executive directors each receive a per diem of ₱160,000.00 for attendance in meetings of the Board, except for the Chairman of the Board who receives ₱240,000.00. The executive director, who is the President and Chief Executive Officer, receives a per diem of ₱1,500.00 for attendance in Board meetings and ₱3,000.00 for each committee meeting. The Chairman of each committee receives a per diem of ₱120,000.00 per meeting attended and a committee member receives a per diem of ₱80,000.00. Per diems and bonuses of some directors who represent institutional shareholders are received by said directors for and on behalf of their respective institutions. The executive officers receive salaries and bonuses which are covered by the Bank's standard employment contract.

Board Committees

The Board has created each of the following committees and appointed board members thereto.

Executive Committee

The Executive Committee, composed of seven members of the Board, exercises during intervals between Board meetings the functions and powers which are reserved for the Board. Excluded from such powers is the power to initiate reversals of, or departure from fundamental policies, procedures and guidelines prescribed by the Board itself, and subject to such restrictions as the Board may determine. All matters passed and acted upon by the Executive Committee are reported to the Board for its consideration and approval. The Executive Committee exercises certain functions as delegated by the Board, including the approval of credit proposals, asset recovery, and real and other properties acquired.

Risk Management Committee

The Risk Management Committee is composed of seven members of the Board. It is primarily responsible for overseeing the enterprise risk management framework and ensuring that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.

Market Risk Committee

The Market Risk Committee is composed of nine members of the Board. It is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk and liquidity risk. The Market Risk Committee also reviews and endorses treasury risk limits for Board approval; approves models and systems used to calculate market risk; conducts ongoing review and validation of the adequacy and soundness of market risk policies, assumptions and practices; and monitors the sensitivity of the Bank's financial condition to the effects of market volatility and adverse price changes of the Bank's portfolio of financial instruments.

Operations Risk Management Committee

The Operations Risk Management Committee is composed of seven members of the Board. It is responsible for reviewing various operations risk policies and practices, including among others, policies and practices of the Bank's branches, internet banking, central processing services, and treasury operations.

Trust Committee

The Trust Committee is composed of five members, one of whom is from senior management (Trust Officer). It primarily ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices. It also ensures that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective.

Information Technology and Cyber Committee

The Information Technology and Cyber Committee is composed of six members, one of whom is from senior management. It primarily oversees the Bank's overall IT strategy and ensures its alignment with the business strategies and objectives. It is in charge of the development and implementation of a cohesive IT risk management system to identify and address IT risk concerns on a continuous basis, monitor IT performance, status of major IT projects and other significant IT issues.

Audit Committee

The Audit Committee, composed of seven members of the Board, includes four independent directors. It provides oversight of the institution's financial reporting, controls internal and external audit functions. It also monitors and evaluates the adequacy and effectiveness of the Bank's internal control system, and assesses the adequacy of the Bank's risk management system. The Audit Committee reviews and approves the procedures for the audit of the ICAAP.

Corporate Governance Committee

The Corporate Governance Committee is composed of nine members of the Board, including Chairman of the Board. It is responsible for ensuring the Board's effectiveness and due observance of good corporate governance principles and guidelines. It also brings to the attention of the Board possible improvement in the policies, procedures, charter, practices and structure in order to conform to the requirements of good corporate governance.

Related Party Transactions Committee

The Related Party Transaction Committee is composed of three members. It assists the Board in the performance of its governance responsibility with respect to transactions concerning related parties of the Bank. It reviews and approves transactions or endorses to the Board for approval or confirmation.

Executive Officers

The following table sets out certain information regarding the Bank's executive officers as of September 30, 2023.

Name	Citizenship	Position
Edwin R. Bautista	Filipino	President and Chief Executive Officer
Manoj Varma	Filipino	Senior Executive Vice President, Consumer Banking Head
Ana Maria A. Delgado	Filipino	Senior Executive Vice President, Chief Customer Experience Officer, Chief Digital Channel Officer, Head of Institutional Banking
Roberto F. Abastillas	Filipino	Executive Vice President and Head, Commercial Banking Center
Manish Chawla	Indian	Executive Vice President, Chief Information and Operations Officer

Name	Citizenship	Position
Ramon G. Duarte	Filipino	Executive Vice President and Head, Transaction Banking Center
Antonino Agustin S. Fajardo	Filipino	Executive Vice President and Head, Corporate Banking Center
Mary Joyce S. Gonzalez	Filipino	Executive Vice President and Head, Retail Banking Center
Manuel R. Lozano	Filipino	Executive Vice President, Chief Financial Officer
Dennis D. Omila	Filipino	Executive Vice President, Chief Technology and Operation Officer
Michaela Sophia E. Rubio	Filipino	Executive Vice President, Chief Human Resource Officer
Johnson L. Sia	Filipino	Executive Vice President, Treasurer and Global Market Head
Atty. Arlene Joan T. Agustin	Filipino	Senior Vice President and Head, Private Banking
Atty. Joselito V. Banaag	Filipino	Senior Vice President, General Counsel and Corporate Secretary
Antonio Sebastian T. Corro	Filipino	Senior Vice President and Chief Cross-Sell Officer
Albert Raymond C. Cuadrante	Filipino	Senior Vice President and Chief Marketing Officer
Norman C. Gabriel	Filipino	Senior Vice President and Chief Audit Executive
Rommel Jason L. Galang	Filipino	Senior Vice President and Chief Security Officer
Irma M. Lasquety	Filipino	Senior Vice President and Acting Trust Officer
Edgar Allan G. Oblena	Filipino	Senior Vice President and Officer-in-Charge – Controllershship
Jose Paolo R. Rufo	Filipino	Senior Vice President, Chief Information Officer and Data Protection Officer
Joselynn B. Torres	Filipino	Senior Vice President and Chief Compliance and Corporate Governance Officer
Atty. Buenaventura S. Sanguyo, Jr.	Filipino	Senior Vice President and Assistant Corporate Secretary
Therese Chan	Filipino	Head, Wealth and Brokerage
Dr. David R. Hardoon	Brazilian	Chief Data Science and AI Officer
Vishal Kadian	Indian	Head, Cards and Personal Loans
Erwin Wiriadi	Indonesian	Chief Risk Officer

The business experience of each of the Bank's executive officers (other than those serving as directors) is set out below.

Manoj Varma holds the position of Senior Executive Vice President and Head of the Consumer Banking Group of UnionBank. He is also the Chairman of Citicorp Financial Services and Insurance Brokerage Philippines, Inc. Prior to joining the Bank, he was the Country Business Manager of Citibank Philippines from 2018 to 2022. During his 30-year career with Citibank, he served in various business management across all functional units in finance, sales, credit, and marketing from Philippines, India, Taiwan, South Korea, and the United States of America. Mr. Varma graduated in bachelor's degree in mechanical engineering from New Delhi, India and obtained his MBA degree from Georgetown University, Washington DC.

Roberto F. Abastillas holds the position of Executive Vice President and Center Head of the Commercial Banking of UnionBank. He is also a Director of First Union Insurance & Financial Agencies, Inc. He started his career with the Bank in 2006 as Senior Vice President and Head of the Commercial Banking 1 Group. Mr. Abastillas was previously Senior Vice President and Head of the Account Management Center I at International Exchange Bank from 1995 to 2006. He was Vice President and Head of the Account Management Group 1 for United Coconut Planters Bank from 1986 to 1995.

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

Ramon G. Duarte holds the position of Executive Vice President and Head of Transaction Banking Center of UnionBank. He was previously Chief Technology Officer of Dotenable, Inc. from 2000-2001; Head of Electronic Banking Transaction Services at ABN AMRO Philippines from 1999 to 2000; and Assistant Vice President of Product Management under Global Transaction Services at Citibank from 1996 to 1999.

Antonino Agustin S. Fajardo is Executive Vice President and Center Head of Corporate Banking of UnionBank and serves as

Director of First Union Insurance & Financial Agencies, Inc., a subsidiary of the Bank. He is also a Senior Credit Officer and has had broad experience in the corporate and consumer sectors of the Bank in various leadership roles. He headed the Mortgage Business from 2013 to 2017, and in the early years of the Bank from 1994 to 1998, also played key roles in the Specialized Lending Group, which was involved in general project finance and the on-lending of official development funds to key accounts. Prior to joining the Bank, he was Project Officer for the Private Development Corporation of the Philippines.

Mary Joyce S. Gonzalez holds the position of Retail Banking Center Head at UnionBank with a Corporate Rank of Executive Vice President. She is also the Chairperson of First Union Insurance and Financial Agencies, Inc., at the same time she is Director of UBP Investments Corporation and First Union Direct Corporation, all subsidiaries of the Bank. She started her career in UnionBank as Branch Manager of the Main Office Branch in 1994. After a few months, she was given an expanded role as Sales Director of the Makati 1 Region. Her stint as Sales Director over the years saw major growth in the deposit and fund generation business, and the development of a very capable sales management team. In recognition of her contribution to the business, Joyce was promoted to Senior Vice President and was given an additional task to develop and lead Customer Segment Management and bring greater customer centricity in UnionBank's pursuit in delighting its customers, given her seasoned abilities, and exposure in the business of Retail Banking.

Manuel R. Lozano holds the position of Executive Vice President and Chief Financial Officer of UnionBank. He served as Director of the Bank from May 2017 to April 2023. He was Senior Vice President and Chief Financial Officer of Aboitiz Equity Ventures, Inc. from June 2015 to December 2022, and Aboitiz Power Corporation from January 2014 to June 2015, both publicly listed companies. He was also the Chief Financial Officer of the Aboitiz Power Generation Group and AP Renewables, Inc. from December 2008 to December 2013. Prior to joining the Aboitiz Group, Mr. Lozano was the Chief Financial Officer and Director of PAXYS, Inc. and held various positions in financial institutions including Jardine Fleming & CLSA.

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

Dennis D. Omila holds the position of Executive Vice President and Chief Technology and Operations Officer of UnionBank. He was the former Senior Vice President of the Infrastructure Engineering and Service Operations cluster of Globe Telecom, Inc., a publicly listed company, from 2014 to 2016. He was also the President and COO of NetX Technology Solutions, Inc. from 2002 to 2007. His certifications include Certified Information Systems Security Professionals (CISSP), Certified Check Point Security Instruction (CCSI), Certified Check Point Security Engineer (CCSE), Certified Check Point Security Administrator (CCSA), Vulnerability Assessment Specialist, Threat Assessment Specialist, Certified Core and Edge ATM Network Specialist (Fore Systems), Certified Networks Administrator (Nortel Networks), Certified SINIX, IRIX, Solaris and BSD UNIX Administrator and Business Continuity Certified Planner (BCCP).

Mr. Omila is a graduate of De La Salle University with a degree in Bachelor of Science major in Computer Science with specialization in Computer Technology (BSCS-CT).

Michaela Sophia E. Rubio holds the position of Executive Vice President and Chief Human Resource Officer of UnionBank. She is also the Lead for CSR, Sustainability, and Occupational Safety and Health Division. She joined the Bank in 2004 as Vice President and handled the Human Resource Services, Training and Organization Development divisions. Subsequently, she became the Deputy HR Director. Prior to joining the Bank, she was the Vice President and Country Human Resource, Quality and Corporate Communications Head in the Philippines of the global electrical and power company, Asea Brown Boveri (ABB) from 1999 - 2001. She worked from 2001 - 2003 as a Senior Consultant in OTi Consulting Singapore working with government owned and private organizations on Singapore Quality Class/Award, People Developer, Industry Capability Upgrading (ICAP) and Work Life and Work Redesign of which she was certified by SPRING Singapore. Before a career in Human Resource, she worked for ten years in the semiconductor and electronics manufacturing industry handling engineering and managerial functions in Statistical Process Control and Quality.

Johnson L. Sia holds the position of Executive Vice President, Treasurer and Head of Global Markets of UnionBank. He was formerly the Head of Financial Markets of ING Philippines. He has twenty-eight (28) years of experience in treasury and financial markets from Citibank Philippines, Singapore and Korea. Mr. Sia started his banking career in Citibank by being part of the bank's Management Associate Program and rose from the ranks. He has broad treasury experience spanning risk management, sales, operations, product development and general treasury management, including balance sheet management.

He has been active in leading industry market issues in the Philippines as Vice Chair of the Open Markets Committee of the Bankers Association of the Philippines (BAP) as well as the Chairperson of the BAP's Benchmark Committee.

He graduated Magna Cum Laude and obtained his Bachelor of Science degree in Computer Science from Ateneo de Manila University. He obtained his Master of Science in Business Management from the Asian Institute of Management and finished his graduate studies with high distinction.

Atty. Arlene Joan Roxas Tanjuaquio-Agustin holds the position of Senior Vice President and Head of Private Banking Group of UnionBank. She is a Chartered Wealth Advisor and a Chartered Trust and Estate Planner. Atty. Agustin brings with her

more than two decades of experience and expertise in Treasury and Trust. She started her career in banking in 1990 as a Trader in Asiatrust Bank, then moved to China Banking Corp., a publicly listed company, as an Assistant Manager for Treasury. In 1997, she transferred to Jade Progressive Savings and Mortgage Bank where she became the Senior Assistant Vice President-Treasurer. After her two-year stint, she went to join Robinsons Bank and became its First Vice President, Head of Treasury and concurrent Head of Legal & Credit Administration. From 2007 to 2009, she worked for GE Money Bank where she was appointed as First Vice President and Treasurer. When GE Money Bank was acquired by BDO Unibank, Inc., a publicly listed company, she was appointed as the Customer Solutions Desk Head of the Treasury Capital Markets and Derivatives Division and at the same time served as the First Vice President and Treasurer of BDO Elite Savings Bank until 2011. In the same year, she joined Maybank Philippines, Inc. where she became the Senior Vice President, Treasurer and Head of Global Markets.

Atty. Agustin completed her Bachelor's degree in Political Science and Economics from the University of the Philippines, Diliman. She earned her Juris Doctor Law degree at the Ateneo De Manila University and later took her Master's degree in Business Administration at De La Salle University. She is a member of the Integrated Bar of the Philippines.

Atty. Joselito V. Banaag holds the position of Senior Vice President, Corporate Secretary, and General Counsel of UnionBank. He was the former Head of the Legal and Compliance Division and Corporate Governance of GT Capital Holdings, Inc., a publicly listed company, from 2012 to 2015. He also previously worked at the Philippine Stock Exchange (PSE), a publicly listed company, as the General Counsel and concurrently, as Chief Legal Counsel of the Securities Clearing Corporation of the Philippines (SCCP). He was also Officer-in-Charge of the Exchange's Issuer Regulation Division. Prior to that, he held various positions in SGV & Co., Cayetano Sebastian Ata Dado & Cruz Law Offices, PNOG Exploration Corporation, and Padilla Jimenez Kintanar & Asuncion Law Offices.

He earned his Bachelor of Arts in Political Science minoring in Japanese Studies from the Ateneo de Manila University and his Bachelor of Laws from the University of the Philippines.

Antonio Sebastian T. Corro holds the position of Senior Vice President and Chief Cross-Sell Officer & Asset-Backed Lending Head of UnionBank. Prior to joining the Bank, he held various positions from 2001 to 2017 in MasterCard Asia/Pacific Pte. Limited such as Country Manager in Thailand & Myanmar, leading the execution of business development strategies to expand MasterCard products and services throughout Thailand and Myanmar; Country Manager and Chief Representative in Indochina Region, guiding the member banks across the Indochina region Vietnam, Cambodia, Laos and Myanmar, through the execution of franchise related activities, among others; and Vice President for Operations and Member Relations in the Philippines. He also held various positions in Standard Chartered Bank from 1999-2001.

Mr. Corro earned his Administracion de Recursos Fisicos Y Financieros from Colegio Universitario Fermin Toro, Venezuela.

Albert Raymond C. Cuadrante holds the positions of Senior Vice President and Chief Marketing Officer of UnionBank. He was formerly the President of Acumen Strategy Consultants, providing consultancy services focused on strategy, transformation and capability building to enable higher business performance. Mr. Cuadrante has almost 30 years of collective experience in the field of digital commerce, brand management and marketing. In 2008, he joined Jollibee Foods Corporation, a publicly listed corporation, and handled various positions from Marketing Director for Red Ribbon, Vice President and Marketing Head of Jollibee, President for Greenwich, and established and headed the Digital Commerce and Customer Loyalty division for the Philippines, which was tasked to lead the digital transformation for customer-facing touchpoints. He was the recipient of the 2013 Asia Pacific Tambuli Chief Marketing Officer of the Year award. He started his Marketing career at Procter & Gamble Philippines.

Mr. Cuadrante graduated with a Bachelor of Science Major in Management Engineering (Honors Program) from Ateneo De Manila University.

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

Rear Admiral Rommel Jason L. Galang PN, (Ret.) holds the position of Senior Vice President and Chief Security Officer of UnionBank. Prior employment in Unionbank, he is a senior officer of the Philippine Navy where he held various position. Rear Admiral Galang is a distinguished military officer with over 38 years of active service and exhibits exceptional standard of excellence, fine leadership acumen, a notable innovator in navy modernization and perspective vision. He has expertise in the field of strategic and tactical planning, operations and research, project management on the Philippine Navy Modernization program, and special operations. His notable position while on active service was the former Commander of the Naval Sea

Systems Command; Commander, Naval Forces West; Deputy Commander, Philippine Fleet; Commander, Littoral Combat Force; Chief of United Command Staff, Western Command, AFP; Director, Naval Research and Technology Development Center; and Commander of the Naval Special Operations Group (Navy seals).

Rear Admiral Galang PN (ret) is a recipient of the Philippine Legion of Honors medal given by president Rodrigo Duterte, and the Order of Lakandula (rank of Commander) given by President Gloria Macapagal arroyo. He also received Four Distinguished Service Star, Two Distinguished Navy Cross, Two Meritorious Achievement Medal, One Distinguished Service Medal, One Gawad sa kaunlaran Medal, Five Bronze Cross medal, Two Silver Wing medal, Thirty Three Military Merit Medal, Two Military Civic Action Medal, Seven Military Commendation Medal, and Ten more assorted medals making him one of the few Navy Officers who received more than 50 different medals throughout his Naval Career. He is a graduate of the Philippine Military Academy Class of 1987 and obtained his master's degree in Management (Public Administration) from the Philippine Christian University.

Irma M. Lasquety holds the position of Senior Vice President and COO/Acting Trust Officer of UnionBank. She has a solid experience, specializing in the overall management of global transaction operations under the Trust Department/ Asset Management from both foreign and local banks. She was formerly served as Senior Assistant Vice President and Deputy Operations Head of BDO Unibank, Inc., a publicly listed corporation. Prior to this role, she was Vice President, Deputy Operations Head for Global Technology Operations Asset Management of Deutsche Bank AG, Manila. She started her career with Citytrust Banking Corporation, Inc. as Project Manager under the Trust Department.

Ms. Lasquety is a Certified Public Accountant and a Registered Financial Planner. She holds a Bachelor's Degree in Accounting from Philippine School of Business Administration.

Edgar Allan G. Oblena holds the position of Senior Vice President and Officer-in-Charge of Financial Controllershship of UnionBank. He is a Certified Public Accountant. Prior to joining the Bank, he was a VP-Financial Reporting Lead Analyst in Citibank from 2016 to 2020, where he worked as a Risk and Control Officer and then lead as Local Regulatory Reporting Head. He also worked in ING Bank N.V., Manila Branch as the Regulatory and Tax Head from 2009 to 2016, and as an External Auditor in EY/SGV from 2002 to 2009, where he performed audits of Banks and Other Financial Institutions.

He graduated with a degree in Bachelor of Science in Commerce, majoring in Accounting, from University of Santo Tomas in 2002.

Jose Paolo G. Rufo holds the position of Senior Vice President, Chief Information Security, and Data Protection Officer of UnionBank. Mr Rufo is a Certified Information Systems Security Professional and Founding Member and Treasurer of ISC2 Philippine Chapter. Prior to joining the Bank, he was Head of Data Privacy and Information Security Governance, and formerly served as Head of Data Management and Development of Globe Telecom, Inc. (a publicly listed company) from 2010 to 2018. He also served under the Government Service Insurance System as the Head of SAP and Database Administration Unit from 2009 to 2010. Mr. Rufo graduated with the degree in BS Statistics from the University of the Philippines - Diliman.

Joselynn B. Torres holds the position of Senior Vice President and Chief Compliance and Corporate Governance Officer of UnionBank. With over thirty years of experience in the financial and compliance services industries, working in the areas of business development and mergers and acquisitions, audit, compliance and quality assurance, most of which were spent in the banking sector. She was the Business Development Head of City Savings Bank, Inc. (a UnionBank subsidiary), heading the product development function and assisted in the microfinance business acquisitions. As Senior Vice President, she previously handled Business Development, in charge of mergers & acquisitions, for Philippine Bank of Communications (PBCOM), a publicly listed company; and Compliance and Audit responsibilities for Citibank N.A. Philippines and ABN AMRO, responsible for the promotion of control and compliance awareness among the employees of the organization.

Atty. Buenaventura S. Sanguyo, Jr. holds the position of Vice President, Deputy Head of the Legal Division and Assistant Corporate Secretary of UnionBank. He is also the Corporate Secretary of various subsidiaries of the Bank. Prior to joining the Bank, he was the Assistant Vice President and General Counsel of The Philippine Stock Exchange, Inc., a publicly listed company, from 2012 to 2015. He was previously a Partner at Castro Sanguyo Margarejo and Rosas Law Office. He was also engaged as an Associate of Reyes Francisco & Associates Law Office and Senior Tax Consultant at Isla Lipana & Co./ Pricewaterhouse Coopers. He graduated Cum Laude from the University of Santo Tomas with a degree in Bachelor of Arts in Political Science and obtained his Law degree from the University of the Philippines.

Therese G. Chan holds the position of Head of Wealth and Brokerage of UnionBank. She serves as Director of Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and as Chairman of Citifinancial Holdings Corporation. Prior to joining the Bank, she was Retail Bank Director of Citibank N.A. Philippines. She also held various roles with Citibank N.A. Philippines such as Sales & Distribution Director from 2016-2019, and Senior Vice President for S&D Cards Sales Head (2012-2015) and CitiPhone (2010-2011), among others. Ms. Chan holds a Bachelor of Science degree in Broadcast Communication minor in Economics from the University of the Philippines – Diliman, Quezon City.

Dr. David R. Hardoon holds the position of Chief Data and AI Officer of UnionBank, overseeing the data and innovation requirements for the whole Aboitiz Group. He concurrently serves as Senior Advisor to Singapore's Central Provident Fund

Board and to Corrupt Practices Investigation Bureau. He also sits as Independent Non-Executive Director for Auto & General Services – Southeast Asia; Data Analytics Advisory Board Member for Singapore Management University; Advisory Board Member for Sim Kee Boon Institute; Executive Education Fellow (Artificial Intelligence) for National University of Singapore; and Honorary Senior Research Associate for University College London. Prior to joining the Bank, he was Chief Data Officer for Monetary Authority of Singapore and subsequently as Special Advisor (Artificial Intelligence).

Mr. Hardoon brings with him years of experience in business and data analytics, artificial intelligence, and machine learning. He holds a PhD in Computer Science in the field of Machine Learning from the University of Southampton. He graduated from Royal Holloway, University of London with a Bachelor of Science degree in Computer Science with Artificial Intelligence.

Vishal Kadian holds the position of Credit Cards and Personal Loans Head of UnionBank. He previously served as the Head of Credit Cards and Unsecured Lending of Citibank Philippines. From August 2018 – July 2021, he was Unsecured Lending Head of Citibank Korea, Inc., and served as Cards Portfolio & Lending Head of Citibank Philippines from January 2014 to July 2018. He also worked with Cards Product in Citibank Australia and has held various roles in Citibank India such as Deputy Branch Manager, Regional Credit Card Manager – Unsecured Lending, and Operation Head – Automobile Loans.

Mr. Vishal is a graduate of BBA from EMPI Business School and holds a Masters’ Degree in MBA from T.A. Pai Management Institute.

Erwin Wiriadi holds the position of Chief Risk Officer of UnionBank. Prior to this role, he was the Director and Head of Consumer Risk Management of Citibank N.A. Philippines from 2017 to 2022. He also held various capacities relating to risk management in Citibank N.A. Indonesia for over 20 years. He held Senior Credit Officer entitlement since 2005 during his stint in Citibank N.A. Indonesia and had international exposures through risk reviews/audits and short-term assignment. Mr. Wiriadi graduated from Ohio State University with a degree in MSc Industrial and Systems Engineering.

FAMILY RELATIONSHIPS

Messrs. Erramon I. Aboitiz and Sabin M. Aboitiz are siblings and are related within the 4th degree of consanguinity. Mr. Samel A. Aboitiz is the son of Mr. Sabin M. Aboitiz and thus, are related to each other within the 4th degree of consanguinity.

Other than the foregoing, there are no directors or officers related within the 4th degree either by consanguinity or affinity.

RELATED PARTY TRANSACTIONS

The Bank is a member of the Aboitiz Group. As of December 31, 2022, the Aboitiz Group, through AEV, owned approximately 49.92% of the Bank's issued and outstanding shares. The Bank, in its ordinary course of business, engage in transactions with the Aboitiz Group. The Bank's policy with respect to related-party transactions is to ensure that related party transactions are all entered into at arm's length standard. These transactions are made and entered into substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. For further information on the related party transactions of the Bank, see the respective note on Related Party Transactions in the Bank's Financial Statements.

DOSRI Loans and Deposits

In the ordinary course of business, the Bank has loan transactions with investees and certain DOSRI (as discussed in BSP Circular No. 423 dated March 15, 2004, as amended). The General Banking Law and BSP regulations require that (a) the amount of individual outstanding loans, other credit accommodations, and guarantees to DOSRI should not exceed an amount equivalent to their unencumbered deposits and the book value of their paid-in capital investment in the bank; (b) unsecured loans, other credit accommodations, and guarantees to DOSRI should not exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower; (c) the total outstanding loans, other credit accommodations and guarantees to DOSRI should not, without the prior approval of the Monetary Board, exceed 15.0% of the bank's total loan portfolio or 100.0% of the bank's net worth, whichever is lower.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts as of the period indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(P millions, except percentages)			
Total outstanding DOSRI loans	549.9	545.5	640.5	833.6
Percentage of DOSRI loans to gross loans	0.2%	0.2%	0.1%	0.2%
Percentage of unsecured DOSRI loans to total DOSRI loans	0.0%	0.0%	0.0%	0.0%
Percentage of past due DOSRI loans to total DOSRI loans	0.0%	0.0%	0.0%	0.0%
Percentage of non-accruing DOSRI loans to total DOSRI loans	0.0%	0.0%	0.0%	0.0%

BSP Circular No. 560, issued on January 31, 2007, as amended by BSP Circular No. 914, issued on June 23, 2016 provides the rules and regulations that govern loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, other credit accommodations, and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion shall not exceed 5.0% of such net worth. Further, the total outstanding loans, credit accommodations, and guarantees to all subsidiaries and affiliates shall not exceed 20.0% 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 board of directors or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2020, 2021 and 2022 and June 30, 2023, the total outstanding loans, other credit accommodations, and guarantees to each of the Bank's subsidiaries and affiliates did not exceed 10.0% of the Bank's net worth, and the unsecured portion did not exceed 5.0% of such net worth.

BSP Circular No. 1001, issued on May 12, 2009, provides a separate individual limit (25.0% of the net worth of the lending bank/quasi-bank) to loans of banks/quasi-banks to their subsidiaries and affiliates for the purpose of project finance which is defined as a method of funding in which the lender looks primarily to the revenues generated by a single project, both as a source of repayment and as security for the exposure, subject to compliance with the following conditions, that (a) the unsecured portion thereof shall not exceed 12.5% of such net worth when the project is already operational, (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents; (d) the lending bank shall consider its total project finance exposures in complying with the BSP guidelines in managing credit limits, large exposures and credit risk concentration; (e) the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions. As of December 31, 2020, 2021 and 2022 and June 30, 2023, the total outstanding loans, other credit accommodations, and guarantees to each of the Bank's subsidiaries and affiliates engaged in energy and power generation did not exceed 25.0% of the Bank's net worth, and the unsecured portion did not exceed 12.5% of such net worth.

The outstanding balances as of December 31, 2021 and 2022 and June 30, 2023 with respect to the subsidiaries' transactions with the Bank are as follows:

	As of December 31,		As of June 30,
	2021	2022	2023
	(₱ millions)		
Loans and receivables	71.2	79.6	25.7
Deposit liabilities	3,202.2	1,961.2	2,766.6

The income and expenses for the years ended December 31, 2021 and 2022 and for the six months ended June 30, 2023 in respect of subsidiaries included in the Bank's financial statements are as follows:

	Year ended December 31,		Six months ended
	2021	2022	June 30,
	(₱ millions)		2023
Interest income	-	0	0
Interest expense	2.5	76.9	3.3

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

PRINCIPAL SHAREHOLDERS

The following table sets out the 20 largest shareholders of the Bank as of September 30, 2023.

No.	Name of shareholder	Number of shares	Percentage of holdings
1	PCD NOMINEE CORPORATION.	1,097,279,559	46.62%
2	ABOITIZ EQUITY VENTURES, INC.	639,477,007	27.17%
3	THE INSULAR LIFE ASSURANCE CO., LTD.	201,402,013	8.56%
4	SOCIAL SECURITY SYSTEM	191,830,598	8.15%
5	SOCIAL SECURITY SYSTEM (1)	41,151,527	1.75%
6	PCD NOMINEE CORPORATION	38,750,845	1.65%
7	RAMON ABOITIZ FOUNDATION, INC.	9,010,600	0.38%
8	SANFIL MANAGEMENT CORPORATION	4,472,116	0.19%
9	DANEL ABOITIZ	4,000,000	0.38%
10	FORTES MANAGEMENT, INC..	3,514,348	0.15%
11	ASPIRA MANAGEMENT, INC..	3,514,348	0.15%
	CIA MANAGEMENT CORPORATION.	3,514,348	0.15%
12	AZURA MANAGEMENT, INC..	3,514,346	0.15%
13	BAUHINIA MANAGEMENT, INC.	3,117,390	0.13%
14	FMK CAPITAL PARTNERS, INC	2,965,248	0.13%
	DOMINUS CAPITAL PARTNERS INC	2,965,248	0.13%
15	PORTOLA INVESTORS, INC.	2,732,841	0.12%
16	HAWK VIEW CAPITAL, INC..	2,731,998	0.12%
17	SALTORE HOLDING CORPORATION	2,588,400	0.11%
18	WINDEMERE MANAGEMENT CORPORATION.	2,141,240	0.09%
19	ALPHITONIA MANAGEMENT, INC.	2,138,0013	0.09%
20	ANACYCLUS MANAGEMENT, INC.	2,138,001	0.09%
	ALDROVANDA MANAGEMENT, INC.	2,138,001	0.09%
	ANDROLEPIS MANAGEMENT, INC..	2,138,001	0.09%
	Subtotal	2,288,468,036	96.64%

As of September 30, 2023, the Bank had 4,950shareholders of record and 2,353,774,567 Common Shares outstanding.

The table above only shows the numbers of certified Common Shares under the shareholders' names and excludes the numbers of scripless Common Shares and PCD lodged shares. As of September 30, 2023, by including scripless Common Shares and PCD lodged shares, AEV held 1,175,533,528 Common Shares, representing 49.94% equity interest in the Parent Bank; SSS held 431,183,733 Common Shares, representing 18.32% equity interest in the Parent Bank; and Insular Life held 290,015,625 Common Shares, representing 12.32% equity interest in the Parent Bank.

Security Ownership of Record and Beneficial Owners

The following table sets out the record and beneficial owners of more than 5.0% of the Bank's voting securities known to the Bank as of September 30, 2023:

Title of Class	Name, Address or Record Owner/Beneficial Owner and Relationship with Bank	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percentage
Common	Aboitiz Equity Ventures, Inc. NAC Tower, 32 nd Street Bonifacio Global City Taguig City Principal Shareholder	Aboitiz Equity Ventures, Inc.	Filipino	1,175,533,528	49.94%
Common	The Insular Life Ass. Co., Ltd IL Corporate Center Insular Life Drive Filinvest, Alabang, Muntinlupa Principal Shareholders	The Insular Life Ass. Co. Ltd	Filipino	290,015,625	12.32%

<u>Title of Class</u>	<u>Name, Address or Record Owner/Beneficial Owner and Relationship with Bank</u>	<u>Name of Beneficial Owner and Relationship with Record Owner</u>	<u>Citizenship</u>	<u>Number of Shares Held</u>	<u>Percentage</u>
Common	PCD Nominee Corporation 37/F Tower 1 Enterprise Center 6766 Ayala Avenue, Makati City Minority Shareholders	PCD Nominee Corporation	Filipino	264,343,783	11.23%
Common	Social Security System East Avenue, Diliman Quezon City Principal Shareholder	Social Security System	Filipino	431,183,733	18.32%

PCD Nominee Corporation (“PCD Nominee”), now known as PDTC is the registered owner of the shares in the books of the Bank’s stock transfer agent, Union Bank of the Philippines – Stock Transfer Unit. The beneficial owners of such shares are PCD’s participants, who hold the shares on their behalf or on behalf of their clients. The participants have the power to decide how the PCD shares are to be voted.

Security Ownership of Management

The following table sets out the shareholding interests of the Bank’s directors and executive officers as of September 30, 2023:

A. Directors

<u>Name</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total direct & indirect shares</u>	<u>% to Total Outstanding Shares</u>
JUSTO ORTIZ	4,440,678	0	4,440,678	0.19
JOSIAH GO	81	28,931	29,012	0
ERRAMON ABOITIZ	436	26,626,594	26,627,030	1.13
SABIN ABOITIZ	251,459	3,408,579	3,660,038	0.16
ROBERT JOSEPH DE CLARO	1	0	1	0
MANUEL ESCUETA	81	0	81	0
NINA PERPETUA AGUAS	1	0	1	0
EDWIN BAUTISTA	1,137,288	0	1,137,288	0.05
ROLANDO MACASAET	1	0	1	0
ANA MARIA DELGADO	131,454	3,739,201	3,870,655	0.16
FRANCISCO EDRALIN LIM	9,678	0	9,678	0
ROBERTO MANABAT	81	0	81	0
JOSE EMMANUEL HILADO	766,847	0	766,847	0.03
SAMEL ABOITIZ	1,564,465	0	1,564,465	0.07
HONORIO POBLADOR IV	81	0	81	0
	8,302,632	33,803,305	42,105,937	1.79

B. Officers

<u>Name</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total direct & indirect shares</u>	<u>% to Total Outstanding Shares</u>
ROBERTO ABASTILLAS	966,137	0	966,137	0.04
RAMON DUARTE	307,350	0	307,350	0.01
MARY JOYCE GONZALEZ	856,943	0	856,943	0.04
MICHAELA SOPHIA RUBIO	170,057	0	170,057	0.01
ANTONINO AGUSTIN FAJARDO	681,309	0	681,309	0.03
RAQUEL PALANG	92,599	3,213	95,812	0
CATHERINE ANNE CASAS	21,974	0	21,974	0
MA. CECILIA TERESA BERNAD	92,288	0	92,288	0
GERARD DELA ROSA DARVIN	74,817	0	74,817	0
JO ANN FATIMA TOLENTINO	236,985	0	236,985	0.01
EDZEL BABAS	34,473	0	34,473	0
HANNAH THERESA CONTRERAS	55,945	0	55,945	0
RACHEL CHRISTINE GERONIMO	18,116	0	18,116	0
MA. ELOISA JOVITA MARIANO	11,650	0	11,650	0

FIDES TIONGSON	113,183	0	113,183	0
JOSE MARIA ROXAS	27,949	5	27,954	0
LUIS ALBERTO CASTANEDA	28,202	0	28,202	0
JONATHAN ALMEDA	3,716	0	3,716	0
CARLO INCIONG ENANOSA	50,885	0	50,885	0
MARNITA TAN	460	0	460	0
MA. ROWENA BASCONILLO	21,892	0	21,892	0
HONEYLEE REGALA	12,996	0	12,996	0
MARGARET CHAO	58,118	0	58,118	0
HENRY RHOEL AGUDA	671,555	0	671,555	0.03
JOSELITO BANAAG	20,917	0	20,917	0
CONRAD ANTHONY BANAL	30,980	0	30,980	0
JOEBART DATOR	43,617	0	43,617	0
MONTANO DIMAPILIS	28,607	0	28,607	0
EDUARDO ENRIQUEZ III	3,061	0	3,061	0
ENRIQUE GREGORIO	8,467	0	8,467	0
CONCEPCION PERLA LONTOC	33,731	0	33,731	0
ANGELBERT MACATANGAY	22,856	0	22,856	0
ANTONIO MIGUEL DANS	10,663	0	10,663	0
DENNIS OMILA	161,713	0	161,713	0.01
PAULA KATERINA JOSON	4,318	0	4,318	0
JONAHTAN GERALD DEOMANO	4,943	0	4,943	0
ADRIAN LIM	9,354	0	9,354	0
CHRISTOPHER PATRICK OCAMPO	10,999	0	10,999	0
LAURO PERALTA	6,191	0	6,191	0
MENCHIE TORMON	4,977	0	4,977	0
MARIA PAZ URMATAM	6,319	0	6,319	0
DOMINADOR VELASCO IV	2,765	0	2,765	0
MARIA ANGELICA BALANGUE	5,006	0	5,006	0
NORMAN GABRIEL	4,508	0	4,508	0
JAMES MORRIS ILETO	960	0	960	0
WILFREDO MONTINO JR.	1,842	0	1,842	0
JOSE PAOLO RUFO	3,008	0	3,008	0
MA. CRISTINA TISMO	3,178	0	3,178	0
WILBERT CASILLANO	1,147	0	1,147	0
ABIGAIL SARENA CHUA	1,560	0	1,560	0
DON JERICO MATRIANO	973	0	973	0
JULIAN TARROBAGO JR.	7,433	0	7,433	0
DONALD ASUNCION	2,023	0	2,023	0
ALAN JAY AVILA	1,873	0	1,873	0
ALBERT RAYMOND CUADRANTE	7,356	0	7,356	0
ERIKA DENISE GO	2,093	0	2,093	0
ERIC LUSTRE	10,540	0	10,540	0
RAQUEL SEVIDAL	2,855	0	2,855	0
AARON JON ATIENZA	2,374	0	2,374	0
RONALDO BATISAN	760	0	760	0
MAY BUENCAMINO	780	0	780	0
LUIS MARTIN CLEMENTE	751	0	751	0
JULIE ANNE DELA CRUZ	579	0	579	0
GLADYS ENRIQUEZ	631	0	631	0
EDRIC FERNANDEZ	548	0	548	0
MARILOU FERRER	406	0	406	0
ROMMEL JASON GALANG	1,155	0	1,155	0
IRMA LASQUETY	550	0	550	0
KENNETH MARIANO	593	0	593	0
EDGAR ALLAN OBLENA	593	0	593	0
MARIA IRAIDA RECTO	1,529	0	1,529	0

JOSE PAOLO SOLIMAN	0	1,513	1,513	0
LESLIE MAY TANDOC	760	0	760	0
JANE ANN VERGARA	771	0	771	0
RUBY GISELA PEREZ	16,424	0	16,424	0
RONALDO PANAHON	21,582	0	21,582	0
QUINTIN SAN DIEGO	16,037	0	16,037	0
CHRISTINE SIAPNO	6,468	0	6,468	0
RAHNI SVENNINGSEN	8,001	0	8,001	0
ARLENE JOAN AGUSTIN	22,301	0	22,301	0
ANTONIO SEBASTIAN CORRO	38,657	0	38,657	0
RAYMOND ANTHONY ACOSTA	17,539	0	17,539	0
EFRENILO CAYANGA	7,089	0	7,089	0
MARIANO DOMINICK LACSON	15,772	0	15,772	0
DAVE MORALES	16,964	0	16,964	0
JOSELYNN TORRES	9,142	0	9,142	0
ANNA LEA AXALAN	3,073	5,000	8,073	0
ENRIQUE YUSINGCO	1,000	0	1,000	0
IVY ZUNIGA	3,371	0	3,371	0
JENILLE STEPHANIE CHUAN	0	630	630	0
BASILLE ALICESANDARA AVELINO	28	0	28	0
RONALD GERARD ARCEO	312	0	312	0
GILLIAN JUSTINE PUA	210	0	210	0
THERESE CHAN	14,047	0	14,047	0
MICHAEL VINCENT CONDEZ	1,909	0	1,909	0
GIRLY MAGNAIT	580	0	580	0
BEN SY CHU	29,345	0	29,345	0
MANUEL LOZANO	0	31,864	31,864	0
CHERYL PATINO	1,067	0	1,067	0
CATHERINE LANIOG	210	0	210	0
CATHERINE DE GUZMAN	19,343	0	19,343	0
MARCELO BELLECA	24,734	0	24,734	0
CAMILLE BASILIO	16,038	0	16,038	0
JEANNETE YVONNE ZAGALA	20,374	0	20,374	0
MICHAEL MAGBANUA	9,304	0	9,304	0
	5,434,133	42,225	5,476,358	0.18

The aggregate number of shares owned of record by all or key officers and Directors as a group as of September 30, 2023 is 47, 582,295 shares or approximately 2.02% of the Bank's outstanding capital stock.

Voting trust holders of 5% or more

The Bank is not aware of shareholders holding any Voting Trust Agreement of 5.0% or more or any such similar agreement.

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

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

THE PHILIPPINE BANKING INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, and has not been prepared or independently verified by the Bank, the Lead Arrangers, the Selling Agents or any of their respective affiliates or advisers. None of the Bank, the Lead Arrangers, the Selling Agents or any of their respective affiliates or advisers makes any representation as to the accuracy or completeness of this information.

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

According to BSP's report on the Physical Network of the Philippine Banking System, as of March 31, 2023, the commercial banking sector, comprising universal and commercial banks, consisted of 45 banks, of which 22 were universal banks and 23 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, three were Government banks and six were branches of foreign banks. Of the 23 commercial banks, three were private domestic banks, two were subsidiaries of foreign banks and 18 were branches of foreign banks.

Commercial banks are organized primarily to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, receive deposits, buy and sell foreign exchange and gold and silver bullion, and lend money 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 a business not related to banking, and to own up to 100% 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% 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, and housing as well as other financial and allied services for its chosen market and constituencies, especially for SMEs and individuals. As of March 31, 2023, there were 43 thrift banks, based on BSP's report on the Physical Network of the Philippine Banking System.

Rural 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. As of March 31, 2023, there were 399 rural and cooperative banks, based on BSP's report on the Physical Network of the Philippine Banking System.

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 AI-Amanah Islamic Investment Bank of the Philippines. 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 small-and medium-sized enterprises. 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. AI-Amanah Islamic Investment Bank of the Philippines was organized to promote and accelerate the socio-economic development of the Autonomous Region of 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 decade, 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% 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. Republic Act No. 8791 or the General Banking Law of 2000 (the "General Banking Law") further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% 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% 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% of the voting stock thereof. As of March 31, 2023, there were 24 foreign banks with branches and two foreign banks with subsidiaries in the Philippines, based on BSP's report on the Physical Network of the Philippine Banking System.

Under RA 10641 and BSP Circular No. 858, Series of 2014 dated November 21, 2014 which amended the relevant provisions of the Manual of Regulations for Banks (the “Manual”) implementing RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. Based on BSP data, since the new package of incentives took effect in September 1998, there have been over 100 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalization, and to the mergers and consolidation trend, the BSP issued BSP Circular No. 902, Series of 2016 dated February 15, 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks and Memorandum No. M-2016-023 dated December 21, 2016 which provides the sample list of possible incentives for mergers or consolidations and/or acquisitions of majority or all of the outstanding shares of stock of a bank. As provided in the Circular, the suspension of the grant of new banking licenses or the establishment of new banks under the Manual is lifted under a two-phased approach. Under Phase 1 of the liberalization, the grant of new universal/commercial banking license shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalized starting January 1, 2018.

The following table sets out a comparison, based on publicly available data, of the five largest Philippine private domestic commercial banks in terms of assets, as of March 31, 2023:

Name	Market Capitalization¹	Total Equity²	Total Assets²	Loans and Receivables - net²	Deposit Liabilities²	No. of Branches³
(in ₱ millions, except number of branches)						
BDO Unibank, Inc.	676,483	475,881	3,922,010	2,550,353	3,140,968	1,650
Bank of the Philippine Islands	464,453	333,839	2,662,295	1,659,238	2,134,458	1,130
Metropolitan Bank & Trust Co	263,024	329,664	2,616,129	1,225,033	1,986,157	697
China Banking Corporation	86,256	139,172	1,363,030	643,096	973,029	640
Rizal Commercial Banking Corporation	49,918	116,372	1,191,603	575,679	860,101	456

Notes:

(1) Market Capitalization as of March 31, 2023, based on data from Bloomberg.

(2) Financial data taken from each bank's standalone (excluding subsidiaries) published balance sheet disclosed to the BSP as of March 31, 2023.

(3) Data for a number of branches (including branches of subsidiaries) was taken from each bank's annual report disclosed to PSE as of December 31, 2022.

According to the results of the Q2 2023 Senior Bank Loan Officers' Survey conducted by BSP, most of the respondent banks for loans to enterprises (69.6%), loans extended to households (65.6%), and commercial real estate loans (83.3%) in Q2 2023 had unchanged credit standards. The diffusion index approach, however, continued to indicate a net tightening of overall credit standards for loans to enterprises, household loans and commercial real estate loans.

The BSP issued BSP Circular No. 839, Series of 2014 dated June 27, 2014 which adopts a prudential real estate stress test limit (“REST Limit”) for universal and commercial banks, thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST Limit combines macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

The prudential REST Limits which shall be complied with at all times by universal and commercial banks are 6% of CET1 capital ratio and 10% of risk based capital adequacy ratio, on a solo and consolidated basis, under the prescribed write-off rate. For thrift banks, the prudential REST Limits which shall be complied with at all times are 6% of CET1 capital, for thrift banks that are subsidiaries of universal and commercial banks, 6% of Tier 1 capital, for stand-alone thrift banks, and 10% of risk-based

capital adequacy ratio for all thrift banks.

On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for universal and commercial banks (UKBs) from 20% to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under this circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing which was included in the previous regulations. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

The Monetary Board, in its media release dated October 29, 2014, decided to increase the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Existing Minimum Capitalization (₱)	Reviewed Minimum Capitalization (₱)
Universal Banks	4.95 billion**	
Head Office only		3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in:		
Metro Manila	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region (NCR)		
Head Office only		500 million
Up to 10 branches*		750 million
11 to 50 branches*		1.00 billion
More than 50 branches*		2.00 billion
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities	5 million**	
Head Office in NCR		
Head Office only		50 million
Up to 10 branches*		75 million
11 to 50 branches*		100 million
More than 50 branches*		200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3rd Class Municipalities)		
Head Office only		20 million
Up to 10 branches*		30 million
11 to 50 branches*		40 million
More than 50 branches*		80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities)		
Head Office only		10 million
Up to 10 branches*		15 million
11 to 50 branches*		20 million
More than 50 branches*		40 million
Digital Banks	1.0 billion	

* Inclusive of Head Office

** With no distinction for network size

On October 29, 2014, the BSP issued BSP Circular No. 854 to effect the foregoing amendment to the minimum capital requirement. The amendment became effective in November 2014.

Competition

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. On January 21, 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions was lifted effective January 1, 2018.

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 March 31, 2023, the ten largest universal banks (including unlisted banks such as LBP and DBP) account for approximately 81% of total assets and 82% of total deposits of the Philippine 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 March 31, 2023, the ten largest universal banks (including unlisted banks such as LBP and DBP) account for approximately 78.4% of the net customer loan portfolio of the Philippine banking system, based on published statements of condition.

Moreover, the BSP has granted several digital bank licenses to Overseas Filipino Bank, Tonik Digital Bank, Inc., UNObank, UnionDigital Bank, GoTyme Bank, and Maya Bank. On August 31, 2021, the BSP imposed a three-year moratorium on the grant of digital banking licenses, limiting the number of digital banks to the current six (6) banks. In addition, there are banks offering no-branch banking services through their respective mobile apps such as CIMB Bank Philippines, which provides all-online retail banking services despite having an existing commercial banking license.

The Philippine Competition Act was signed into law in 2015 and establishes competition related rules and procedures in the Philippines in relation to mergers and acquisitions. See “*Banking Regulation and Supervision—Philippine Competition Act.*”

Certain Government Policies and Regulations in relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes requirements on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these requirements and can introduce new regulations to control any particular line of business. Certain policies that the Bank believes could affect its results of operations include the following:

- **Implementation of Basel III Framework on Liquidity Standards.** On 10 March 2016, the BSP issued Circular No. 905 which provided guidelines for the implementation of Basel III framework on liquidity standards as it relates to LCR and disclosure standards. The Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90.0%, which will be increased to 100.0% commencing on 1 January 2019. On 3 November 2017, the BSP issued BSP Circular No. 981 which amended the guidelines on liquidity risk management. The banks have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in BSP Circular No. 981 vis-à-vis their existing risk management systems by 31 March 2018, the result of such gap analysis shall be documented and made available for review of the BSP. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On 15 March 2019, BSP issued Circular No. 1035 to introduce certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. Circular No. 1035: (i) extended the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adopted the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amended the

formula for minimum liquidity ratio. The LCR threshold is now at 100%, following the full implementation of the provisions of Circulars 1035. On 13 February 2020, the BSP issued Memorandum No. M-2020-003, and entitled Guidelines on the Electronic Submission of the BASEL III Net Stable Funding Ratio (NSFR) Report and Liquidity Coverage Ratio Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for purposes of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1035 and 1034.

- Implementation of Basel III Framework for Dealing with D-SIBs.** On 29 October 2014, the BSP issued Circular No. 856 which provided the guidelines for implementing the framework for dealing with D-SIBs under Basel III. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.5% to 2.5%, on top of the combined requirement for capital conservation buffer and countercyclical capital buffer. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to Global Systemically Important Banks given that this framework was patterned for regional/global banks and which may not thus be appropriate for local banks. The phased-in compliance started on 1 January 2017 and will become fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by DSIBs which shall form part of the DSIBs' ICAAP submitted to the BSP every 31 March of each year. The recovery plan identifies the course of action that a DSIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the DSIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year. On 17 June 2022, the BSP issued BSP Circular No. 1148 on the Amendment to the Framework for D-SIBs which provides that the list of D-SIBs shall now be assessed/determined annually based on latest available data submitted by each bank and shall be subject to approval of the Monetary Board, with the results to be released annually. Banks identified as D-SIBs shall be informed individually, including the bucket they belong to and the individual score for each indicator.
- Regulations Governing the Derivatives Activities of Banks.** In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks. Furthermore, Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk weighted assets for banks that will engage in derivatives activities as end-users for hedging purposes and/or under limited-use authority. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements are being phased in from 1 September 2016 to 1 March 2017 while initial margin requirements are being phased in from 1 September 2017 to 1 September 2020. As an initial step, banks and quasi-banks should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent legal and operational arrangements. The Bank expects increased competition in the swaps and other derivative transactions allowed under the regulations. The Bank has already obtained its limited dealer authority for foreign exchange forwards (including non-deliverables), foreign exchange swaps, interest rate swaps, cross currency swaps, forward rate agreements as well as European foreign exchange, interest rate, bond and swap options. Meanwhile, there are currently no changes in the application process.
- Amendments to UITF Regulations.** In September 2004, the BSP issued Circular No. 447 which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organised exchange, loans traded in an organised market, loans arising from repo agreements which are transacted through an exchange recognised by the Philippine SEC, and such other tradable investments outlets/categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In

January 2008, the BSP issued Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. In September 2012, the BSP issued Circular No. 767 to include investments by UITFs in units/ shares in collective investment schemes as an allowable investment and recognising UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued Circular 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the Key Information and Investment Disclosure Statement ("KIIDS") and online posting of UITF information via a website. On 10 March 2016, the BSP issued Circular 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. On 14 March 2018, BSP issued BSP Circular No. 999 which further amended the allowable investment and valuation of UITFs invested in feeder fund or fund-of-funds. Under the circular, offshore/global funds which use financial derivatives for efficient portfolio management (EPM) may be allowed as target fund, provided that financial derivatives are not extensively or primarily used as an investment strategy of the target fund and that the risk level of the target fund remain consistent with the objective and risk profile of the investor fund. Alternatively, the target fund shall comply with the relevant regulatory requirements of its home jurisdiction as regards the use of financial derivatives for EPM. On 5 September 2022, the BSP issued BSP Circular No. 1152, further amending the UITF Regulations. Under said circular, the BSP provided the requirements and procedure for the creation of a UITF which may require either prior approval from, or notification with, the BSP, as well as the procedure for any subsequent amendment of key features of a fund. Further, the BSP also amended, among others, the operating and accounting methodology of a UITF, the manner by which the fund is operated, depending on the fund classification, and the minimum disclosure requirements to be contained in the KIIDS, the Participating Trust Agreement, and other marketing materials pertaining to a UITF. On 9 August 2023, the BSP issued BSP Circular No. 1178, providing for the guidelines on the selection of benchmarks for UITFs and expanding the information required to be disclosed in the KIIDS.

- **Limit on Real Estate Loans of Universal Banks.** In February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans, and amending the inclusions and exclusions to be observed in the computation. On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20.0% limit on real estate loans. On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%.
- **Exemption of Paired Government Warrants from Capital Charge for Market Risk.** In connection with the Government's Paired Warrants Programme, the BSP issued Circular No. 605 in March 2008 exempting warrants paired with the Philippines' Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital. The Bank holds such investments which give it additional flexibility for capital deployment.
- **Guidelines on Securities Borrowing and Lending Transactions.** Guidelines by the PSE on securities borrowing and lending (SB&L) govern SB&L transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008, provides guidelines on SB&L transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors/lenders. In May 2008, the Monetary Board authorised the issuance of BSP registration documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from the SB&L transaction, such as rebates or shares in the income earned on the reinvestment of the cash collateral, interest, and dividends earned on the Peso denominated Government securities and PSE-listed shares used as collateral. On 10 February 2020, the Philippine SEC approved the Implementing Guidelines on Securities Borrowing and Lending and Short Selling that had been proposed by the Capital Markets Integrity Corporation (CMIC).
- **Taxes.** In addition, all banks are subject to certain tax rules specific to financial institutions. In November 2005, the Government increased the gross receipts tax, which is applied to the Bank's non-interest income, from 5.0% to 7.0%. On 13 June 2016, the BIR issued Revenue Memorandum Circular 62-2016 (RMC 62-2016), seeking to clarify the tax treatment of the gross receipts tax (GRT), which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5.0% or 7.0%, depending on the provision of the National Internal Revenue Code of the Philippines or the Tax Reform Act of 1997 (the Tax Code) covering the type of income or activity. Any further changes in the regulatory or tax environment as pertaining to the Philippine banking industry could have a material impact on the Bank's results of operations and financial position.

- **Adjustment of Reserve Requirements of Peso Deposits Liabilities and Deposit Substitutes Taxes.** Under BSP Circular No. 732 (2011), as further amended by Circular No. 753 (2012), Circular No. 830 (2014) and Circular No. 832 (2014), universal and commercial banks are required to maintain regular reserves of: (a) 20.0% against demand deposits, savings deposit, time deposit, and deposit substitutes, Peso deposits lodged under due to foreign banks, and Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); (b) 20.0% against negotiable order of withdrawal accounts; (c) 4.0% against long-term negotiable certificates of time deposits under Circular No. 304 (2001), and deposit substitutes evidenced by repossession agreement; (d) 6.0% against bonds; and (e) 7.0% against long-term negotiable certificates of time deposits under Circular No. 824 (2014). BSP Circular No. 1054 was issued lowering the rates of required reserves of universal and commercial banks and thrift banks to 3.0% against bonds. BSP Circular No. 1082 was issued lowering the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of 3 April 2020 for universal and commercial banks, to 12.0% against demand deposits, “NOW” accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks and Peso deposits lodged under due to Head Office/Branches/Agencies Abroad of banks. On the other hand, BSP Circular No. 1092 reduced the reserve requirements against deposit and deposit substitute liabilities in local currency of banks, with effect from 31 July 2020 for thrift banks, to 3.0% against demand deposits, “NOW” accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, and deposit substitutes.
- **Rules and Regulations on the Mandatory Allocation for Agriculture and Agrarian Reform Credit.** In July 2011, the BSP issued Circular No. 736 as a component of the Implementing Rules and Regulations of the Republic Act No. 10000 or the Agri-Agra Reform Credit Act. Aside from retaining the mandatory credit allocation, it also rationalises the modes of compliance. In addition to direct compliance through loans to qualified borrowers, a list of alternative compliance mechanisms is also provided. On 20 July 2018, the BSP issued Circular No. 1009 which imposed amendments to the alternative modes of compliance to the mandatory agricultural and agrarian reform credits.
- **Guidelines on the Adoption of PFRS 9.** On 14 August 2018, the BSP issued Circular No. 1011 which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option is allowed, or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:
 - (1) in preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated with the financial statements of the parent bank on a line-by-line basis, while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures shall be accounted for using the equity method in accordance with the provisions of PAS 28.

In preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, shall be accounted for using the equity method as described in PAS 28.

 - (2) banks shall recognise adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP Manual.
- **Marking to market of financial instruments.** BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 shall be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the Securities and Exchange Commission.
- **Adoption of National Retail Payment System (NRPS) Framework.** On 6 November 2017, in line with BSP’s adoption of the NRPS framework consistent with its regulations on risk management, the BSP issued Circular No. 980, which requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management and effective and efficient interoperability. The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. Under this framework, sound governance shall be performed by a payment system management body (PSMB), which is duly recognised and overseen by BSP. In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by BSP.
- **Enhanced Guidelines in Information Security Management.** On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management of BSFIs in view of the rapidly evolving technology and cyber-threat landscape in which they operate. The amendments highlight the role of the BSFIs’ board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e. identify, prevent, detect, respond, recover and test phases). The new guidelines also recognise that BSFIs are at varying

levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: “Complex,” “Moderate” and “Simple” to provide greater flexibility in complying with the requirements.

- **Guidelines on the Conduct of Stress Testing Exercises.** On 4 January 2018, BSP issued Circular No. 989, which defined minimum prudential requirements on stress testing and supplement the relevant provisions on stress testing provided under the risk management guidelines that were earlier issued by BSP. It provides that a board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of DSIBs, in developing recovery plans. These expectations are consistent with the earlier issued guidelines on corporate governance under Circular No. 969.
- **Basic Deposit Accounts.** BSP Circular No. 992, issued on 1 February 2018, requires banks to establish a basic deposit account which refers to interest or non-interest-bearing account designed to promote financial inclusion. The basic deposit account shall have an opening amount of not more than ₱100.00 and no minimum maintaining balance but with a maximum balance of not more than ₱50,000.00. If the depositor exceeds the ₱50,000.00 maximum balance, the bank shall convert the basic deposit account to a regular deposit account. The basic deposit account shall have no dormancy charges and has no reserve requirement. On 1 March 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that, as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least one percent (1%) of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than ₱500,000.00; further, as security for the faithful performance of its investment management activities, the basic security deposit shall be at least one percent of the book value of the total investment management assets, and at no time less than ₱500,000.00. The Circular also prescribes the methodology in determining compliance with the basic security deposit for the faithful performance of trust and other fiduciary business and investment management activities, and amends the compliance period to require banks, that are authorised to engage in trust and other fiduciary business and investment management activities, to comply with the basic security deposit requirement on a quarterly basis, as well as, at the time of withdrawal, replacement or redemption of the government securities deposited with the BSP within the quarter period. On 15 February 2019, the BSP issued Circular No. 1032 amending the guidelines on the basic security deposit requirement. The circular provided that the trustee or fiduciary/investment manager shall ensure compliance with the required basic security deposit. Any deficiency must be corrected through the immediate posting of additional securities. Trustees or fiduciary/investment managers shall submit quarterly reports on compliance with the basic security deposit requirement and report on the basic security deposit transactions.
- **Electronic Banking Services and Other Electronic Operations.** On 22 February 2019, the BSP issued BSP Circular No. 1033, which classifies electronic payments and financial services (EPFS) into basic and advanced and establishes guidelines for the licensing of EPFS. Further, BSFIs that are licensed to offer funds transfer services shall make these interoperable by participating in automated clearing houses.
- **Reserves against trust and other fiduciary accounts (TOFA).** BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorised to engage in trust and other fiduciary business shall maintain reserves on TOFA -others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganisation; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) Personal Equity And Retirement Account (**PERA**); (13) legislated and quasi-judicial trust; and (14) specialise institutional accounts under trust.
- **Currency Rate Risk Protection programme (CRPP Facility) and the Implementing Guidelines.** On 24 September 2018, and 5 October 2018, the BSP issued Circular No. 1014 and 1015, respectively, revising the guidelines on the CRPP Facility. The CRPP Facility is a non-deliverable USD/PHP forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorised Derivatives Activities. Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the USD, the CRPP contract shall be denominated in USD equivalent using the exchange rate indicated in the BSP Reference Exchange Rate Bulletin on deal date. The BSP shall have supervisory enforcement actions or right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines. Any violation of the guidelines, including willful delay in the submission, non-submission and/or willful making of a false or misleading statement in the notarised certification required to be submitted therein to the BSP Sections shall constitute grounds for the imposition on the bank of penalties.
- **Adoption of Policy Framework on the Grant of Regulatory Relief to Banks/Quasi Banks Affected by Calamities.** On 10 October 2018, the BSP issued Circular No. 1017, which provides the policy framework on the grant of regulatory relief measures to banks/quasi-banks affected by calamities. Under the framework, banks/quasi-banks may avail of the regulatory relief packages, including the provision of financial assistance to officers who are affected by the calamity even in the absence of BSP approved purposes, for a period of one (1) year from the date of declaration of state of calamity.

- **Technology and Cyber-Risk Reporting and Notification Requirements.** On 31 October 2018, the BSP issued Circular No. 1019, which amended provisions relating to the technology and cyber-risk reporting and notification requirements for BSFIs. The amendments were made to enable the BSP to have ready access to accurate, timely, and actionable information regarding BSFI's technology risk profiles as well as the evolving cyber-threat environment for a more responsive, proactive and effective banking supervision.
- **Amendments to the FX Manual.** On 5 February 2019, the BSP issued Circular No. 1030, which amended provisions of the Manual of Regulations on Foreign Exchange Transactions in furtherance of the BSP's aim of liberalizing the regulations applicable to (among others) inward investments. The issuance expanded the scope of the categories of inward foreign investments such that the presence of control and significant degree of influence between the investor and the investee firm is considered for certain types of investments to be categorized as direct investment or portfolio investment. It also established a grace period to register existing investments that are unregistered as of the effectivity date of the issuance.
- **Revised Framework on the Selection of External Auditors.** On 20 May 2019, the BSP issued Circular No. 1040, which revised the framework on selection of external auditors for BSP Supervised Financial Institutions in accordance with the cooperative arrangement among the BSP, the Philippine SEC, Insurance Commission and the PDIC.
- **Rules and Regulations on the Registration of Operators of Payment Systems.** On 9 September 2019, Circular No. 1049 was issued approving the rules and regulation on the registration of operators of payment systems to implement Republic Act No. 11127 or the National Payment Systems Act. These rules and regulations form part of the newly-created Manual of Regulations for Payment Systems.
- **Guidelines on Voluntary Surrender of a Banking License.** On 18 September 2019, Circular No. 1050 issued the guidelines on voluntary surrender of banking license in case of voluntary dissolution and liquidation, or to convert into a non-bank entity.
- **Amendments to the Prudential Requirements and Guidelines on the Public Offering and Listing of Bank Shares for Universal Banks.** On 15 November 2019, Circular No. 1060 was issued amending the prudential requirements on the public offering and listing of bank shares for universal banks. The amendments are aimed at supplementing the enhanced corporate governance frameworks of the BSP by encouraging dispersed shareholdings on banks.
- **Amendment of the Requirements on the Issuance of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs), Bonds and Commercial Papers.** On 26 November 2019, Circular 1062 was issued amending the provisions of the MORB to relax certain requirements on the issuance of LTNCTDs, Bonds and Commercial Papers. Of note is the amendment expanding the entities that are now prohibited from holding the LTNCTDs, Bonds and Commercial Papers.
- **Report on Intraday Liquidity of Universal and Commercial Banks (UBs/KBs) and their Subsidiary Banks/Quasi-Banks (QBs).** On 3 December 2019, Circular No. 1064 was issued amending the MORB to implement and adopt the report on intraday liquidity for universal banks and their subsidiary thrift banks/quasi-banks. The report is aimed at appropriately monitoring the intraday liquidity position of BSP supervised financial institutions, their sources of intraday liquidity, and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. The reporting requirements are also intended to facilitate the sound management of intraday liquidity risk as well as provide sufficient understanding and allocation of resources to effectively manage the same.
- **Amendments to Regulations on Financial Audit of Banks.** On 7 February 2020, Circular No. 1074 was issued amending regulations on the financial audit of BSP supervised financial institutions which aim to enhance the quality of information channeled to the supervisory process and ultimately promote fairness, transparency and accuracy in financial reporting. Amendments pertain to changes in prescribed formats of statements in the financial statements, changes in deadline of report submissions to the BSP, new and amended disclosure requirements to the financial statements, among others.
- **Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers.** On 18 February 2020, Circular No. 1076 was issued to strengthen the disqualification and watchlisting of directors and officers of banks and other financial institutions. The amendments aim to further promote the integrity of the financial system and better protect the interest of the public.
- **Correspondent Banking Relationships.** On 9 March 2020, the BSP issued Circular No. 1078, prescribing the Guidelines on Correspondent Banking Relationships. The circular states that covered persons must adopt the stated policies and procedures to prevent correspondent banking activities from being used for money laundering or terrorist financing activities; furthermore, covered persons must designate an officer responsible to ensure compliance with the Guidelines and the covered person's policies and procedures.
- **Payment System Oversight Framework.** On 7 July 2020, the BSP issued BSP Circular No. 1089, providing for the Payment

System Oversight Framework, which sets out the approach and rules of the BSP in the conduct of its oversight function pursuant to R.A. No. 11127 or The New Central Bank Act. Under this circular, the BSP approved the accreditation of the Philippine Payments Management Inc. (PPMI) who will promote the development of the retail payment systems, and establish payment system rules, agreements, and standards to ensure that payment transactions are safely and efficiently cleared and settled with finality.

- **Cash Service Alliance Guidelines.** On 6 October 2020, the BSP issued BSP Circular No. 1099 which provides for the adoption of the Cash Service Alliance (CSA) general guidelines. The CSA is a currency circulation mechanism that aims to enable Authorized Agent Banks to enter into a mutually beneficial agreement to service requirements for fit Philippine currency of other banks from their available currency holdings. The CSA General Guidelines is issued to formalize the direct exchange of fit currency among banks, and to serve as a general reference guide that participating banks shall adopt in drafting their bilateral agreements. CSA transactions shall cover fit currency, which are legal tender Philippine banknotes and coins of good quality such that genuineness is obvious.
- **Extension of Transition Period for the Implementation of the Guidelines on the Management of Interest Rate Risk in the Banking Book.** On October 19, 2020, the BSP issued Circular No. 1101 which extended the transition period for the implementation of the guidelines on the management of interest rate risk in the banking book by allowing banks and quasi-banks to develop or make changes in their policies and procedure until January 1, 2022.
- **Guidelines on the Establishment of Digital Banks.** On December 2, 2020, the BSP issued Circular No. 1105 which provides for the guidelines on the establishment of digital banks. Among the salient provisions are: (i) minimum capitalization of P1.0 billion; (ii) maintenance of a principal/head office in the Philippines to serve as main point of contact for stakeholders including the BSP and other regulators; (iii) allowable services which include granting loans, accepting savings and time deposits as well as foreign currency deposits, investing in readily marketable bonds and other debt securities, issuing credit cards, buying and selling foreign exchange, and selling and servicing microinsurance products; and (iv) other documentary and regulatory, including reportorial, requirements for the establishment of digital banks. On September 14, 2022, the BSP issued Circular No. 1154, further amending the MORB to clarify that the three (3)-year capital build-up shall not apply to committed capital infusion of new investors in the converting bank arising from acquisition, purchase/sale, transfer of the converting bank's shares of stock or other similar arrangements, where such required minimum capital shall be infused before the issuance of the Certificate of Authority to Register with the SEC. Currently, a moratorium on the application for a new digital bank license, including conversion of an existing bank's license to a digital bank license, has been imposed beginning August 31, 2021 to date, pursuant to BSP Memorandum No. M-2021-046. The moratorium also covers applications for the establishment of other types of banks which will primarily offer financial products and services that are processed end-to end through a digital platform and/or electronic channel.
- **Amendments to the Regulations on Investment Management Activities.** Under BSP Circular No. 1109 dated February 4, 2021, the minimum size of an investment in an investment management account ("IMA") was reduced to P100,000.00. Moreover, commingling of funds from multiple IMAs for the sole purpose of investing in qualified assets was allowed, subject to specified conditions.
- **Rationalization of Prudential Reporting Requirements.** To adhere to internationally recognized standards and practices on data aggregation and governance as well as to promote ease of doing business, the BSP, in its Circular No. 1110 dated February 24, 2021, deleted several prudential reports required from BSP-Supervised Financial Institutions ("BFSI") found in Annex 7 of the MORB and Appendices Q-3, S-2 and N-1 of the MONBFI but required the submission of a certification on loans and other credit accommodations to DOSRI.
- **Amendments to the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit.** On March 3, 2021, the BSP issued Circular No. 1111 to amend the rules and regulations governing the mandatory credit allocation for agriculture and agrarian reform credit. Under the amendments, banks shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture, fisheries and agrarian reform credit in general, of which at least ten percent (10%) of the total loanable funds shall be made available for ARBs and/or ARB households or ARCs. Excess compliance in the ten percent (10%) agrarian reform credit may be used to offset a deficiency, if any, in the fifteen percent (15%) other agricultural and fisheries credit, in general, but not vice versa. Banks are given guidelines on direct compliance and allowable alternative compliance. On July 28, 2022, Republic Act No. 11901 or the Agricultural, Fisheries, and Rural Development Financing Enhancement Act of 2022 (RA 11901) lapsed into law, formally repealing Republic Act No. 10000. RA 11901 provides that all banking institutions, whether government or private, except newly established banks, for a period of five (5) years from the date of commencement of the banks' operations, shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least twenty-five percent (25%) of their total loanable funds. The law gives more flexibility to the banks in extending credit to the agriculture and fisheries sectors as it removed the required allocation of credit to agrarian reform beneficiaries (i.e., 10% of banks' total loanable funds) under Republic Act No. 10000. RA 11901 also provides that banks may comply with the mandatory credit requirement by

lending to rural community beneficiaries, or may invest in debt securities, and fixed term deposit products and equity securities of rural financial institutions, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others. On June 9, 2023, the BSP issued Circular No. 1174 amending the regulations and prudential reports on the Mandatory Allocation for Agriculture and Agrarian Reform Credit. The Circular provided for amendments to the computation of total loanable funds and the Financial Reporting Package (FRP).

- **Amendments to Operational Risk Management and Internal Control Measures.** On April 8, 2021, the BSP issued Circular No. 1112 which requires the management of banks and non-bank financial institutions to adopt a risk-focused screening process in the recruitment and selection of personnel. With this approach, appropriate level of screening is employed based on factors like the position, reputational risk implication and responsibilities associated with a particular position. The human resources department of the BSFI are also mandated to require all those who passed the initial stages of pre-employment screening to accomplish the Authorization Form for Querying of the BSP for purposes of deciding the fitness and propriety of the applicant. Management shall also ensure that BSFIs culture, values and expectations on behavior are compatible with those of its employees.
- **Guidelines on Reputational Risk Management.** On April 16, 2021, BSP Circular No. 1114 (“Circular 1114”) was issued to lay down the guidelines on reputational risk management. Under Circular 1114, BFSIs are expected to adhere to the standards set forth under the chapter on Corporate Governance/Corporate Governance Guidelines, on Risk Governance Framework and on Internal Control Framework. BFSIs are required to (i) set out clear objectives and expectations on reputation risk management; (ii) define the roles and responsibilities of the different parties such as the Board of Directors, senior management, business units and risk management, compliance, internal audit personnel and crisis management team; and (iii) adopt an appropriate risk management framework as part of the enterprise risk management system which is commensurate to the size, nature and complexity of operations, overall risk profile and systematic importance of the enterprise.
- **Amendments to the Guidelines on Recovery Plan of a Domestic Systemically Important Bank (D-SIB).** Also on April 16, 2021, BSP issued Circular No. 1113 (“Circular 1113”) requiring domestic systematically important banks (“D-SIBs”) to submit separately their Internal Capital Adequacy Assessment Process (ICAAP) document and recovery plan. Circular 1113 also introduces the concept of intensive supervisory approach as part of the framework for dealing with D-SIBs which consists of three parts, as follows: (1) assessment methodology; (2) higher loss absorbency and interaction with other elements of Basel III framework; and (3) intensive supervisory approach which includes concrete and reasonable recovery plans, consistency and coherence of ICAAP, and guidelines and action plans to be taken to restore D-SIBs’ financial condition to viable level in cases of significant deterioration in certain scenarios.
- **Amendments to Derivatives Regulations of Banks, Quasi-Banks and Trust Corporations.** BSP Circular No. 1119 dated June 7, 2021 (“Circular 1119”) provides for the list of derivative activities which banks, quasi-banks, and trust corporations may engage in without need of prior approval from the BSP and those activities requiring prior notification only. Under the same issuance, a bank, quasi-bank or a trust corporation, as the case may be, are required to apply for prior BSP approval of additional derivatives authority to engage in all other financial derivatives which are not generally authorized and those which are not part of activities requiring notification only.
- **Amendments to the Regulations on Securities Custodianship and Securities Registry Operations.** According to BSP Circular No. 1121 issued on June 8, 2021, the authority of banks, quasi-banks and other non-bank financial institutions to conduct securities custodianship and securities registry operations is classified as Type C license. To qualify, the securities custodian/registry must be a universal or a commercial bank, an investment house with quasi-banking authority, or a non-bank financial institution (NBFIs) under BSP supervision with a trust authority, or a stand-alone trust corporation. Further, the BSP required that the securities custodianship operations be conducted in a unit that is separate from the securities underwriting, dealing, or brokering operations of the BSFI.
- **Open Finance Framework.** On June 17, 2021, the BSP adopted the Open Finance Framework as provided under BSP Circular No. 1122. Under the Open Finance Framework, the BSP shall recognize an Open Finance Oversight Committee (“OFOC”) which shall exercise governance over the activities and participants of the Open Finance Ecosystem. In turn, the OFOC shall be subject to the regulation and supervision of the BSP. BSFIs with a composite rating of at least “3” under the Supervisory Assessment Framework or its equivalent are automatically eligible to become participants in the Open Finance System. Meanwhile, those which do not meet the minimum rating must secure BSP approval in order to participate therein.

- ***Revised Guidelines on the Imposition of Monetary Penalties on BSFIs, and/or their Directors/Trustees, Officers and/or Employees for Violations with Sanctions Falling under Section 37 of R.A. No. 7653 (The New Central Bank Act), as Amended.*** To supplement BSP Circular No. 1012, the BSP issued Circular No. 1125 dated August 10, 2021, which provided for a maximum monetary penalty of P1 Million for each transactional violation or P100 Thousand per calendar day for violations of a continuing nature, imposed on both banks and non-bank financial institutions, as well as their directors, officers and/or employees. In case profit is gained or loss is avoided as a result of the violation, the BSP may also impose a fine of no more than three (3) times the profit gained or loss avoided. Payments for transactions, including penalties and other charges, other than those required to be paid through the banks' demand deposit account, shall be made in accordance with the manner of payment provided in the billing notice, or through any such acceptable means of payment as may be provided in pertinent advisories issued by the BSP.
- ***Adoption of the Principles for Financial Market Infrastructures.*** Following the adoption of the Principles for Financial Market Infrastructures ("PFMI") pursuant to BSP Circular No. 1089 dated July 7, 2020, the BSP amended the Manual of Regulations for Payment Systems through BSP Circular No. 1126 by imposing a mandatory adoption of the PFMI standard by designated payment systems, including the operator, issuer, service provider, or any person involved in the payment system other than the end-user. The PFMI is a set of international standards designed to strengthen FMs and make them more resilient to financial crises, and participant defaults.
- ***Governance Policy for Operators of Payment System.*** On September 17, 2021, the BSP also approved through Circular No. 1127 the governance guidelines for operators of a payment system ("OPS") including the BSP as operator of the real time gross settlement system, BSFIs including banks and non-bank financial institutions, as well as non-BSFIs such as cooperatives regulated by the Cooperative Development Authority. The said guidelines provided for the powers, duties and responsibilities, and composition of the board of directors as well as the qualifications and disqualifications of the directors and officers of such OPS.
- ***Environmental and Social Risk Management Framework.*** On October 26, 2021, in order to integrate the environmental and social risks in the enterprise-wide risk management frameworks, the BSP issued Circular No. 1128 amending the duties and responsibilities of the board of directors and senior management, as laid down under Section 153 of the MORB on the Sustainable Finance Framework. Under the framework, the board of directors shall set out the environmental and social objectives and targets while the senior management is primarily responsible for the overall implementation of the board-approved credit strategies and policies in relation to the adoption of sustainability principles.
- ***Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions.*** With the issuance of BSP Circular No. 1129 on November 12, 2021, the Corporate Governance Guidelines for BSFIs was amended. Among the significant amendments are: (i) removing the condition that a majority of the directors must be residents of the Philippines, consistent with the Revised Corporation Code; (ii) expressly exempting directors of publicly listed companies from the required seminar on corporate governance; (iii) making a distinction on the maximum cumulative term of directors of cooperative banks which shall be eight (8) years; and (iv) allowing interlocking directorships and officerships, as a general rule, provided that the positions do not pose conflict of interests.
- ***Amendments to the Regulations on Confirmation of the Election/Appointment of Directors/Trustees/Officers.*** On February 11, 2022, the BSP clarified the coverage of the BSP confirmation of appointment of officers of BSFIs, either by the Monetary Board or the Financial Supervision Sector ("FSS") Committee. Under amendment introduced by BSP Circular No. 1136, only the following are subject to confirmation by the corresponding confirming authority:
 1. By the Monetary Board: (a) Directors and Chief Executive Officer ("CEO")/President or its equivalent rank of universal and commercial banks including their subsidiary banks, quasi-banks, trust corporations and non-bank financial institutions with trust authority, and all other stand-alone banks, quasi-banks and NBFIs with trust authority, and trust corporations with total assets of at least P10 Billion; (b) Trustees and CEO/President or its equivalent rank of non-stock savings and loan association ("NSSLA") with total assets of at least P10 Billion; (c) Heads of internal audit risk management and compliance functions, regardless of rank, of NSSLAs
 2. By the FSS: Directors and Chief Executive Officer/President or its equivalent rank of stand-alone banks, quasi-banks and NBFIs with trust authority, and trust corporations with total assets of less than P10 Billion; (b) Heads of comptrollership/finance, lending, treasury, branch banking and information technology directly reporting to the CEO/President or its equivalent rank or to the foreign bank office and with the rank of Senior Vice President and above of universal and commercial banks; (c) trust offer, regardless of rank, of banks, quasi-banks and NBFIs with trust authority; (d) Trustees and CEO/President or its equivalent rank of non-stock savings and loan association ("NSSLA") with total assets of less than P10 Billion; (e) Heads of internal audit risk management and compliance functions, regardless of rank, of NSSLAs.

- **Amendments to Regulations on Outsourcing and IT Risk Management.** BSP Circular No. 1137 issued on February 18, 2022 distinguishes outsourcing arrangements which are material and non-material. For material outsourcing arrangement, only banks with a SAFr composite rating of at least “3” shall be allowed to outsource designated activities without prior BSP approval, subject to notification requirements. Otherwise, Banks with lower rating must secure approval from the appropriate supervising department prior to implementation of the material outsourcing arrangement. Moreover, the said issuance requires the observance of the guidelines and requirements of outsourcing to third-party providers when the bank itself acts the service provider, or participates in intra-group outsourcing or engages in offshore outsourcing.
- **Regulatory Reporting Standards for Operators of Payment System (OPS).** To further regulate the operators of payment systems (“OPS”), the BSP issued Circular No. 1138 dated March 1, 2022 which sets forth reporting standards by requiring the OPS to have in place a reporting system that has at least the following functionalities: (i) generates accurate, complete and reliable information; (ii) aggregates all material data across various business lines, entities, services, instruments and other groupings that are relevant to regulatory reporting; and (iii) produces in a timely manner, regular, on-demand and ad hoc reports. Circular 1138 also mandates the OPS to adopt a policy requiring data and report retention of no less than five years.
- **Amendments to Regulations on Information Technology Risk Management.** In order to strengthen cybersecurity posture and minimize losses arising from fraud and cybercriminal activities, the BSP issued Circular No. 1140 (“Circular 1140”) dated March 24, 2022 requiring BSP-Supervised Financial Institutions (“BFSI”) to implement automated and real-time fraud monitoring and detection systems to identify and block suspicious or fraudulent online transactions. Circular 1140 also requires BSFIs to promote customer awareness as a key defense against fraud, identity theft and security breach by paying special attention to the provision of easy to understand and prominent advice to customers on security precautions for e-services and by ensuring that clients have undertaken customer education course/program on the safe and secure use of electronic payment and financial services. To ensure adherence to the regulation, BSP may deploy enforcement actions and impose corrective actions and/or sanctions. The BSFIs are also required to show their plan of actions with specific timelines and comply with the foregoing standards until 31 December 2022.
- **Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio.** On March 29, 2022, the BSP issued Circular No. 1142 (“Circular 1142”) which amended the guidelines in computing the minimum required capital and the risk-based capital adequacy ratio. In determining capital, deposit for stock subscription are included in, and treasury stock as well as the total outstanding unsecured credit accommodations to DOSRI granted by the bank proper are deducted from the capital. Pursuant to Circular No. 1142, the total outstanding unsecured credit accommodations to DOSRI, net of allowance for credit losses, are considered in calculating the risk-based capital adequacy ratio. With respect to risk-weighted assets, the risk-weighted amount shall be the product of the net carrying amount of the asset and the risk weight associated with such asset. Moreover, for purposes of the issuance of a Qualification Certificate as Administrator to an entity, compliance with minimum net worth of 100 Million Pesos shall take into account the total outstanding unsecured credit accommodations extended by the Administrator to DOSRI.
- **Rules of Procedure for the Consumer Assistance Mechanism.** On 24 March 2023, the BSP issued Circular No. 1169 on the “Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the BSP”, pursuant to the FPSCPA. These Rules apply suppletorily to the Rules of Court as may be determined by the Adjudicator and govern the consumer assistance mechanism as well as mediation and adjudication of financial consumer complaints in the BSP.
- **Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital.** On 5 January 2023, the BSP issued Circular No. 1164 which provides for the definition of credit risk transfer and which clarifies that loans and other credit accommodations or portion thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the single borrower limit (“SBL”). Meanwhile, the portion of the loans and other credit accommodations that is not covered by an effective credit risk transfer arrangement, if any, shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.
- **Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the “Financial Products and Services Consumer Protection Act”.** On 28 November 2022, the BSP issued Circular No. 1160 amending the MORB to provide guidelines on Financial Consumer Protection Framework to implement the FPSCPA. The Framework applies to all financial products or services created, developed, offered or marketed by a BSP. The circular provides for measures to be undertaken by BSIs in order to meet the standards of disclosure and transparency, protection of client information, fair treatment, effective recourse; and protection of consumer assets against fraud and misuse.

- **Guidelines on Recovery Plan of Banks.** On 18 October 2022, the BSP issued Circular No. 1158, on the “Guidelines on Recovery Plan of Banks”, wherein it requires Philippine banks to adopt a recovery plan which will provide, among others, for early warning indicators and trigger levels (which must be set above the minimum regulatory requirements but below or at more severe levels than the triggers applicable in activating the capital and liquidity contingency plans) for activation of the recovery plan, reporting requirements to the BSP, restoration points, recovery options, preparatory measures and implementation plan, testing and simulation exercises and updating of such recovery plan. The circular recognizes that with respect to foreign bank subsidiaries and branches, such foreign bank branches and subsidiaries may play a role in the recovery options in the group recovery plans or be impacted by their implementation and thus should consider the possible interactions and impacts of the group-wide recovery plans. The recovery plan shall be subject to annual BSP review.
- **Regulatory Sandbox Framework.** In 2022, BSP issued BSP Circular No. 1153 on the Regulatory Sandbox Framework which applies to all BSP-supervised financial institutions, third-party service providers of BSFIs, other BSP-registered institutions, and new players that intend to offer or use an emerging or new technology to deliver financial products/services pertaining to activities that could fall under the regulatory purview of the BSP. Applicants should meet certain eligibility standards to be able to participate in the regulatory sandbox. Each regulatory sandbox shall undergo a four-stage process: Application, Evaluation, Testing, and Exit Stage. Participants shall submit (i) interim and (ii) final reports to the BSP to facilitate monitoring of the progress of the regulatory sandbox and the attendant risks, and assessment of the success of the experimentation. In the test design phase, the BSP and the participant shall agree on the details of the reports to be submitted such as the content, frequency, and schedule of reporting, among others. Participant/s whose sandbox activities are assessed as successful and whose products or services are deemed fit for public consumption shall be issued an authority to operate. The participant shall formally submit to the BSP an application to operate and offer for public use and consumption the proposed product or service that was subjected to the sandbox activity, including any proposed new regulations or changes to existing regulations.
- **Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks.** On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank’s investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.
- **Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables.** On 19 January 2023, the BSP issued Circular No. 1165 which provides that banks may now impose an interest or finance charge which shall not exceed an annual interest rate of thirty-six percent (36%) on all credit card transactions. This issuance supersedes BSP issued Circular No. 1098 issued on 24 September 2020, imposing a twenty-four (24%) interest per year cap on all credit card transactions.
- **Conduct of Customer Due Diligence.** On 30 March 2023, the BSP issued Circular No. 1170 which provides for amendments to existing rules on the conduct of customer due diligence by banks and non-banks. This includes “Know Your Customer” or e-KYC guidelines on the use of digital IDs and other minimum information or documents required for customer identification. BSP defines “e-KYC” as the use of electronic or digital methods in customer identification and verification process. In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship, nature of the product, or transaction/activity.

BANKING REGULATION AND SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Introduction

Republic Act No. 7653 (“New Central Bank Act of 1993”), as amended by Republic Act No. 11211, (the “New Central Bank Act”) and Republic Act No. 8791 (the “General Banking Law”) vest the BSP, which exercises its powers through the Monetary Board, with the authority to regulate and supervise financial intermediaries in the Philippines. Financial intermediaries include banks or banking institutions such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board of the BSP.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or quasi-bank. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or quasi-bank or which is related or linked or such other factors as determined by the Monetary Board. In this regard, the MORB defines an affiliate as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the MORB), or power to vote, of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls (as defined under the relevant portion of the MORB), or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity; (c) common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favour of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.

The power of supervision of the BSP under the General Banking Law includes the issuance of rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, to oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank. Section 28 of the New Central Bank Act, as amended, provides that there shall be an interval of at least twelve (12) months between annual examinations. A vote of at least five members of the Monetary Board may authorize a special examination if the circumstances warrant.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. In addition to the general laws such as the General Banking Law and Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as amended, among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the Manual of Regulations for Banks (the “MORB”).

The MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The MORB contains regulations that include those relating to the organization, management and administration, deposit and borrowing operations, loans, investments and special financing programme, and trust and other fiduciary functions of the relevant bank. Supplementing the MORB are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

The MORB and other regulations are principally implemented by the Financial Supervision Sector of the BSP (FSS). The FSS is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act).

Regulation relating to capital structure

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The Philippine SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorised by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

On 20 October 2014, the Monetary Board decided to increase the minimum capital requirement for all bank categories including universal, commercial, thrift, rural and cooperative banks. This is in line with the BSP's efforts of further strengthening the banking system. Under this regulation, the minimum capital for universal and commercial banks will be tiered based on network size as indicated by the number of branches. Existing banks that will not immediately meet the new minimum capital requirement may avail of a five-year transition period to fully comply. Such banks will be required to submit an acceptable capital build-up program. Banks that fail to comply with the minimum capital requirements or fail to propose an acceptable capital build-up program face curtailment of future expansion plans.

In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches, ₱15 billion for head office with 11 to 100 branches, and ₱20 billion for head office with more than 100 branches. Commercial banks are required to have capital accounts of at least ₱2 billion for head office only, ₱4 billion for head office with up to 10 branches, ₱10 billion for head office with 11 to 100 branches, and ₱15 billion for head office with more than 100 branches. Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500 million for head office only, ₱750 million for head office with up to 10 branches, ₱1 billion for head office with 11 to 100 branches, and ₱2 billion for head office with more than 100 branches. In August 2022, the BSP issued Circular No. 1151 wherein the BSP adjusted the minimum capitalization for rural banks. Under these new guidelines, rural banks with head office only (without regard to the location of the head office) are required to have capital accounts of at least ₱50 million, ₱50 million for head office with up to 4 branches, ₱120 million for head office with 5 to 9 branches, and ₱200 million for head office with more than 9 branches. These minimum levels of capitalisation may be changed by the Monetary Board from time to time.

For purposes of these requirements, the BSP Circular No. 1027 issued on 28 December 2018 states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits, less:

- Treasury stock;
- Unbooked allowances for probable losses (which includes allowance for credit losses and impairment losses) and other capital adjustments as may be required by the BSP;
- Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
- Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates;
- Total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties, as defined under Subsection X141.1 of the MORB, that are not at arm's length terms as determined by the appropriate supervising department of the BSP;
- Deferred tax assets that rely on future profitability of the bank to be realized, net of any (a) allowance for impairment and (b) associated deferred tax liability, if the conditions cited in PAS 12 on income taxes are met: *provided*, that, if the resulting figure is a net deferred tax liability, such excess cannot be added to net worth;
- Reciprocal investment in equity of other banks/enterprises, whether foreign or domestic, the deduction shall be the lower of the investment of the bank or the reciprocal investment of the other bank or enterprise; and
- In the case of rural banks/cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation programme.

According to BSP Circular No. 1027 dated 28 December 2018, deposits for stock subscription recognized as equity pursuant to Section X128 of the MORB shall be added to capital.

On 15 July 2014, Republic Act No. 10641 (“RA 10641”) further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100.0% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100.0% of the voting stock of an existing bank; (b) by investing in up to 100.0% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorised to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorised to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorised to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the MORB, accordingly. On 15 February 2016, BSP issued Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

The stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- Clearing account with BSP is not overdrawn;
- Liquidity floor for government funds for five or more consecutive days
- Minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- Capital conservation buffer requirement as defined in Appendix 59, Part III of the MORB. for UBs/KBs, and their subsidiary banks for QBs;
- Higher loss absorbency (HLA) requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with D-SIB Framework as provided under Section 128 of the MORB; or
- Has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, Supervision and Examination Sector of the BSP.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Regulations with respect to branches

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalisation requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks to a maximum of ₱20 billion for more than 100 branches of universal banks).

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP’s branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office.

Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, the BSP liberalised its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank, once approved, a branch should be opened within three years from the date of approval. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules.

Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalized pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalization allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or “restricted areas” in Metro Manila until 30 June 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the “restricted” areas was opened to all banks except rural banks and cooperative banks.

In BSP Circular No. 987, Series of 2017, the BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the MORB. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

At present, pursuant to BSP Circular No. 932 (2016), all banks, including rural and cooperative banks, as a general rule are allowed to establish branches anywhere in the Philippines, including in cities previously considered restricted areas.

Branches of microfinance-oriented banks and microfinance-oriented branches of regular banks’ branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 may be established anywhere upon the fulfilment of certain conditions.

Regulations with respect to management of banks

The board of directors of a bank must have at least five (5) and a maximum of fifteen (15) members. According to Republic Act No. 11232 or the Revised Corporation Code (“Revised Corporation Code”), the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. The Revised Corporation Code also requires a compliance officer. Material contracts of a corporation vested with public interest with (1) one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least two-thirds (2/3) of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code.

Under the MORB, at least one-third (1/3) but not less than two (2) members of the board of directors of universal and commercial banks shall be independent directors. Further, SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly-listed companies, such as the Bank, to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher. In case of merged or consolidated banks, the number of directors shall not exceed twenty-one (21). An independent director is a person who independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. Foreigners are allowed to have board seats to the extent of the foreign participation in the equity of the bank.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits act which renders him unfit for the position.

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued Circular No. 971, prescribing the Guidelines on Risk Governance for BSP Supervised Financial Institutions (“BSFIs”), and requiring the appointment of a Chief Risk Officer (**CRO**) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support

the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors. Pursuant to the Circular, prospective directors have the burden of proving that they possess all the minimum qualifications and none of the disqualifications listed in the MORB and must submit proof to the BSP of their qualification. An elected director must be fit and proper for the position, taking into consideration his integrity/probity, physical/mental fitness, educational/financial literacy/training and other competencies relevant to the job. Each director must also have attended a seminar on corporate governance, subject to certain exemptions. Members of the board of directors may not be appointed as corporate secretary or chief compliance officer of the institution.

On the same date, the BSP also issued Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer (“CCO”). The CCO is tasked to oversee the identification and management of the BSFI’s compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On 4 January 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors. The Board of Directors must consider the results in capital and liquidity planning and setting risk appetite, among others. Banks have a period of two years from effectivity date to gradually change their stress testing practices until it is in compliance with the circular’s requirements.

BSP Circular No. 1076, Series of 2020 also provides a list of those prohibited to become officers of a bank, including any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or controlled corporations, or in cases allowed under existing laws.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank’s investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

On 28 November 2022, the BSP issued Circular No. 1160, series of 2022 which provides for a framework for Bangko Sentral-Supervised Institutions (“BSIs”) to manage risks and potential harms to Financial Consumers and institutionalize consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

Regulations with respect to bank operations

A universal bank, such as the Bank, may open branches or offices within or outside the Philippines subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank and its subsidiaries, financial or otherwise, and prescribe the composition and the manner of determining the net worth and total risk assets of banks and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to exercise and perform i) activities allowed for commercial banks;

ii) powers of an investment house; iii) to invest in non-allied enterprise.

Capital adequacy requirements and reserve requirements

The Philippines adopted capital requirements based on the Basel Capital Accord in July 2001.

On 1 July 2007, the BSP issued Circular No. 538, which is the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the Basel Committee on Banking Supervision (**BCBS**) containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. To align with the international standards, the BSP adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 with the issuance of BSP Circular No. 709 effective 1 January 2011 as amended by BSP Circular No. 716.

In January 2012, the BSP announced that the country's universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III with effect from 1 January 2014. It aims to replace Basel II, to further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

This thus allowed local banks one full year for a parallel run of the old and new guidelines prior to the effectiveness of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under the Basel III Accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 will be allowed to count these instruments as Basel III-eligible until end-2015. However, capital instruments that are not eligible in any of the three components of capital were derecognised from the determination of the regulatory capital on 1 January 2014.

On 29 October 2014, the BSP issued Circular No. 856, or the "Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III". Under the circular, the BSP adopts policy measures for Domestic Systemically Important Banks (**D-SIBs**), which are essentially aligned with documents issued by the BCBS on G-SIBs and D-SIBs. The Monetary Board approved the guidelines for the implementation of higher capital requirements on D-SIBs by the BSP under Basel III. Banks deemed as D-SIBs by the BSP will be imposed capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their D-SIB status in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.5% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to G-SIBs (Global Systemically Important Banks) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on 1 January 2017 and became fully effective on 1 January 2019. On 27 September 2019, the BSP issued Circular No. 1051, entitled Amendments to BSP Circular No. 1051 (**BSP Circular No. 1051**), which amended the framework for dealing with D-SIBs provided under BSP Circular No. 856.

Under BSP Circular No. 1051, the minimum HLA requirement for the lower bucket shall be 1.5% of risk-weighted assets at all times. For the higher populated bucket, the HLA requirement shall range from above 1.5% to 2% of risk-weighted assets. An empty top bucket with HLA requirement of 2.5% of risk-weighted assets shall also be maintained. The differentiated HLA requirement for D-SIBs slotted under the higher-populated bucket is to be based on the ranking of a bank's overall systemic importance through the use of the indicator-based measurement approach. An equation is provided in BSP Circular No. 1051 for computing the additional loss absorbency requirement for D-SIBs slotted under the higher-populated bucket.

Bucket	Score Range	Minimum additional HLA requirement (CET1 capital as a percentage of risk-weighted assets)
3 (empty)	B-C	2.5%
2	A-B	>1.5%. to 2.0%.
1	Cut-off point – A	1.5%.

The HLA requirement shall also be on top of the combined requirement for CCB and CCyB, as determined under BSP Circular No. 1051. Restrictions on distributions are provided under BSP Circular No. 1051, depending on the CCyB rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions. The total CET1 capital requirement for D-SIBs will be as follows:

A. CCyB rate is at 0%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.0%	2.5%	0%	2.5%	5%	11.0%
2*	6.0%	2.5%	0%	2%	4.5%	10.5%
1	6.0%	2.5%	0%	1.5%	4.0%	10.0%

*Assuming an HLA requirement of 2%.

B. CCyB rate is at 2.5%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.0%	2.5%	2.5%	2.5%	7.5%	13.5%
2*	6.0%	2.5%	2.5%	2.0%	7.0%	13.0%
1	6.0%	2.5%	2.5%	1.5%	6.5%	12.5%

*Assuming an HLA requirement of 2%.

Transitional arrangements for the HLA requirement will be implemented. In the case of banks included in the first list of D-SIBs (to be released in June 2015 based on December 2014 data), compliance with the HLA requirement was phased-in starting 1 January 2017, with full compliance on 1 January 2019. Under BSP Circular No. 856, further lists of D-SIBs will be issued until 31 December 2021. After the phase-in period, banks identified as D-SIBs will have eighteen (18) months to comply with the required HLA.

Data Cut-Off	Release of D-SIBs List	Compliance Period
December 2014	June 2015	Phased in: 1 January 2017 – 1 January 2019
December 2015	June 2016	Phased in: 1 January 2018 – 1 January 2019
December 2016	June 2017	1 January 2019 – 31 December 2019
December 2017	June 2018	1 January 2020 – 31 December 2020
December 2018	June 2019	1 January 2021 – 31 December 2021

BSP Circular No. 1051 likewise imposes capital distribution constraints should a D-SIB's capital fall within a specified range (subject to phased-in implementation and other provisions of the circular):

A. CCyB rate is at 0%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=9.25%	<=9.50%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>9.25% – 10.0%	>9.50% – 10.5%

*Assuming an HLA requirement of 2%

B. CCyB rate is at 2.5%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=11.75%	<=12.00%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>11.75% – 12.50%	>12.00% – 13.00%

*Assuming an HLA requirement of 2%.

A D-SIB will not be subject to any restriction on distribution if the following conditions are met:

- (a) Positive retained earnings as of the preceding quarter and compliance with the regulatory requirements for the declaration of dividends;
- (b) Compliance with total required CET1 and D-SIBS HLA requirement (under the circular) before distribution; and
- (c) Compliance with minimum capital ratios after distribution.

D-SIBs will also be subjected to greater supervisory requirements such as additional disclosures and reports in its ICAAP).

These requirements may lead to the Bank having to hold even higher minimum levels of capital compared with the levels above, should it be designated as a D-SIB by the BSP.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratio (computed as banks' Tier 1 capital divided by its total on-book and off-book exposure). On 9 June 2015, the BSP issued Circular No. 881 on the implementing guidelines and accordingly, amending the relevant provisions of the guidelines. Under the guidelines, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III. The guidelines also provide for a monitoring period up to end-2016 during which banks are required to submit periodic reports; however, sanctions will not be imposed on banks whose leverage ratios fall below the required 5% minimum during the period.

On 26 January 2017, the BSP issued Circular No. 943 which approved the one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017, and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to increasing regulatory burden on banks. On 22 January 2018, the BSP issued BSP Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

Further, local banks face new liquidity requirements, namely, the LCR and the NSFR, under Basel III. The LCR requires banks to hold sufficient level of High Quality Liquid Assets ("HQLAs") to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimise negative spillovers to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs. In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100.0% commencing on 1 January 2019. The Monetary Board also expects to release an exposure draft of NSFR requirements within 2016. Based on news reports, the BSP targets the release of the NSFR rules this year, although no such rules have yet been released as of the date of this Offering Circular. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a preemptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a countercyclical capital buffer ("CcyB") wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CcyB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. The credit-to-GDP gap, defined as the difference between the credit-to-GDP ratio and its long-term trend, has been chosen as the guide or EW (early warning

indicator) for activating the CCyB. However, some economists have raised the issue that the credit-to-GDP gap is not the best EWI for banking crises or system vulnerabilities, especially for emerging markets (including the Philippines). Under the BIS, the countercyclical capital buffer will be phased in beginning on 1 January 2016 and will become fully effective on 1 January 2019.

On 29 November 2018, the Monetary Board approved the Philippine adoption of the CCyB intended for universal and commercial banks as well as their subsidiary banks and quasi-banks. The CCyB will be complied with by the banks using their CET1 capital. During periods of stress, the Monetary Board can lower the CCyB requirement, effectively providing the affected banks with more risk capital to deploy. During periods of continuing expansion, the CCyB may be raised which has the effect of setting aside capital which can be used if difficult times ensue. The CCyB is set initially at a buffer of 0%, which is line with global practice. The buffer, however, will be continuously reviewed by the BSP. Banks will be given a lead time of 12 months in the event that the CCyB buffer is raised. However, when the buffer is reduced, it takes effect immediately.

On 4 May 2020, the BSP issued BSP Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilise the same during this state of health emergency, subject to the following:

- (a) the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws), profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
- (b) the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

Reserve Requirements

On the other hand, under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to BSP on the amount of any deficiency.

Under BSP Circular 732 issued on 3 August 2011, as further amended by BSP Circular 753 issued on 29 March 2012, BSP Circular 830 issued on 3 April 2014, BSP Circular 832 issued on 27 May 2014, BSP Circular 997 issued on 15 February 2018, BSP Circular 1004 issued on 24 May 2018, BSP Circular 1041 issued on 29 May 2019, BSP Circular 1054 issued 11 October 2019 and BSP Circular 1063 issued on 3 December 2019, universal and commercial banks are required to maintain regular reserves of: (a) 14% against demand deposits, savings deposit, time deposit and deposit substitutes, Peso deposits lodged under due to foreign banks, Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); (b) 14% against negotiable order of withdrawal accounts; (c) 0% against deposit substitutes evidenced by repurchase agreements; (d) 4% against long term negotiable certificates of time deposits; and (e) 3% against bonds. These rates have been further revised by BSP Circular Nos. 1082 issued on 31 March 2020 and BSP Circular No. 1092 issued on 27 July 2020 as discussed below. On March 31, 2020, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of April 3, 2020 (and reiterated in Circular No. 1092 for reserve week July 31, 2020) for universal and commercial banks, to (a) 12% against demand deposits, "NOW" accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificate of time deposits ("CTDs"), long-term non-negotiable tax exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4% against long-term negotiable certificates of time deposits ("LTNCDs"); (d) 3% against bonds; and (e) 0% against basic deposit accounts as defined under Section X222 of the Manual of Regulations for Banks and for interbank call loan transactions ("IBCL").

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 March 2020, the Monetary Board authorised BSP Governor Benjamin E. Diokno to reduce the reserve requirement ratios of BSP-supervised financial institutions by up to a maximum of four-hundred (400) basis points for 2020. The Monetary Board also authorised the BSP Governor to determine the timing, extent, and coverage of the reduction in the reserve requirement. The authority was granted, following the announcement of the Enhanced Community Quarantine (ECQ), to buttress the negative impact of the COVID-19 pandemic on the Philippine economy. On 24 March 2020, pursuant to the authority, BSP Governor Diokno announced that the BSP was reducing the reserve requirement ratio by two-hundred (200) basis points for universal/commercial banks with effect from 30 March 2020. Potential cuts on the reserve requirements for other banks and non-bank financial institutions would also be explored.

On 31 March 2020, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of 3 April 2020 for universal and commercial banks, to 12% against demand deposits, “NOW” accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks and Peso deposits lodged under due to Head Office/Branches/Agencies Abroad of banks.

On 22 April 2020, as part of the Government’s financial assistance programme and in light of the effects of the COVID-19 pandemic on micro, small and medium-sized enterprises (MSMEs), the BSP issued Circular No. 1083, which provides that loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions: (1) that the MSME loan was granted after 15 March 2020; and (2) that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose. Qualified MSME loans are to be valued at amortised cost, gross of allowance for credit losses. The use of MSME loans as allowable alternative compliance with the reserve requirement is available to banks from 24 April 2020 to 30 December 2021.

On 8 October 2020, the BSP issued Circular No. 1100 which is to take effect within 15 calendar days following publication. Circular No. 1100 amends Circular No. 1087 and Circular No. 1083, which provides the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

- (a) Peso-denominated loans that are granted to MSMEs, excluding banks and non-bank financial institutions with quasi-banking license (NBQB), subject to the following conditions:
 - i. that the MSME loan was granted after 15 March 2020; provided, that if such MSME loan becomes past due or non-performing, it is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such MSME loan has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilize said past due or non-performing MSME loan as alternative compliance with the reserve requirements for an additional 30 calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;
 - ii. that the MSME loan that was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day. For purposes of determining the increase in the bank’s MSME loan portfolio, the bank shall exclude accrued interest and accumulated charges which have been capitalised or made part of the principal restructured MSME loans; and
 - iii. that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from 24 April 2020 to 29 December 2022, and extending to 30 June 2023, pursuant to BSP Circular No. 1155 issued on 21 September; and

- (b) Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs, subject to the following conditions:
 - i. that the loan to the large enterprise was granted after 15 March 2020; provided, that a loan to a large enterprise that becomes past due or non-performing is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such loan to a large enterprise has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilize said past due or non-performing loan to a large enterprise as alternative compliance with the reserve requirements for an additional 30 calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;
 - ii. that the loan to the large enterprise that was granted on or before 15 March 2020 but has been renewed or restructured

after 15 March 2020 may be used as alternative compliance with the reserve requirements; provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day. For purposes of determining the increase in the bank's loan portfolio to large enterprises, the bank shall exclude accrued interest and accumulated charges which have been capitalised or made part of the principal restructured MSME loans; and

- iii. that the loan to the large enterprise is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

A large enterprise shall refer to a sole proprietorship, partnership, corporation or cooperative that meets all of the following criteria: (a) it does not belong to a conglomerate structure; (b) it has an asset size (less land) of more than ₱100 million and an employment size of two-hundred (200) employees or more; and (c) it is a critically-impacted business enterprise that has been directly and adversely impacted by the COVID-19 pandemic such that it has experienced a significant decline in gross receipts for at least one calendar quarter and is generally unable to pay or perform its obligations as they fall due in the ordinary course of business, or as determined by the appropriate regulatory agency or agencies, if applicable. A significant decline in gross receipts shall refer to at least a 25% decline in gross receipts for one calendar quarter. A critically-impacted business shall include the transport industry, tourism industry and export-import industry but shall exclude banks and other financial institutions under the supervision of the Bangko Sentral.

The use of loans to large enterprises as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from 29 May 2020 to 29 December 2022, and extending to 30 June 2023, pursuant to BSP Circular No. 1155 issued on 21 September 2022.

Pursuant to BSP Memorandum Circular No. 1176 dated 29 June 2023, in the case of thrift banks, rural banks, and cooperative banks, the outstanding MSME loans and loans to large enterprises of these banks that are utilized as alternative compliance with the reserve requirement as of 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025; provided, however, that such MSME loans and loans to large enterprises which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. The outstanding balance of MSME loans and loans to large enterprises that are utilized by these banks as compliance with the required reserves as of 30 June 2023 shall not be increased but may be reduced and once reduced, said loans shall not be increased thereafter.

New MSME loans and loans to large enterprises granted after 30 June 2023 by banks shall not be eligible as alternative compliance with the reserve requirement.

On 23 June 2023, the BSP issued BSP Memorandum Circular No. 1175, reducing the reserve requirements against deposit and deposit substitute liabilities (i.e. demand deposits, NOW accounts, savings deposits, time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs and deposit substitutes) in local currency of banks, with effect from 30 June 2023 as follows (a) for universal banks from 12% to 9.5%; (b) for thrift banks from 3% to 2%; and (c) for rural and cooperative banks from 2% to 1%. It also provides the reserve requirements against deposit and deposit substitutes in local currency for digital banks which was set at 6%.

Liquidity Requirements

Local banks face new liquidity requirements, namely, the LCR and the NSFR, under Basel III. The LCR requires banks to hold sufficient level of High Quality Liquid Assets (HQLAs) to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimise negative spillovers to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs. In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100.0% commencing on 1 January 2019. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases. On 15 March 2019, BSP issued BSP Circular No. 1035 ("BSP Circular No. 1035"), which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. including the (i) extension of the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adoption of the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amendment of the formula for minimum liquidity ratio. The subsidiary banks and quasi-banks of universal and commercial banks are required to comply with the minimum LCR of 100% starting 1 January 2020.

Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. On 6 June 2018, the BSP issued BSP Circular No. 1007 which sets out the guidelines on the adoption of the Basel III Framework on Liquidity Standards - NSFR. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks. The Circular provides for an observation period until 31 December 2018, during which NSFR Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan. On 15 March 2019, the Monetary Board issued Circular No. 1034 approving the extension of the observation period for the NSFR of the subsidiary banks and quasi banks of universal and commercial banks until 31 December 2019, moving the effectivity dates of said ratios to 1 January 2020. During the extended observation period, subsidiary banks and quasi-banks of universal and commercial banks are required to comply with a 70% LCR and NSFR, which shall increase to 100% on 1 January 2020.

The Monetary Board also approved enhancements to the LCR and minimum liquidity ratio guidelines, including netting of cash inflows and outflows to and from the same derivative counterparty for the LCR framework, and counting interbank placements as eligible liquid assets and adjusting qualifying liabilities through conversion factors to retail current and regular savings deposits worth ₱500,000 and below and certain liability accounts. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

Both the LCR threshold and the NSFR threshold are now at 100%, following the full implementation of the provisions of Circulars 1035 and 1034, respectively. On 13 February 2020, the BSP issued Memorandum No. M-2020-003, entitled Guidelines on the Electronic Submission of the BASEL III Net Stable Funding Ratio (NSFR) Report and Liquidity Coverage Ratio Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for purposes of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1035 and 1034.

Credit Risk Management

In October 2014, the BSP issued Circular No. 855 providing for new guidelines on sound credit risk management practices. BSP Circular No. 855 mandates banks to establish appropriate credit risk strategy and policies, processes and procedures including cash flow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Programme", such as the Expanded Housing Loans Programme of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance programme of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

BSP Circular No. 855 set the collateral value ("CV") for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value ("LV"), which is the loan amount extended by banks to its borrowers. The current industry practice is a loan-to-value ("LTV") ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks' real estate exposures ("REEs") to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialised and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

Further on 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo Real Estate Stress Test ("REST") while setting prudential limits for banks' real estate exposures to ensure that they have adequate capital to absorb potential losses to the property sector. UKBs as well as thrift banks must meet a CAR of 10% of qualifying capital after adjusting for the stress

test results. Further, UKBs and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly reports of their real estate exposures, in line with the new REST capital requirements.

On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans; investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities; and investments in equity securities issued by land developers/ construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Notably, under this circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialised and low-cost housing which was included in previous regulations of the BSP. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On 4 January 2021, the BSP issued Memorandum No. M-2021-002 granting regulatory relief to foreign bank branches with respect to their compliance with the SBL. Existing foreign bank branches established in the Philippines prior to Republic Act No. 10641 that breach the SBL shall not be subject to sanctions until December 31, 2021, provided certain conditions are met.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

Limitations on operations

The Single Borrower's Limit

Except as prescribed by Monetary Board for reasons of national interest, the total amount of loan, credit accommodations and guarantees (determined on the total credit commitment) that may be extended by a bank to any person or entity shall at no time exceed 25.0% of the net worth of the bank (or 35.0% of the net worth of the bank in the event that certain types and levels of security are provided). This ceiling may be adjusted by the Monetary Board from time to time. As of 31 December 2011, the ceiling applicable to the Bank was 25.0% (or 35.0% of the net worth of the bank in the event that certain types and levels of security are provided). The ceiling may be increased by the following percentages: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, non-perishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under the Public-Private Partnership Program of the Philippine government duly certified by the Secretary of Socio-Economic Planning; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from 28 December 2010; and (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank, which is also engaged in energy and power generation, for a period of three years from 3 March 2011 or until 3 March 2014. To encourage BSFIs to engage in agricultural value chain financing, the total amount of loans, credit accommodations and guarantees may also be increased by an additional 25.0% granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain. This increase shall only be for a period of three years from 14 March 2016, subject to review after said period.

The limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted

rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items.

On 5 July 2017, the BSP issued BSP Circular No. 965, approving the guidelines on the exclusion from the Single Borrower's Limit of banks and quasi-banks' short-term exposures to clearing and settlement banks arising from payment transactions.

On 30 April 2018, the BSP issued BSP Circular No. 1001 which provided for a separate individual limit of 25.0% of the net worth of the lending bank for loans, credit accommodations and guarantees granted by a bank to an entity for the purpose of project finance. The applicability of the separate individual limit shall be subject to the following conditions: (a) the unsecured portion shall not exceed 12.5% of the net worth of the lending bank when the project is already operational; (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project document; (d) the lending bank shall consider its total project finance exposures in complying with the guidelines in managing large exposures and credit risk concentrations; (e) the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020 and Memorandum No. M-2020-057 dated 21 July 2020, which granted additional operational relief to BSFIs. The relief measures include an increase in this single borrower's limit from 25% to 30% until 31 March 2021.

On 22 July 2020, the BSP issued BSP Memorandum Circular No. 1091, excluding debt securities held by market makers from the SBL. The circular also said that the debt securities will be excluded from the SBL for a period of time, such as ninety (90) days from date of acquisition if this happened on 1 August 2020 until 31 July 2021 or not exceeding sixty (60) days if acquired 1 August 2021 and onwards.

On 5 January 2023, the BSP issued Circular No. 1164 which provides for the definition of credit risk transfer and which clarifies that loans and other credit accommodations or portion thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the single borrower limit ("SBL"). Meanwhile, the portion of the loans and other credit accommodations that is not covered by an effective credit risk transfer arrangement, if any, shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, indorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the Board of Directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The DOSRI account shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. The limitation excludes loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk.

On 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30.0% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine

Development Plan/Public Investment Program (“PDP/PIP”) needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of “related interest” and “affiliates” to maintain the prudential requirements and preempt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

Banking Regulation and Supervision

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities.

A universal bank can own up to 100.0% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100.0% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank’s total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank’s investment in another corporation engaged primarily in real estate shall be considered as part of the bank’s total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five (5) years or as may be prescribed by the Monetary Board.

On November 26, 2019, the BSP issued Memorandum No. M-2019-028, requiring all BSP-supervised financial institutions to take the enumerated preventive measures against illegal investment schemes, including “Ponzi Scheme(s).”

On February 4, 2021, the BSP issued Circular No. 1109, reducing the minimum size of each investment management account and expanding the securities eligible as investment outlet for commingled funds under investment management.

Prohibition to act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- Receive in custody funds, documents and valuable objects;
- Act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- Upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- Rent out safety deposit boxes.

BSP Circular No. 1003, issued on May 16, 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

The Framework for Basic Deposit Accounts, found in BSP Circular No. 992 dated 1 February 2018, was issued, with a view towards promoting account ownership among the unbanked by imposing no minimum maintaining balance and an opening amount of not more than ₱100.00. It also supports the National Retail Payments System (NRPS), which aims to promote resort to digital payments in the country. On 5 October 2018, BSP issued Memorandum No. M2018-27, prescribing the guidelines on the electronic submission of the updated reports arising from Circular No. 992.

Anti-Money Laundering Act of 2001

Republic Act No. 9160 or the Anti-Money Laundering Act of 2001 (“AMLA”), as amended, requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, record keeping and reporting of covered and suspicious transactions.

On 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the AMLA covered institutions and crimes. Additions to the enumeration of covered persons include jewelry selling agents for transactions in excess of ₱1 million; company service providers, or those who form companies for third parties, hold positions as directors or corporate secretaries for third parties, provide business addresses or engage in correspondence or act as nominee shareholder for others. Likewise, the following persons were added to the list: persons (a) who manage their client’s money, security or other assets, or (b) who manage bank or securities accounts, or (c) who organize funds for the creation, operation or management of companies, or (d) who create, operate or manage entities or relationships, or (e) buy and sell business entities. The 2016 Revised Implementing Rules and Regulations of the AMLA was approved by the Anti-Money Laundering Council (“AMLC”) on 21 December 2016. On 15 March 2017, the BSP issued BSP Circular No. 950 to amend the MORB in order to effectively implement the provisions of the AMLA, as amended, and the revised implementing rules and regulations of the AMLA, as amended. In July 2017, RA No. 10927 further expanded the coverage of AMLA to include casinos for a single casino cash transaction involving an amount in excess of ₱5 million or its equivalent in any other currency.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one banking day,.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- There is no underlying legal or trade obligation, purpose or economic justification;
- The customer or client is not properly identified;
- The amount involved is not commensurate with the business or financial capacity of the client;
- The transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- There is a deviation from the client’s profile or past transaction;
- The transaction is related to an unlawful activity or offence under the AMLA;
- Similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five (5) years from date of transaction/closure of account shall be subject to a penalty of six (6) months to one (1) year imprisonment and/or fine of ₱500,000.00.

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six (6) months to four (4) years imprisonment and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

- (a) transacts said monetary instrument or property;
- (b) converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- (c) conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;

- (d) attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
- (e) aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above;
- (f) performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council (“AMLC”), fails to do so.

Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding fifteen (15) working days. The Court of Appeals of the Philippines (“Court of Appeals”), upon verified ex-parte application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which shall be effective immediately, and which shall not exceed six months depending upon the circumstances of the case. However, if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order shall be deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets. Further, a freeze order or asset preservation order shall be limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime.

BSP Circular No. 495 issued on 20 September 2005, as amended by BSP Circular 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank’s attention, transactions and/or accounts that qualify either as “covered transactions” or “suspicious transactions” as defined under AMLA.

BSP Memorandum No. M2012-017 issued on 4 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti- money laundering risk rating system (“ARRS”), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti- money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of non-discrimination against certain types of customers.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of five (5) years from the date of a transaction, unless a case has been filed involving the account, then the records must be retained and safely kept beyond the five (5) year period until it is officially confirmed by the AMCL Secretariat that the case has been resolved, decided or terminated with finality. Records of closed accounts must also be kept for five (5) years after their closure.

On 20 April 2018, the AMLC issued AMLC Letter No. AMLET-18-03, providing for Operational Guidelines in the Conduct of the 2018 Third Round Mutual Evaluation of the Philippines (the “Guidelines”). The Guidelines aim to (a) create an inter-agency Mutual Evaluation Working Group and sub-working groups; (b) enumerate the functions and obligations of the member-agencies with respect to the Mutual Evaluation process; (c) outline the Mutual Evaluation process and provide guidance as to the different components of the process; (d) provide timelines for the Mutual Evaluation process and Mutual Evaluation-related activities; (e) enumerate effects of a “non- compliant” or “poor” Mutual Evaluation; and (f) lay down the framework towards the adoption of a national anti-money laundering/counter-financing of terrorism (“AML/CFT”) Strategy. The Guidelines are addressed to all participating government agencies and other entities.

The Mutual Evaluation is a government-wide concern as what will be assessed is the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime. The entire Mutual Evaluation process spans two (2) years, and will require the support and active participation of various government agencies, including supervisory authorities, law enforcement agencies, and public and private stakeholders. The Philippines will be evaluated by a pool of experts from Financial Intelligence Units from other member-jurisdictions of the Asia-Pacific Group on Money Laundering (“APG”), pursuant to the APG’s membership rules.

On 22 November 2018, the AMLC approved the 2018 Implementing Rules and Regulations of the AMLA prescribing, among others, the guidelines on identifying and recording beneficial ownership. In relation thereto, on 14 January 2019, BSP issued

Circular Letter No. CL-2019-002, addressed to all BSFIs of the guidelines issued by the AMLC on digitisation of customer records and identification of beneficial owners.

Moreover, the Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001 requires compliance officers which will oversee the Anti-Money Laundering Programme. This is also reflected in the amendments to the Revised Corporation Code mandating banks to elect a compliance officer.

On 29 January 2020, the AMLC issued AMLC Regulatory Issuance (ARI) A, B and C No. 1 (2020), which amends certain provisions of the 2018 implementing Rules and Regulations of Republic Act No. 9160, as amended.

The ARI added provisions on immediate family members and close associates of politically-exposed persons and expanded the definition of a customer or client to include juridical persons. Such resolution also provided that the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof.

On January 29, 2021, the AMLA was further amended to include violations under the SRC and Strategic Trade Management Act. It also includes tax deficiencies in excess of ₱25,000,000. The AMLC is also empowered to issue ex parte freeze orders in cases of violations involving terrorist financing.

Revised Corporation Code

The Revised Corporation Code was signed into law on 20 February 2019 and became effective on 8 March 2019. Among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Securities and Exchange Commission (Commission) that it elects to retain its specific corporate term under its current Articles of Incorporation.
- A corporation vested with public interest must submit to its shareholders and to the Commission an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (NSSLA), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least twenty percent (20%) independent directors in the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Commission.
- The Code allows the creation of a “One Person Corporation”. However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.
- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
- As to amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.
- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions,

building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation; or any voluntary dissolution.

- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

RA No. 10667, or the Philippine Competition Act (“PCA”) was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the PCC), an independent quasi-judicial agency with five commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, however, the PCC must still apply for a warrant with the relevant court.

The PCA prohibits and imposes sanctions on: (a) anti-competitive agreements between or among competitors, (b) mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition, and (c) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to certain exceptions.

On 3 June 2016, the PCC issued the implementing rules and regulations of the PCA (“IRR”). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1 billion; and (b) the value of the transaction exceeds ₱1 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1 billion.

On 10 March 2018, the PCC issued Memorandum Circular No. 1-001 (“MC No. 18-001”) to amend Section 3, Rule 4 of the IRR to increase the initial thresholds. Under MC No. 18-001, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5 billion; and (b) the value of the transaction exceeds ₱2 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2 billion. As provided in MC No. 18-001, the thresholds shall be automatically adjusted commencing on 1 March 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority’s official estimate of the nominal gross domestic product growth of the previous calendar year rounded up to the nearest hundred million. The revised thresholds, however, shall not apply to mergers or acquisitions pending review by the PCC; notifiable transactions consummated before the effectivity of the memorandum circular; and transactions already subject of a decision by the PCC.

PCC Advisory 2019-001 further adjusted the thresholds such that effective 1 March 2019, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5.6 billion; and (b) the value of the transaction exceeds ₱2.2 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion.

The threshold amounts were last modified by the PCC in Commission Resolution No. 2023-003, effective 1 March 2023. Currently, parties to a merger or notification are required to provide notification when (a) the aggregate annual gross revenues in, or into, or from the Philippines, or the value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceeds ₱7 billion; and (b) the value of the transaction, as determined under subsections (1), (2), (3), and (4) of Rule 4, Section 3 of the PCA IRR, exceeds ₱2.9 billion.

Violations of the PCA and the IRR have severe consequences. Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into anti-competitive agreements, as defined, include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure (“Rules of Procedure”) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules of Procedure also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedures (the “Merger Rules”) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the IRR. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within thirty (30) days from the signing of definitive agreements relating to the notifiable merger.

On 28 May 2019, the PCC approved the Expedited Merger Rules which apply when: (1) there are no actual or potential horizontal or vertical (including complementary) relationship in the Philippines between the acquiring entity and the acquired entity and the entities it controls; (2) the merger is a global transaction where the acquiring and acquired entities identified in the definitive agreement are foreign entities (“Foreign Parents”), and their subsidiaries in the Philippines act merely as manufacturers or assemblers of products with at least 95% of such products exported to the foreign parents, subsidiaries, affiliates or third parties located outside the Philippines: Provided, That the remaining 5% product sales in a market in the Philippines is minimal in relation to the entirety of such Philippine product market; (3) the candidate relevant geographic market of the merger is global and the acquiring and acquired entities have negligible or limited presence in the Philippines; and (4) joint ventures, whether incorporated or not, formed purely for the construction and development of a residential and/or commercial real estate development project.

On 19 January 2021, the PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the 2017 Rules of Procedure and the Rules of Merger Procedure. Administrative fines may amount to up to ₱275.0 million. Commitment of acts such as, failure to comply with a ruling, order, or decision of the PCCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000 up to ₱2.2 million.

Data Privacy Act

RA No. 10173, otherwise known as the Data Privacy Act of 2012 (“Data Privacy Act”), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (“ICT”), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law provides that it does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of “personal information”, which is defined as “any information,

whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors”. It also provides for penal and monetary sanctions for violations of its provisions.

Financial Products and Services Consumer Protection Act

RA No. 11765, otherwise known as the Financial Products and Services Consumer Protection Act (FPSCPA) was signed into law on 6 May 2022. The FPSCPA expanded the powers of financial regulators such as the BSP and imposes duties on financial service providers such as banks. Violation of the Act will result in the imposition of enforcement actions from the BSP, penalties and/or administrative sanctions. On 28 November 2022, the Monetary Board issued Circular No. 1160, Series of 2022, which provides for the implementing guidelines of FPSCPA. According to the Circular, banks must meet the following standards in dealing with financial consumers:

1. Disclosure and Transparency;
2. Protection of Client Information;
3. Fair Treatment;
4. Effective Recourse; and
5. Protection of Consumer Assets against Fraud and Misuse.

Under the FPSCPA and the Circular, financial service providers, such as banks, are tasked to continuously evaluate their financial products or services to ensure that they are appropriately targeted to the needs, understanding and capacity of both their markets and their clients, which shall include, among others, the conduct of affordability and suitability assessments, the adoption of a clear cooling-off policy, and the provision of pre-payment of loans and other credit accommodations to its borrowers.

Pursuant to the FPSCPA, the BSP may, in addition to the enforcement actions under the MORB, restriction the ability of banks to collect excessive or unreasonable interests, fees or charges, including other interests, fees and charges that are covered under Republic Act No. 10870, otherwise known as the "Philippine Credit Card Industry Regulation Law", and order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FCPA, its IRR and other existing laws, rules, and regulations under its jurisdiction, including reasonable interest.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank's products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

Under BSP Circular No. 542, dated 1 September 2006, the BSP released the new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank's board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorized transactions in electronic banking.

Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa ("EMV") chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 1 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSFIs are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offense and will subject these institutions to monetary sanctions provided under relevant provision of the MORB.

On 22 February 2019, the BSP issued BSP Circular No. 1033 introducing certain amendments to regulations on electronic banking services and other electronic operations, particularly electronic payment and financial services ("EPFS"). EPFS are products and services that enable customers to receive payments or initiate financial transactions and other related services

through an electronic device. BSP Circular No. 1033 requires the prior approval of the BSP to offer EPFS and certain reportorial requirements must be submitted to the BSP.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (API) and the good practices for API management.

On 7 February 2023, the BSP issued Circular No. 1166 which amended the regulations on electronic money (E-Money) and operations of E-Money issuers (EMIs) in the Philippines. The Circular clarified that the E-Money issued under closed-loop electronic wallet systems is not covered by the regulations and provides additional guidelines which shall govern the issuance and operations of E-Money, including the regulations on minimum systems and controls required from EMIs, consumer protection regulations, minimum disclosure requirements, liquidity requirements and capital requirements, among others.

Related Party Transactions

BSP Circular No. 895, dated 14 December 2015, announced the approval of guidelines strengthening oversight and control standards for managing related party transactions of banks and their non-bank financial subsidiaries and affiliates. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasized that related party transactions are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the board, as an oversight body, shall have overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The board is expected to approve an overarching policy on the handling of related party transactions that should cover the scope of its related party transactions policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, banks that are part of conglomerates are required to create a related party transactions committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that related party transactions are processed in the regular course of business, and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of related party transactions and specific details of exposures to related parties.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP's thrust to strengthen oversight over related party transactions by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the related party transactions committee of BSP supervised financial institutions.

On 25 April 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly Listed Companies), mandating additional disclosure/reportorial requirements for material related party transactions ("MRPTs") amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the Philippine SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report ("I-ACGR") submitted annually every May 30.

National Payment Systems Act

On 30 October 2018, Congress enacted Republic Act No. 11127, or "An Act Providing for the Regulation and Supervision of Payment Systems" ("R.A. No. 11127"). R.A. No. 11127 seeks to regulate payment systems, recognising that they are crucial parts of the financial infrastructure of the country. The law defines payment systems as the set of payment instructions, processes, procedures and participants that ensures the circulation of money or movement of funds. Meanwhile, the same law defines operators as persons who provide clearing or settlement services in a payment system, or define, prescribe, design, control or maintain the operational framework of the payment system.

Under R.A. No. 11127, all operators of payment systems must register with the BSP. Furthermore, the Philippine SEC can no longer register the charter documents of any operator of a designated payment system, or any amendment thereto, or otherwise

issue to an operator a license to do business in the Philippines, unless accompanied by a certificate of authority from the Monetary Board under its seal. The law also grants the BSP the power to designate a new payment system if it determines that an existing payment system is posing or has the potential to pose a systemic risk or the designation is necessary to protect the public interest.

On 9 September 2019, the BSP issued BSP Circular No. 1049 which implements the provisions of R.A. No. 11127. It provides that banks which act as payment systems operators must register with the BSP through notification but do not have to separately file an application or pay registration fees. The BSP will then issue the registering bank a Provisional Certificate of Registration. Thereafter, the BSP will issue the bank a Certificate of Registration, if warranted, and provided the documents submitted by the bank meet all regulatory requirements. BSP Circular No. 1068 issued on 26 December 2019 extended the deadline for the registration of existing payment systems operations from 1 October 2019, as originally provided in Circular No. 1049, to 1 April 2020.

Taxation for Banks

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 30%.

Taxable net income refers to items of income specified under Section 32 (A) of the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

A Minimum Corporate Income Tax (“MCIT”) equivalent to 2% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax. Any excess MCIT paid over the regular corporate income tax can be carried forward as tax credit for the three immediately succeeding years. For purposes of MCIT, the bank’s gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Net operating loss carry-over (“NOLCO”) can be claimed as deduction against taxable income within three years after NOLCO is incurred.

Since banks are in the regular business of lending, interest income derived by banks which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 30% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in the Tax Code and Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 33% of the banks’ interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- An individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;
- A corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to Revenue Regulations No. 05-99 (as amended by Revenue Regulations No. 25-02), in order for banks to claim bad debts as tax deductions, they must secure a certification from the BSP that the accounts are worthless and can be written off, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible. However, on 29 October 2014, the BSP issued Circular 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contract within thirty (30) business after every write-off with a sworn statement signed by the President of the financial institution or officer of equivalent rank that write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy. Based on the said circular, a notice to the BSP would suffice, and that BSP approval with respect to a write-off of a bad debt not related to a DOSRI transaction, is no longer required.

The banks’ passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to percentage tax or Gross Receipt Tax (**GRT**), which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 (**RMC 62-2016**) seeking to clarify the tax treatment of the gross receipts tax (**GRT**), which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5% or 7% depending on the provision of the Tax Code covering the type of income or activity.

Real and Other Properties Acquired (**ROPA**) of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, market value in the tax declaration or selling price, which shall be withheld by the buyer and can be used as a credit against the bank's taxable income in the year that the gain is realised.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which shall be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except for bonds, debentures or other certificate of indebtedness with maturity of more than five years.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranches.

Interbank call loans ("IBCLs") with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes and are not subject to documentary stamp tax (DST) except if they have a maturity of more than seven (7) days.

Foreign Currency Deposit Unit ("FCDU") transactions with non-residents of the Philippines, offshore banking units (OBUs), FCDUs of local banks and branches of foreign banks (i.e., offshore income) are tax-exempt, while interest income from foreign currency loans granted to residents other than OBUs or other depository banks under the expanded system is subject to 10.0% final tax. All other income of FCDU is taxable at regular corporate income tax of 30.0%.

On 19 December 2017, the President of the Philippines signed into law TRAIN Law which took effect on 1 January 2018. The TRAIN Law amends certain provisions of the Tax Code and is the first package of the Comprehensive Tax Reform Program ("CTRP") of the Duterte administration. The relevant changes of the TRAIN Law are incorporated in the section titled "Philippine Taxation" of this Offering Circular.

On 14 February 2019, the President signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 ("Tax Amnesty Law"), which was intended to complement the provisions of the TRAIN Law. However, following the President's veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years, the current Tax Amnesty Law only grants estate tax amnesty for estates of decedents who died on or before 31 December 2017 and whose estate taxes have remained unpaid or have accrued as of 31 December 2017 and tax amnesty on delinquencies covering all national internal revenue taxes for taxable year 2017 and prior years.

On 26 March 2021, the President signed into law the Corporate Recovery and Tax Incentives Enterprises Act (the "CREATE Act") to attract more investments and maintain fiscal prudence and stability. It also introduces reforms to the corporate income tax and incentives systems. The relevant changes of the CREATE Act are incorporated in the section titled "Philippine Taxation" on page 187 of this Offering Circular.

PHILIPPINE TAXATION

*The following is a general description of certain Philippine tax aspects of the Bonds. It is based on the laws, regulations, and administrative rulings in force as of the date of this Offering Circular and is subject to any changes in law or regulation occurring after such date, which changes can be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Bonds. **Prospective purchasers should consult their tax advisors as to the laws of other applicable jurisdictions and the specific tax consequences of acquiring, holding, and disposing of the Bonds.***

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a “non-resident alien” is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a “non-resident alien not doing business in the Philippines.” A “resident foreign corporation” is a foreign corporation engaged in trade or business within the Philippines; and a “non-resident foreign corporation” is a foreign corporation not engaged in trade or business within the Philippines. The term “foreign” when applied to a corporation means a corporation which is not domestic while the term “domestic” when applied to a corporation means a corporation created or organized in the Philippines or under its laws. The term “non-resident holder” means a holder of shares of stock:

- who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and
- should an income tax treaty be applicable, whose ownership of shares of stock is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Philippine Taxation

On 1 January 2018, the first phase of the Duterte Administration’s Comprehensive Tax Program (“CTRP”), Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion” (TRAIN) Act, took effect. The TRAIN Act amended provisions of the Philippine Tax Code including provisions on Documentary Stamp Tax, tax on interest income and other distributions, Estate Tax, and Donor’s Tax.

On April 11, 2021, the second package of the CTRP, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (the “CREATE Act”), took effect, amending fiscal incentives and providing for a uniform tax rate of 15% imposed on capital gains from sale of shares of stock not traded in the stock exchange, on all types of taxpayers.

Other salient provisions of the CREATE Act include:

- reduction in corporate income tax from the current 30% to 20% for MSMEs and to 25% for other corporate taxpayers by July 1, 2020;
- reduction in the minimum corporate income tax rate to 1% effective July 1, 2020 until June 30, 2023; after 30 June 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year;
- effective July 1, 2020, a period of four to seven years during which export enterprises may enjoy the 5% special corporate income based on the gross income earned in lieu of all national and local taxes;
- extension of the applicability of the net operating loss carryover for losses incurred during the first three years from the start of commercial operation by registered projects or activities, from the current three to five consecutive taxable years immediately following the year of such loss;
- net capital gains derived by resident foreign corporations on the sale of shares of stock of domestic corporations not traded on the Philippine stock exchange will be subject to a final tax of 15%, increased from the current rate of 5% on the first ₱100,000 (approximately U.S.\$2,000) and 10% on the excess thereof;
- Regional Operating Headquarters will be subject to regular corporate income tax rates effective January 1, 2022, increased from the current 10% rate on taxable income;
- Qualified Registered Business Enterprises (“RBE”) will be granted an income tax holiday for four to seven years, depending on the assigned RBE category level. After the income tax holiday period, a special corporate income tax rate of 5% beginning July 1, 2020 will be imposed on gross income earned in lieu of all national and local taxes. The duration of

- the special corporate income tax is five to ten years depending on the assigned RBE tier level; and
- in lieu of the special corporate income tax, enhanced deductions may be granted for a period of five to ten years depending on the assigned RBE category level.

Corporate Income Tax

Under the CREATE Act, a domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines effective July 1, 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) (referred to as micro, small, and medium enterprises, or MSMEs), shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction equivalent to an amount not exceeding 40% of the corporation's gross income.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020, even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% regular corporate income tax / 2% MCIT) for financial reporting purposes.

As mentioned above, beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year. Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

Taxation of Interest Income

The Philippine Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax.

Interest Income on Short-Term Bonds

Interest income on short-term bonds, with maturities of less than five (5) years, is subject to a final withholding tax (FWT) at rates of between ten percent (10%) and twenty-five percent (25%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is subject to income tax, which is withheld at source, at the rate of twenty percent (20%) based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a twenty percent (20%) FWT while that received by non-resident aliens not engaged in trade or business is subject to a FWT rate of twenty five percent (25%). Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a FWT rate of twenty percent (20%). Interest income received by non-resident foreign corporations from the Bonds is subject to a twenty five percent (25%) FWT.

Interest Income on Long-Term Bonds

A. For Individuals

Interest income of resident individuals and non-resident aliens engaged in trade or business in the Philippines on long-term bonds, with maturities of five (5) or more years, are generally exempt from final withholding tax. In order to be exempt, the

following characteristics/conditions must be present:

- (a) The investor is an individual citizen (resident or non-resident) or resident alien or non-resident alien engaged in trade or business in the Philippines;
- (b) The long-term bonds should be under the name of the individual;
- (c) The long-term bonds must be in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the BSP;
- (d) The long-term bonds must be issued by banks only and not by other entities or individuals;
- (e) The long-term bonds must have a maturity period of not less than five (5) years;
- (f) The long-term bonds must be in denominations of Ten Thousand Pesos (P10,000) and other denominations as may be prescribed by the BSP;
- (g) The long-term bonds should not be terminated by the original investor before the fifth (5th) year, otherwise they shall be subjected to the graduated rates of 5%, 12% or 20% on interest income earnings; and
- (h) Except those specifically exempted by law or regulations, any other income such as gains from trading, foreign exchange gain shall not be covered by income tax exemption.

For interest income derived by individuals investing in common or individual trust funds or investment management accounts, the following additional characteristics/conditions must *all* be present:

- (a) The investment must be actually held/managed by the bank for the named individual at least five (5) years without interruption;
- (b) The underlying investments of the common or individual trust account or investment management accounts must comply with the requirements of Section 22 (FF) of the NIRC of 1997, as amended, as well as the requirements mentioned above;
- (c) The common or individual trust account or investment management account must hold on to such underlying investment in continuous and uninterrupted period for at least five (5) years.

If such long-term bond is pre-terminated before the fifth (5th) year, it shall be subject to a FWT at the rates prescribed to be deducted and withheld from the proceeds based on the length of time that the instrument was held by the taxpayer in accordance with the following schedule:

Holding Period	Rate
Four (4) years to less than five (5) years	5%
Three (3) years to less than four (4) years	12%
Less than three (3) years	20%

For a non-resident alien not engaged in trade or business in the Philippines, interest income received from long-term bonds shall be subject to a FWT at the rate of twenty five percent (25%) pursuant to Section 25 (B) of the NIRC of 1997, as amended.

B. For Corporations

Interest income derived by domestic and resident foreign corporations from deposit substitutes is subject to a final withholding tax at the rate of twenty percent (20%) pursuant to Sections 27 (D) (1) and 28 (A) (7) (a) of the NIRC of 1997, as amended.

As used herein: "deposit substitutes", as defined in Section 22 (Y) of the NIRC of 1997, as amended, means an alternative form of obtaining funds from the public other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of re-lending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer.

"Public", is defined as borrowing from twenty (20) or more individual or corporate lenders at any one time.

For non-resident foreign corporations, interest income received from long-term bonds, shall be subject to a FWT at the rate of

twenty five percent (25%) pursuant to Section 28 (B)(1) of the NIRC of 1997, as amended.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Early Redemption Option

Under the Terms and Conditions, if any payment of principal or interest due under the Bonds becomes subject to additional or increased taxes other than the taxes and rates of such taxes prevailing as of the Issue Date as a result of any change in, or amendment to, the laws, rules or regulations of the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, rules or regulations (including but not limited to any decision by a court of competent jurisdiction) which change or amendment becomes effective on or after the Issue Date, and such additional or increased rate of such tax cannot be avoided by the use of reasonable measures available to the Bank, the Bank, subject to the BSP Rules, shall have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the Bonds on any Interest Payment Date before Maturity Date at the Early Redemption Amount.

We suggest that the investor seek its own tax advisors to determine its tax liabilities or exposures given that the Bank does not have gross-up obligations in case of changes in any applicable law, rule or regulation or in the terms and/or interpretation or administration thereof or a new applicable law should be enacted, issued or promulgated, which shall subject payments by the Bank to additional or increased taxes, other than the taxes and rates of such taxes prevailing as of the Issue Date.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

The tax authorities have prescribed certain procedures for availment of tax treaty relief on interest under Revenue Memorandum Order No. 8-2017. The preferential treaty rates for interest shall be applied and used outright by the withholding agent/income payer upon submission of the Certificate of Residence for Tax Treaty Relief (“CORTT”) Form by the non-resident before interest is credited. The CORTT Form is made up of two parts: Part I states the information of the income recipient/beneficial owner and the certification from the competent tax authority or authorized tax office of country of residence. Part II includes the information of the withholding agent/income payor, details of income payment and the affixture of signatures by both the non-resident income recipient/beneficial owner and the income payor.

The withholding agent/income payor shall submit an original copy of the duly accomplished CORTT Form within thirty (30) days after the remittance of the withholding tax to the BIR. In the case of staggered payment of interest, the withholding agent shall submit an updated Part II of the CORTT Form within 30 days after payment of withholding taxes.

The BIR will no longer issue a ruling for the said CORTT Form submissions but the compliance check and post reporting validation on withholding tax obligations and confirmation of appropriateness of availment of treaty benefits shall be part of BIR’s regular audit investigations.

For claims of tax exemption, BIR Revenue Memorandum Circular No. 8-2014 mandates the Bank, as a withholding agent, to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate of ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

If the Bank withheld taxes, or withheld the regular rate of tax imposed pursuant to the Philippine Tax Code on interest, the concerned bondholder may file a claim for a refund from the Philippine taxing authorities on the basis of a tax exemption or applicable tax treaty.

Philippine Tax Code.

Value-Added Tax

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12.0% value-added tax. The term “gross receipt” means gross selling price less acquisition cost of the Bonds sold.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%

Maturity period is more than five years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less	5%

Maturity period is more than five years	1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Documentary Stamp Taxes

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of ₱1.50 for each ₱200.00, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Bank for its own account.

Taxation on Gains upon the Sale or Other Disposition of the Bonds

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to ordinary income tax rates (at graduated rates from 20% to 35% for individuals and 30% for domestic and resident foreign corporations). On the other hand, gains realized by non-residents from the sale or transfer of debt instruments, such as Bonds, are subject to final withholding tax at the rate of (i) 25%, if the holder is a non-resident alien not engaged in trade or business within the Philippines, or (ii) 30%, if the holder is a non-resident foreign corporation. If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than twelve (12) months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Philippine Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax. Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6%. A Bondholder shall be subject to donor's tax based on the transfer of the Bonds by way of gift or donation at a uniform rate of 6% on the basis of the total gifts in excess of ₱250,000.00 made during a calendar year for both individuals and corporate holders, whether the donor is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, a sale, exchange, or other transfer made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Bonds, documentary stamp tax is payable anew.

Taxation Outside the Philippines

The tax treatment of non-resident holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Offering Circular does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines.

DISTRIBUTION AND SALE

Method of Distribution

The Bonds are being issued subject to the Terms and Conditions, as well as BSP Circular No. 975 (Series of 2017), BSP Circular No. 1010 (Series of 2018), and BSP Circular No. 1062 (2019) and other related circulars and issuances, as may be amended from time to time.

The Bonds are being issued by the Bank with ING and SCB as Lead Arrangers and Selling Agents, and to the extent allowed under the Philippine laws and regulations, the Bank, as Selling Agents, Development Bank of the Philippines – Trust Banking Group as Trustee and Philippine Depository & Trust Corp. as Registrar and Paying Agent.

No action has been or will be taken by the Bank, the Lead Arrangers or the Selling Agents in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Bonds, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds, in any country or jurisdiction where action for that purpose is required.

The Lead Arrangers and the Selling Agents are required to comply with all laws, regulations and directives as may be applicable in the Philippines, including without limitation any regulations issued by the BSP, in connection with the offering and purchase of the Bonds and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Lead Arrangers and the Selling Agents in connection therewith.

Each of the Lead Arrangers and the Selling Agents is a third-party in relation to the Bank, such that, (i) it has no subsidiary/affiliate relationship with the Bank; and (ii) it is not related in any manner to the Bank as would undermine the objective conduct of due diligence on the Bank. The Registrar and Paying Agent and the Trustee are likewise third-parties in relation to the Bank, such that, (i) they have no subsidiary/affiliate relationship with Bank; and (ii) they are not related in any manner to Bank as would undermine its independence.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Selling Agents or any affiliate of the Selling Agents is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Selling Agent or its affiliate on behalf of the Bank in such jurisdiction.

The Bonds are newly issued securities in scripless or digital form for which there currently is no market. A market maker shall be appointed to provide live bids good for the minimum denomination under the Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEX Trading Rules, Conventions, and Guidelines. The Lead Arrangers and the Selling Agents are not obligated to make a market for the Bonds. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds. In case the bonds will be tokenized, the Bank, PDTC as Registrar, PDEX as Exchange on which the tokenized bonds are listed and traded and the Lead Arrangers and Selling Agents have agreed to utilize Live Bond Tokenization. See risk factor titled “*There is added risk in case the Bonds are issued using PDTC and PDEX’s Live Bond Tokenization.*”

The Lead Arranger and Selling Agents and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers and the Selling Agents may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Lead Arrangers and the Selling Agents and their respective affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Bonds or its subsidiaries, jointly controlled entities or associated companies, including Bonds issued under the Bond Program, may be entered into at the same time or proximate to offers and sales of Bonds or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Bonds. Bonds issued under the Bond Program may be purchased by or be allocated to any Lead Arranger, Selling Agent or any of their respective affiliates for asset management and/or proprietary purposes whether or not with a view to later distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Applications to Purchase the Bonds during the Offer Period

Applicants may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Application to Purchase

(ATP) forms, whether originally signed or electronically submitted (through the e-Securities Issue Portal (“e-SIP”) upon and subject to the e-SIP’s approval by the SEC) in quadruplicate, together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 12:00 noon of the last day of the Offer Period. ATPs received after said date or without the required attachments will be rejected. Only ATPs which are accompanied by payment in the form of cash, manager’s checks made out to the order of “**Union Bank of the Philippines**”, debit instructions or such other forms of instructions that are acceptable to the relevant Selling Agent and provided in the ATP, and which cover the entire purchase price shall be accepted.

In addition to duly executed ATP forms, each applicant shall submit the following documents to the Selling Agents:

(i) Documents to be provided by individuals:

1. identification document (“ID”) of the Applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: Passport, Driver’s License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter’s ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman’s Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);
2. two duly accomplished signature cards containing the specimen signature of the Applicant; and
3. validly issued tax identification number issued by the BIR; and
4. such other documents as may be reasonably required by any of the Lead Arrangers and Selling Agents or the Registrar in implementation of its internal policies regarding “know your customer” and anti-money laundering

(ii) Documents to be provided by corporate and institutional applicants:

1. copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the applicant who is/are authorized signatory(ies);
2. an original notarized certificate of the corporate secretary or an equivalent officer of the applicant, setting forth the resolutions of the board of directors, partners or equivalent body: (i) authorizing the purchase of the Offer Bonds indicated in the Application to Purchase, and designating the signatories with their specimen signatures for said purpose;
3. two duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or an equivalent officer(s) who is/are authorized signatory(ies);
4. validly issued tax identification number issued by the BIR;
5. identification document(s) of the authorized signatories of the Applicant, as specified in item (i)(1) of the immediately succeeding paragraph below; and
6. such other documents as may be reasonably required by any of the Lead Arrangers and Selling Agents or the Registrar in the implementation of its internal policies regarding “know your customer” and anti-money laundering

(iii) Additional documents to be provided by Tax-Exempt Bondholders

At least two sets of the following:

1. A current and valid BIR-certified true copy of the tax exemption certificate, ruling, or opinion addressed to the relevant applicant or Bondholder confirming its exemption or preferential rate as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto, and certified by the Corporate Secretary of the Bondholder that: (a) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (b) the Corporate Secretary has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting the said certification’s validity. Should the

submitted tax exemption certificate, ruling or opinion expire during the Offer Period, the Bondholder must submit an updated/revalidated tax exemption certificate;

2. with respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the duly executed and apostilled/consularized BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the Bureau of Internal Revenue, as required under Revenue Memorandum Order No. 14-2021, (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Bank, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Bank that the Bondholder or the Bondholder's owners or beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (b) prior to the payment of subsequent interests due, (i) three (3) originals of the duly executed and apostilled/consularized new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Bank deems applicable, and (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued tax residency certificate has already lapsed; (c) other additional documents as may be required by the Bank or pursuant to applicable tax regulations, which shall be submitted by the Bondholder/Registrar to the Bank no later than the 1st day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto;
3. A duly notarized undertaking executed by (1) the Corporate Secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Offer Bonds for its account, or (2) the Trust Officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Bank, the Registrar and Paying Agent, the Lead Arrangers and Bookrunners, and the Selling Agents free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding or reduced withholding of the required tax; and
4. Such other documentary requirements as may be required by the Bank and the Registrar and Paying Agent or as required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Bank that the Bondholder is not doing business in the Philippines; provided that the Bank shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Bank to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar and Paying Agent.

In addition, the Lead Arrangers and the Selling Agents may each request such other documents from an applicant in order to establish his/her/its eligibility as Bondholder of the Bonds, his/her/its exemption from taxation of interest income from fixed income securities or to comply with applicable requirements of the AMLA or the BSP Rules.

Allocation and Issue of the Bonds

Applications to purchase the Bonds shall be subject to the availability of the Bonds and acceptance by the Bank. In case the bonds will be tokenized, the acceptance by the Bank of the applications to purchase the Bonds shall also be subject to the limitation on the number of holders of the Bonds (i.e. two hundred (200) accounts at any given time which applies at the time of initial issuance and during secondary trading of the Bonds until its maturity) imposed by the Philippine Depository & Trust Corp. and its systems on the digital bonds to be issued by the Bank, subject to such adjustments as may be allowed by the Philippine Depository & Trust Corp. from time to time. The Lead Arrangers and Selling Agents, in consultation with the Bank, may accept, reject, scale down or reallocate any application to purchase the Bonds applied for.

In the event that payment supporting any ATP is returned by the drawee bank for any reason whatsoever, the ATP shall be automatically cancelled and any prior acceptance of the ATP shall be deemed revoked. If any ATP is rejected or accepted in part only, the corresponding portion of the tendered purchase price will be returned without interest by the relevant Selling Agent.

On the Issue Date, the Selling Agents shall, on behalf of the Bank, accept the relevant ATPs. The acceptance of an ATP shall *ipso facto* convert such ATP into a purchase agreement between the Bank and the relevant Bondholder.

The Registrar shall rely solely on the Sales Report submitted by the Selling Agents in its preparation of the Registry and the issuance of the Registry Confirmation for each Bondholder. Within seven (7) Banking Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Holders in the mode elected by the Bondholder as indicated in the Sales Report.

Transactions in the Secondary Market

All secondary transfers of the Bonds shall be coursed through or effected using the trading facilities of the Exchange, subject to compliance with the applicable rules of such Exchange and the payment by the Bondholder of applicable fees to the Exchange and the Registrar and Paying Agent. In case the bonds will be tokenized, the secondary trading and transfers of the Bonds shall also be subject to the limitation on the number of Bondholders imposed by the Philippine Depository & Trust Corp. All transfers of the Bonds shall only be effective upon the receipt by the Registrar of a duly accomplished Trade-Related Transfer Form or Non-Trade Related Transfer Form (as applicable) in the forms attached to the Registry and Paying Agency Agreement or other relevant PDEX Trading Participant and other required documentation and the registration and recording by the Registrar of such assignment or transfer in the Registry; provided, that no such registration and recording shall be allowed during the Closed Period.

The date of registration as appearing in the Registry shall be treated as the date of transfer with such transfer and issuance of the Registry Confirmation to be made, in any case only upon, and within five Banking Days from, the presentation of the following documents:

- (a) the relevant Registry Confirmation;
- (b) Tax Exempt/Treaty Documents, if applicable, in accordance with the Terms and Conditions;
- (c) the relevant Trade-Related Transfer Form or Non-Trade Related Transfer Form, as the case may be, duly accomplished by the transferor Bondholder and endorsed by the relevant PDEX Trading Participant, substantially in the form agreed upon between the Bank and the Registrar;
- (d) the Investor Registration Form duly accomplished by the transferee Bondholder and endorsed by the relevant PDEX Trading Participant, in the form agreed upon between the Bank and the Registrar;
- (e) written consent of the transferee Bondholder to be bound by the terms of the Bonds and the Registry Rules, in the form agreed upon between the Bank and the Registrar; and
- (f) such documents as may be reasonably required by the Registrar to be submitted by the transferee Bondholder in support of the transfer or assignment of the Bonds in its favor.

Where the Bonds become listed on PDEX, all trade transactions must be coursed through PDEX in accordance with the PDEX Rules and conventions.

Transfers of the Tranche of the Bonds made in violation of the restrictions on transfer under the Terms and Conditions shall be null and void and shall not be registered by the Registrar.

Interest and Principal Payment

On the relevant Payment Date, the Paying Agent shall, upon receipt of the corresponding funds from the Bank, make available to the Bondholders the amounts net of taxes and fees (if any), by way of direct credits to the bank accounts through the identified Cash Settlement Banks by the Holders as reflected in the Sales Report.

Schedule of Registry Fees

The Registrar and Paying Agent shall be entitled to charge the Holders and/or their counterparties such reasonable fees as the Registrar and Paying Agent shall prescribe in connection with the services that the Registrar and Paying Agent shall perform, such as, but not limited to, the opening and maintaining of accounts in favor of the Bondholders, the maintenance of the records

of the Bondholder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Bonds from a purchaser or seller/transferor of the Bonds.

Transfer Fees in the Secondary Trading

1. Transfer Fee of ₱100.00 to be paid each by the transferring Bondholder and the buyer/transferee prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring bondholder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDS Clear System if so duly authorized by a bondholder

Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring bondholder and the requesting party prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.
2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

Other Fees charged to the Bondholder

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Bondholders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application for a certification request of holding.
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Bondholder free of charge).
3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
4. The fee for Special Reports varies depending on request.
 - (a) Report without back-up file restoration is subject to a fee of ₱100.00 per request, plus ₱20.00 per page.
 - (b) Report requiring back-up file restoration is subject to a fee of ₱300.00 per request, plus ₱20.00 per page.

INDEX TO FINANCIAL STATEMENTS

**REVIEWED CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AS OF AND FOR THE SIX MONTHS
ENDED 30 JUNE 2022 AND 2023**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK AS OF AND FOR THE YEARS ENDED
31 DECEMBER 2020, 2021, AND 2022**

April 17, 2023

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

Attention : DIRECTOR VICENTE GRACIANO P. FELIZMENIO
Markets and Securities Regulation Department

via PSE EDGE
THE PHILIPPINE STOCK EXCHANGE, INC.
6th Floor, PSE Tower
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

Attention : MS. ALEXANDRA D. TOM WONG
Officer-in-charge, Disclosure Department

via electronic mail
PHILIPPINE DEALING AND EXCHANGE CORP.
29/F BDO Equitable Tower
8751 Paseo de Roxas
Makati City

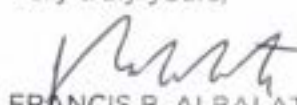
Attention : ATTY. MARIE ROSE M. MAGALLEN-LIRIO
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Pursuant to Structured Continuing Disclosure Requirements for Listed Companies of the Exchange, we report herewith SEC Form 17A of Union Bank of the Philippines as of December 31, 2022.

For your information and guidance. Thank you.

Very truly yours,


FRANCIS B. ALBALATE
SVP 2 / Financial Controller

COVER SHEET

3	6	0	7	3										

S.E.C. Registration Number

U	N	I	O	N	B	A	N	K		O	F		T	H	E		P	H	I	L	I	P	P	I	N	E	S			

(Company's Full Name)

U	N	I	O	N	B	A	N	K		P	L	A	Z	A		M	E	R	A	L	C	O		A	V	E	N	U	E
C	O	R		O	N	Y	X		A	N	D		S	A	P	P	H	I	R	E		S	T	R	E	E	T	S	
O	R	T	I	G	A	S		C	E	N	T	E	R	,		P	A	S	I	G		C	I	T	Y				

(Business Address : No. Street City / Town / Province)

FRANCIS B. ALBALATE										(632)8667-6388									
Contact Person										Company Telephone Number									

1	2	3	1	SEC FORM 17A										0	4	2	2
Month		Day		FORM TYPE										Month		Day	
Fiscal Year														Annual Meeting			

UNDERWRITER OF SECURITIES									
Secondary License Type, If Applicable									

C	F	D										
Dept. Requiring this Doc.			Amended Articles Number/Section									

4,961										Total Amount of Borrowings									
Total No. of Stockholders										Domestic Foreign									

.....

To be accomplished by SEC Personnel concerned

File Number										LCU									
Document I.D.										Cashier									

STAMPS									

Remarks = pls. use black ink for scanning purposes

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 11 OF THE REVISED SECURITIES ACT AND
SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES**

1. For the calendar year ended December 31, 2022
2. SEC Identification Number 36073
3. BIR Tax Identification No. 000-508-271-000
4. UNION BANK OF THE PHILIPPINES
Exact name of registrant as specified in its charter:
5. METRO MANILA, PHILIPPINES
Province, Country or other jurisdiction or incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. UnionBank Plaza, Meralco Ave. cor. Onyx and Sapphire Streets, 1605
Ortigas Center, Pasig City Postal Code
Address of Principal Office
8. (632) 8667-6388
Registrant's telephone number, including area code
9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock	2,142,106,764 shares
P10.00 par value	

11. Common Stocks are listed at the Philippine Stock Exchange.

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the 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 [☒]

No [☐]

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

Yes [☒]

No [☐]

13. The aggregate market value as of March 31, 2023 of the voting stock held by non-affiliates
₱200,186,147,479.50

UNIONBANK OF THE PHILIPPINES
TABLE OF CONTENTS
SEC FORM 17-A

	<i>Page</i>
Part I - BUSINESS AND GENERAL INFORMATION	
Item 1 Business	3
Item 2 Properties	39
Item 3 Legal Proceedings	42
Item 4 Submission of Matters to a Vote of Security Holders	42
Part II - OPERATIONAL AND FINANCIAL INFORMATION	
Item 5 Market for Registrant's Common Equity and Related Stockholder Matters	43
Item 6 Management's Discussion and Analysis or Plan of Operation	46
Item 7 Financial Statements	58
Item 8 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	58
Part III - CONTROL AND COMPENSATION INFORMATION	
Item 9 Directors and Executive Officers of the Issuer	59
Item 10 Executive Compensation	85
Item 11 Security Ownership of Certain Beneficial Owners and Management	87
Item 12 Certain Relationships and Related Transactions	93
Undertaking to Provide Copies of the Annual Report and Interim Financial Statements	95
Part IV - EXHIBITS AND SCHEDULES	
Item 13 Exhibits and Reports on SEC Form 17-C	95
SIGNATURES	106
Index to Exhibits	107
Index to Financial Statements and Supplementary Schedules	148

PART I - BUSINESS AND GENERAL INFORMATION

Item 1 - Business

A. Description of Business

Union Bank of the Philippines ("UnionBank" or "UBP") is a publicly listed universal bank whose principal shareholders are Aboitiz Equity Ventures, Inc. ("AEV"), Social Security System ("SSS") and The Insular Life Assurance Company, Ltd. ("Insular Life"). The Bank has always been among the first to embrace technological innovations to empower its customers. The Bank leverages on technology and its agile culture to meet the customers' changing and diverse needs and continuously enhance customer experience.

Determined to be an enabler of the Philippines' bid to be a G20 country by 2050, UnionBank stands firm in its promise to power the future of banking by co-creating innovations for its customers and for a better world.

UnionBank's clientele encompasses retail, middle-market, and corporate customers, as well as major government institutions. UnionBank believes that its use of technology, marketing strategies, and operational structure have enabled it to capture and secure a loyal customer base and achieve high levels of efficiency and productivity.

Over the years, UnionBank has garnered a record-breaking number of awards and recognition including "Asia Trailblazer Institution of the Year" from Retail Banker International; "Best Digital Bank in Southeast Asia 2022" from Capital Finance International; back-to-back "Best Bank for Customer Experience in Southeast Asia" from Global Brands Magazine; "Best Bank Transformation in South East Asia 2021" from Global Banking and Finance; 5-Time "Digital Bank of the Year (2018-2022)" from The Asset Triple A; "Most Recommended Retail Bank in Asia Pacific 2021" from BankQuality.com; "Fastest Growing Fintech Company, South East Asia 2021" for UBX from Global Banking and Finance; "Best Bank for ESG 2022" from Asiamoney; 3-time "Best Retail Bank in the Philippines" from The Asian Banker; back-to-back "Best Bank for SMEs" (2020-2021) from Asiamoney; "SME Bank of the Year - Philippines 2021" from Asian Banking and Finance; back-to-back "#1 Best Service Domestic Bank in the Philippines 2020-2021" at the Asiamoney Cash Management Survey; "Asia's Best Bank Transformation" from Euromoney; "Asia-Pacific Retail Bank of the Year" from Retail Banker International; "Top 2 Most Helpful Banks in Asia Pacific during COVID-19" from BankQuality.com; 3-time "Best Digital Bank Philippines" from Asiamoney and International Finance Magazine; and "Employer of the Year" awards from Stevie Awards for Great Employers, Asian Banking and Finance, and HR Asia.

Historical Background

UnionBank, originally known as "Union Savings and Mortgage Bank", was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. UnionBank's common shares were listed in the PSE on June 29, 1992 and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. UnionBank became the 13th and youngest universal bank in the country in only its tenth year of operation as a commercial bank.

UnionBank's principal shareholder groups include AEV, a shareholder of UnionBank since 1988 and the public holding company of the Aboitiz group of companies (the "Aboitiz Group"), one of the oldest and largest conglomerates in the Philippines with interests in power generation and distribution, financial services, real estate, food manufacturing and industrial production; SSS, a Government-owned and controlled corporation that provides social security to workers in the private sector; and Insular Life, one of the leading and largest Filipino-owned life insurance companies in the Philippines.

UnionBank has undertaken two mergers, with the International Corporate Bank (Interbank) in 1994 and the International Exchange Bank (iBank) in 2006.

As of December 31 2022, UnionBank's key subsidiaries and affiliates include: City Savings Bank, Inc. (CitySavings or CSB) (which assumed acquired subsidiary, Philippine Resources Savings Bank Corporation (PR Savings Bank)), Petnet, Inc., (Petnet), First Agro Industrial Rural (FAIR) Bank, Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan), Progressive Bank, Inc. (PBI), UBP Investments Corporation (formerly Union Properties, Inc.) (UIC), First Union Plans, Inc. (FUPI), First Union Direct Corporation (FUDC), First Union Insurance and Financial Agencies, Inc. (FUIFAI), UBX Philippines (UBX PH), UBX Private Ltd. (UBX SG), UnionDigital Bank, Inc. (UnionDigital) and Citicorp Financial Services and Insurance Brokerage Philippines, Inc. (CFSI) (see *Subsidiaries and Affiliates* portion for more information).

Acquisitions / Company Creation

On January 8, 2013, UnionBank's Board of Directors approved the purchase of CSB, a premier thrift bank specializing in granting teacher's loans under the Department of Education's (DepEd) Automatic Payroll Deduction System (APDS). The transaction was approved by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) on March 21, 2013. The acquisition of CSB is aligned with UnionBank's business plans and long-term strategy of building businesses based on consumers.

In May 2013, UnionBank's subsidiary, UIC¹, completed the acquisition of FUIFAI, a company organized to primarily engage in the business of a general agent for life and non-life insurance, and other allied financial services.

On December 15, 2016, CSB and UIC received Monetary Board approval to finalize its joint-acquisition of a majority stake in FAIRBank, a rural bank that provides banking and microfinance services and loan products to micro, small, and medium enterprises, and micro housing institutions.

In December 2017, CSB signed a Share Purchase Agreement with the ROPALI Group to acquire 100% of the common shares and with International Finance Corp. (IFC) in February 2018 to acquire 100% of the preferred shares of PR Savings Bank. PR Savings Bank is a thrift bank engaged in providing motorcycle, agri-machinery, and teachers' salary loans. The acquisition of shares in PR Savings Bank was approved by the Philippine Competition Commission on April 5, 2018. The BSP has issued its approval-in-principle of the acquisition on June 14, 2018. The merger of PR Savings Bank with CSB was approved by the BSP on December 27, 2018. The SEC approved the same on February 28, 2019.

In January 2018, CSB and UIC executed a Share Purchase Agreement (SPA) with the majority shareholders of PBI for the acquisition of a 75% equity interest through a combination of subscription and purchase of common shares. PBI is a rural bank based in Iloilo engaged in the business of extending credit to farmers, tenants, and rural industries of enterprises. On February 24, 2020, the BSP approved the application of CSB and UIC to acquire 75% ownership of PBI.

In February 2018, CSB and UIC signed an SPA with Aboitiz Equity Ventures (AEV) to purchase 51% of the common shares of Petnet, Inc. The transaction was approved by the Philippine Competition Commission on May 8, 2018 and by the BSP on December 11, 2018. Petnet, more widely known by its retail brand name PeraHub, has over 3,000 outlets nationwide which offers a variety of cash-based services including remittance, currency exchange, and bills payment.

On December 19, 2018, UBX PH was incorporated with the SEC. On February 11, 2019, the BSP approved its incorporation. UBX PH serves as UnionBank's investment house to hold, purchase, and acquire businesses engaged in financial and information technology services. UBX PH also owns 30% of Shiptek Solutions Corporation and 35% of CC Mobile Financial Services Philippines, Inc.

¹ On July 22, 2019, the Securities and Exchange Commission (SEC) approved the change in the name of Union Properties, Inc. to UBP Investments Corporation (UIC) and change in primary purpose to that of a holding company and its secondary purpose was amended to act as a property administrator.

A wholly-owned subsidiary of UBX PH, UBX SG was incorporated and registered with the Accounting and Corporate Regulatory Authority (ACRA) of Singapore in 2018. It is a holding company that is principally engaged in acquiring various fintech start-ups. UBX SG owns 100% of UBX Remit Pte. Ltd. (SG) and 1.96% of NYK Ventures Pte. Ltd. (SG).

In February 2019, City Savings and UIC executed a Share Purchase Agreement with the majority shareholders of Batangas-based Bangko Kabayan Private Development Bank (Bangko Kabayan) to acquire 70% ownership in the MSME-oriented rural bank. The transaction was approved by the BSP and Philippine Competition Commission (PCC) on September 19, 2019 and January 9, 2020, respectively.

In July 2021, the BSP granted a digital banking license to UnionDigital. It is the only digital bank established by a universal bank among the six licensees approved by the BSP. UnionDigital was incorporated in November 2021 and started commercial operations on July 18, 2022. It is UnionBank's foray to penetrate the larger untapped retail segment in the country in a purely digital and cost-effective manner.

In December 2021, UnionBank entered into a Share and Business Transfer Agreement with the subsidiaries of Citigroup Inc. (Citi) to acquire Citi's consumer banking in the Philippines. The transaction includes Citi's credit card, personal loans, wealth management, and retail deposit businesses. The acquisition also includes Citi's real estate interests in relation to Citibank Square in Eastwood, 3 full-service bank branches, and 5 wealth centers. UnionBank's acquisition of Citi was approved by the BSP on July 18, 2022, and UnionBank became the legal owner of the business beginning August 1, 2022. The deal brought in almost 1 million new customers and Php99.4 billion in total assets, Php69.4 billion in gross loans and Php65.3 billion in deposits. The acquisition is seen to accelerate UnionBank's objective of becoming a 'Great Retail Bank' given Citi's market leadership in the credit cards, personal loans, and wealth management business.

Capital Markets Transactions

On April 26, 2007, UnionBank embarked on a primary offering of 90 million new common shares in order to strengthen its capital adequacy ratio in anticipation of Basel II requirements, thereby enhancing its financial flexibility. The new shares were listed in the PSE on May 10, 2007.

On October 14, 2009, UnionBank issued Php3.75 billion worth of unsecured subordinated debt, eligible as Lower Tier 2 capital, with an interest rate of 7.375% per annum. It exercised the call option feature of the debt instrument on January 14, 2014.

On October 18, 2013, UnionBank raised a total of Php3.0 billion from its initial offering of Long-Term Negotiable Certificates of Deposits (LTNCDs). The LTNCDs carry a coupon rate of 3.50% per annum, which is payable quarterly beginning January 18, 2014 maturing on April 17, 2019.

On October 16, 2014, the amendment to UnionBank's Articles of Incorporation was approved by the BSP, whereby the authorized capital stock increased from Php6.7 billion to Php23.1 billion, divided into approximately 1.3 billion common shares at par value of Php10.00 and 100 million preferred shares at par value of Php100.00. UnionBank, likewise, obtained BSP approval for the payment of 65% stock dividends, which was used to fund the 25% subscription relating to the increase in capital stock.

On November 20, 2014, UnionBank issued Php7.2 billion of Basel III-compliant Tier 2 Unsecured Subordinated Notes with a coupon rate of 5.375% per annum due February 20, 2025, callable on February 20, 2020. The Bank exercised the call option feature of the note after obtaining approval from the BSP on December 19, 2019.

On November 29, 2017, UnionBank raised USD500 million in Fixed Rate Senior Notes under its USD1.0 billion Medium Term Note Programme. The Notes were issued at par with a yield of 3.369% per annum, and matured on November 29, 2022.

On February 21, 2018, UnionBank issued Php3.0 billion LTNCD due in August 2023 with a fixed rate of 4.375% per annum. This was the initial tranche under its Php20.0 billion LTNCD program as approved by BSP on December 12, 2017. The LTNCDs were listed on the Philippine Dealing Exchange Corp. (PDEX).

On September 28, 2018, UnionBank issued and listed on The Philippine Stock Exchange, Inc. (PSE) a total of 158,805,583 common shares following the completion of its Php10.0 billion Stock Rights Offering.

On December 7, 2018, UnionBank issued and listed on PDEX Php11.0 billion Fixed Rate Bonds with a coupon rate of 7.061% per annum and matured on December 7, 2020.

On June 3, 2019, UnionBank issued and listed on PDEX Php5.8 billion Fixed Rate Bonds due 2022 under its Php39.0 billion Bond Program. The 2019 Bonds carry a coupon rate of 6.000% per annum and matured in June 2022.

On February 24, 2020, UnionBank issued and listed on PDEX its Php6.8 billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital Due 2030 under its BSP-approved issuance of Php20.0 billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

On October 2, 2020, UnionBank increased the size of its Medium-Term Note Programme to USD2.0 billion from the original USD1.0 billion that was established in November 2017. On October 15, 2020, UnionBank issued USD300 million of Senior Unsecured Fixed Rate Notes. Said notes carry a coupon rate of 2.125% per annum and will mature on October 22, 2025.

On December 9, 2020, UnionBank successfully raised Php9.0 billion of peso-denominated fixed rate bonds via a dual tranche offering under its Php39.0 billion Bond Program. The 3-year tranche raised a total of Php8.115 billion and carries an interest rate of 2.750%. The 5.25-year tranche raised a total of Php885 million and carries an interest rate of 3.375%. The issuance marked the first dual-tranche offering issued under BSP Circular 1010 on bank-issued bonds.

On December 22, 2020, UnionBank's subsidiary, City Savings Bank, Inc. issued Php5.0 billion of corporate notes, of which, Php1.5 billion will mature in 3 years and Php3.5 billion will mature in five years.

For the years 2019 to 2022, the Bank issued a total of 2,929,705 common shares to eligible employees out of the 5,000,000 common shares pursuant to the Bank's Employee Stock Plan. On February 6, 2023, the Bank issued 697,339 common shares to eligible employees pursuant to the Bank's Employee Stock Plan. These issuances were exempt from registration under Section 10.2 (Exempt Transactions) of the SRC.

On June 23, 2021, UnionBank issued a seven-year US Dollar-denominated Social Bond (the "Social Bond") amounting to USD150 million with the International Finance Corporation (IFC) as sole investor. The proceeds of the Social Bond were allocated exclusively to qualified micro, small, and medium enterprise (MSME) loans that are screened against IFC's eligibility criteria and exclusion list. The issuance of the Social Bonds is part of UnionBank's recognition and commitments to the United Nations Sustainable Development Goals, particularly on employment, the objective of Decent Work and Economic Growth. The social bonds carry an interest rate of 1.15% and are unsecured.

On October 24, 2021, the BSP approved the amendment to UnionBank's Articles of Incorporation whereby the authorized capital stock increased from Php23.1 billion to Php35.3 billion, divided into 2.5 billion common shares at par value of Php10.00 and 100 million preferred shares at par value of Php100.00. UnionBank, likewise, obtained BSP approval for the payment of 25% stock dividends, to comply with the required 25% subscription of the increase in authorized capital stock.

In May 2022, UnionBank raised Php40 billion through a stock rights offering, with approximately 617.2 million common shares priced at Php64.81 per share. The proceeds from the offering were deployed to partially fund the acquisition of the Citibank N.A. consumer banking business.

On June 2, 2022, UnionBank successfully issued the first-ever digital peso bonds in the Philippines, raising an aggregate size of Php11.0 billion under its Php39.0 billion bond program. UnionBank is the pilot user of the Philippine Depository & Trust Corp.'s (PDTC) Proof of Concept Digital Registry & Digital Depository that uses Distributed Ledger or Blockchain Technology for registry and depository operations. The bonds, which have a tenor of 1.5 years and a fixed rate of 3.25% per annum, are listed on PDEX for trading in the PDEX Fixed Income Market.

On November 25, 2022, UnionBank raised USD358 million from a three-year syndicated loan. The proceeds will be used to refinance UnionBank's maturing USD loans and existing USD bonds, and fund its general corporate purposes.

UnionBank announced another stock rights offering in December 2022 for approximately 210.97 million shares for Php56.88 each. The proceeds amounting to approximately Php12 billion are mainly for the expansion of the Bank's loan portfolio and for infusion into its digital banking arm, UnionDigital. The listing date of the new shares in the Philippine Stock Exchange (PSE) is February 06, 2023.

B. Business of Issuer

Principal products and services

UnionBank offers a broad range of products and services, which include deposit and related services, consumer finance (comprising credit card services, mortgage and auto loans, and personal/salary loans), corporate banking, commercial banking (comprising middle-market banking), micro, small and medium-sized enterprises ("MSME") banking, cash management, trust and investment services, treasury products distribution, funding and trading (involving management of UnionBank's liquidity and funding requirements and handling of transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives).

In addition, UnionBank has a private banking unit which offers estate planning solutions and a global and diversified multi-asset fund to its high-net-worth and ultra-high-net-worth clients through its partnership with Lombard Odier and various life insurance products through its bancassurance partnership with Insular Life.

Deposits and Related Services

Savings Accounts: Personal Savings Account · US Dollar Savings Account · Third Currency Accounts · Dollar Access · My First Savings · Savings+

Checking Accounts: Regular Checking · Power Checking · Premium Deposit

Investment Accounts: Time Deposit · Peso Optimizer · Hi-Five

Corporate, Middle-Market, and Consumer Lending

Corporate Banking Loans

Commercial Banking Loans

SME Banking Solutions: BusinessLine Classic · Dealers Financing Line. Business Loan. MD Line

Consumer Lending: Auto Loans · Mortgage · Quick Loans · eJudiciary

Debit Cards

Personal: Easy Access · Business Class Platinum Visa Debit · US Dollar Visa Debit · Go Rewards Debit · EON · PlayEveryday · Lazada · e-Wallet

Corporate: ePaycard · UnionBank Corporate Prepaid Card

Government: GSIS UMID/eCard · SSS UMID/Quickcard · Pag-IBIG Loyalty Card

UnionBank-Branded Credit Cards

Rewards Cards: Visa Classic · Visa Gold · Visa Platinum · PlayEveryday Visa Classic · Lazada Mastercard Titanium

Cashback Cards: Mastercard Gold · Mastercard Platinum

Travel and Lifestyle: Miles+Visa Platinum · Ceb GetGo Visa Gold · Ceb GetGo Visa Platinum · Go Rewards Visa Gold · Go Rewards Visa Platinum

Co-brand and Affinity Cards: Various products issued in partnership with companies that are involved in retail business; home-building; hotels; medical, health and fitness; financial security; airlines; educational and service-oriented institutions; and non-profit

organizations focusing on religious, humanitarian, cause-oriented activities, and promotion of professional organizations
Business: UnionBank Visa Corporate · Suy Sing Visa

Citi-Branded Credit Cards

(Citi-Branded Credit Cards will be rebranded as UnionBank products)

Rewards Cards: Citi Rewards Visa Platinum · Citi Rewards Mastercard Platinum

Cashback Cards: Citi Cash Back Visa Platinum · Citi Cash Back Mastercard Titanium

Travel and Lifestyle: Citi PremierMiles Visa Signature · Citi PremierMiles Mastercard World · Citi Prestige Visa Infinite · Citi Prestige Mastercard World Elite

Co-brand and Affinity Cards: Mercury Drug Citi Visa Gold · Shell Citi Visa Gold · Shell Citi Visa Platinum · Grab Citi Mastercard Platinum

Consumer Lending: Citi Ready Credit

Prepaid Cards

EON · GetGo Peso+

Trust and Investment Products

Short Term: PHP Short-Term Fixed Income Fund · USD Short-Term Fixed Income Fund

Medium Term: PHP Fixed Income Fund · USD Fixed Income Fund · PHP Tax-Exempt Fixed Income Fund

Equities: PHP Equity Fund · Philippine Equity Index Tracker Fund

Balanced: Peso Balanced Fund · Capital Accumulation Global Fund of Funds Portfolio (USD-class & PHP-class)

Managed Accounts (non-UITF): Investment Management Account (IMA) · Retirement Fund Management · Pre-need · Other Institution/Individual Trust Accounts · Personal Management Trust (PMT) · Escrow Agency · Court Trust · Legislated and Quasi-Judicial Trust · Mortgage Trust Indenture · Safe-keeping · Transfer Agency · Life Insurance Trust

Cash Management Services

Corporate Disbursements: Electronic Fund Transfers (UnionBank Transfers, PESONet, InstaPay, PDDTS, SWIFT) · eGobyerno (SSS, Philhealth, Pag-IBIG, BIR, BOC) · Business Check · Business Check Online · Checkwriter · Voucher Payout · Sponsorship Arrangements

Corporate Collections: Bills Payment · Auto Debit Arrangement (ADA) · Batch Bills Payment · Partnerpay · Checkhouse · Expanded Check Collections · Mobile Check Deposit · Remote Check Deposit · Cash Mobilization · Secure Pay · Partner Pay · PSE Trade/Securities Clearing Corporation of the Philippines (SCCP) · UPAY

Payroll and Cards: Payroll & Corporate Disbursement Solutions (ePaycard, eCrediting/Fund Transfer, ePayroll) · UnionBank Corporate Prepaid Card · GSIS UMID/eCard · SSS UMID/Quickcard · Pag-IBIG Loyalty Card

Trade Services and Products

Digital Channels

Retail: UnionBank Online · Bonds.PH

SME: SME Business Banking App · i2i platform · BUX · Sentro · SeekCap

Corporate: The Portal · Financial Supply Chain (Dealer Financing, Payables Discounting)

Private Banking

Access to Global Funds and Investment Strategies

Government Securities, Corporate Bonds, Money Market Securities, UITFs

Asset Swaps

Family Services

Financial Advisory

Mutual Funds

FX

Other Investments

Wealth Management

Savings Accounts: E-Savings · High Rate Saver · Bonus Saver · Savings Guard · Dollar Saver · Euro Saver · Australian Dollar Saver · British Pound Saver · Hong Kong Dollar Saver · Singapore Dollar Saver

Checking Accounts: Peso Everyday Banking · Dollar Everyday Banking

Time Deposits: Peso High Rate Time Deposit · Peso Time Deposit · Flexi TD (Monthly and Quarterly) · USD Time Deposit · EUR Time Deposit

Brokerage Products and Services: BSP-registered Unit Investment Trust Funds · SEC-registered Mutual Funds · Philippine Government Bonds · Philippine Bank-issued Bonds · Global Government Bonds · Local Currency Corporate Bonds · Global Mutual Funds · Foreign Currency Corporate Bonds · Investment Linked Life Insurance · Traditional Life Insurance · Qualified Buyer Registration

Bancassurance

Assurance · Assurance Prime · Security · Prominence · Dollar Prominence · Sure Cover

CitySavings offers salary loans to public school teachers under the DepEd's Automatic Payroll Deduction System ("APDS") and to other government employees. The guidelines for the grant of salary loans to public school teachers are set out in a memorandum of agreement between the DepEd and City Savings. In 2016, CitySavings launched its Pensionado loans for GSIS and SSS pensioners. In 2019, CitySavings entered the motorcycle financing market through its acquisition of PR Savings Bank and it has substantially expanded its motorcycle loan business. It has also expanded its salary loan clientele to include employees of state and private schools, companies and government institutions. CitySavings' other thrift and rural bank subsidiaries also offer basic deposit and lending services which range from individual to MSME loans. On the other hand, PETNET, more widely known by its retail brand name PERA HUB, offers variety of cash-based services including remittance, currency exchange and bills payment.

As UnionBank's technology and innovation company, UBX aims to be the leading open financial platform in the country through embeddable finance and data solutions. The aggregation of its various solutions into one comprehensive platform enables UBX to be a one-stop shop for various clients. These solutions include banking-as-a-service via i2i, payments via BUX, lending via SeekCap, online shop builder for E-Commerce via Sentro, and many more. UBX also offers technological services to clients such as app and blockchain development, as well as enabling and investing in technology startups. UBX also owns and operates a number of other digital platforms and fintech products that are relatively new including an open finance platform called xpanse, a money management mobile application named Vinne, an innovative embeddable insurance platform called Assured and a next-generation blockchain-based identity verification solution named AKIN.

UnionDigital is UnionBank's digital banking arm, and the only digital bank established by a private universal bank and licensed by the BSP. It is UnionBank's vehicle to tap the large unbanked and underbanked segments. By leveraging state-of-the-art back-end infrastructure to onboard customer communities, UnionDigital is expected to help accelerate UnionBank's growth aspirations and bring about inclusive prosperity to more Filipinos. UnionBank envisions developing UnionDigital into a one-stop fully-fledged financial services marketplace offering digital saving and lending, payments, insurance, micro investment, digital assets, and other value-added services. This wide product suite covers comprehensively the needs of both the unbanked and underserved communities and tech savvy generation, spanning all five financial seasons from spending, saving, investing, protecting to borrowing, and extending beyond the traditional products to alternatives.

Segment Information

Business Segments

The Group's main operating businesses are organized and managed separately according to the nature of products and services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities. The Group's main business segments are presented below.

a. *Consumer Banking*

This segment principally handles individual customers' deposits and provides consumer type loans, such as automobiles and mortgage financing, credit card facilities and funds transfer facilities.

b. *Corporate and Commercial Banking*

This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional, small and medium enterprises, and middle-market customers.

c. *Treasury and Trust*

This segment is principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives. The segment also includes trust, asset management and fiduciary services provided by the Bank to its customers.

d. *Headquarters*

This segment includes corporate management, support and administrative units not specifically identified with Consumer Banking, Corporate and Commercial Banking or Treasury.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

Subsidiaries and Affiliates

The Bank's subsidiaries are all incorporated in the Philippines, except for UBX SG and UBX Remit, and the Bank's effective percentage of ownership and the nature of the subsidiaries' businesses as of December 31, 2022 and 2021 are as follows:

Name of Subsidiary	Percentage of ownership		Nature of Business
	2022	2021	
City Savings Bank, Inc. (CSB)	99.79%	99.79%	Thrift bank
PetNet, Inc. (PETNET) ^(a)	51.00%	51.00%	Foreign currency trader and remittance business
First-Agro Industrial Rural Bank, Inc. (FAIR Bank) ^(f)	100.00%	100.00%	Rural bank
UBP Investments Corporation (UIC)	100.00%	100.00%	Holding company
First Union Plans, Inc. (FUPI) ^(k)	100.00%	100.00%	Pre-need

First Union Direct Corporation (FUDC) ^(h)	100.00%	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) ^(b)	100.00%	100.00%	Agent for insurance and financial products
UBP Securities, Inc. (UBPSI) ^(h)	100.00%	100.00%	Securities brokerage
UnionBank Currency Brokers Corporation (UCBC) ⁽ⁱ⁾	–	100.00%	Foreign currency brokerage
UnionDataCorp (UDC) ^(h)	100.00%	100.00%	Data processing
Interventure Capital Corporation (IVCC) ^(h)	60.00%	60.00%	Venture capital
UBX Philippines Corporation (UBX PH)	100.00%	100.00%	Investment holding and innovation company
UBX Private Ltd. (UBX SG) ^(c)	100.00%	100.00%	Holding company
UBX Remit Pte. Ltd. (UBX Remit) ^(d)	100.00%	100.00%	Remittance company
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) ^(e)	70.00%	70.00%	Private development bank
Progressive Bank, Inc. (PBI) ^(f)	100.00%	100.00%	Rural bank
UnionDigital Bank, Inc. (UnionDigital) ^(g)	100.00%	100.00%	Digital bank
Citicorp Financial Services and Insurance Brokerage Philippines, Inc. (CFSI) ^(j)	100.00%	–	Insurance and securities brokerage
^(a) Subsidiary through CSB and UIC, with 40% and 11% share in ownership, respectively ^(b) Wholly-owned subsidiaries of UIC ^(c) Wholly owned subsidiary of UBX ^(d) Wholly owned subsidiary of UBX SG ^(e) Subsidiary through CSB and UIC, with 49% and 21% share in ownership, respectively ^(f) Subsidiary through CSB and UIC, with 49% and 51% share in ownership, respectively ^(g) Incorporated on November 25, 2021 ^(h) Non-operating subsidiaries ⁽ⁱ⁾ Dissolved as of April 8, 2022 ^(j) Acquired 100% ownership as part of the Parent Bank's acquisition of Citigroup Inc.'s consumer business in the Philippines on August 1, 2022 ^(k) In October 2022, the stockholders of FUPI approved the voluntary cessation and withdrawal of its pre-need business			

Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

- a. In a special meeting held on December 23, 2021, the Bank's BOD approved the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction includes the acquisition of Citigroup's credit card, personal loans, wealth management, and retail deposit businesses, as well as the real estate interests in Citibank Square in Eastwood, Quezon City, 3 full-service bank branches, and 5 wealth centers in the Philippines.

Also on December 23, 2021, the BOD approved the raising of additional capital of up to Php40.0 billion through the issuance of additional shares from the Bank's unissued authorized capital stock via a stock rights offering (SRO) to all existing shareholders. On May 16, 2022, the Bank issued approximately 617.2 million common shares priced at Php64.81 per share. Proceeds from the SRO were deployed to partially fund the acquisition of Citigroup, Inc.'s Philippine consumer business.

On April 5, 2022, the Philippine Competition Commission (PCC) issued clearance on the Bank's proposed acquisition of assets and liabilities of Citibank N.A., Philippine Branch and Citi Square Building Corporation, and shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc. The PCC resolved to take no further action with respect to the proposed acquisition. On July 14, 2022, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 1017, approved the Bank's acquisition of Citigroup's consumer business in the Philippines.

On August 1, 2022, the Bank completed the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction is effected via (i) an asset and liability transfer of the consumer banking activities of Citibank N.A., Philippines Branch, (ii) the sale of the 100% shares in Citicorp Financial Services and Insurance Brokerage Philippines,

Inc., and (iii) the sale of freehold and owned office premises and parking spaces in Citibank Square building in Eastwood, Quezon City. The total cash consideration amounted to Php77.9 billion based on the net assets of the Citi Philippines consumer banking business as of July 31, 2022, plus an agreed premium.

As of December 31, 2022, the Bank is still in the process of completing the determination of fair values of the assets and liabilities acquired, including the identified intangible assets. As allowed by PFRS, the Group has provisionally assessed the fair values of the assets and liabilities recognized, except for Cash and other cash items and Due from other banks. The provisional fair values will be adjusted within one year from the acquisition date once relevant information has been obtained.

The provisional fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in millions):

	Provisional fair values recognized on acquisition date
Assets	
Cash and other cash items	₱1,598
Due from other banks	28,126
Loans and receivables	65,581
Bank premises, furniture and fixtures, and equipment	2,120
Other resources	2,694
Total assets	100,119
Liabilities	
Deposit liabilities	65,265
Other liabilities	4,496
Total liabilities	69,761
Net assets acquired	₱30,358

The provisional goodwill from the acquisition is determined as follows (amounts in millions):

Total Purchase price	₱77,849
Less: Provisional fair values of net assets acquired	30,358
Provisional Goodwill	₱47,491

The goodwill arising from the acquisition is attributed to the opportunities for future growth in the credit card business of the Group, and expected synergies in the consumer banking business of the combined Parent Bank and Citi acquired business.

The provisional fair value of the loans and receivables acquired as part of the business combination amounted to Php65.58 billion, with gross contractual amount of Php69.44 billion.

Had the acquisition occurred at the beginning of 2022, the consolidated total operating income would have increased by Php8.21 billion and net income would have increased by Php1.24 billion.

Cash Outflow from Acquisition of business, net of cash acquired by the Group and the Parent Bank follows:

	Group	Parent Bank ⁽¹⁾
Purchase price	₱77,849	₱72,752
Less: Cash acquired from the acquisition of business	29,724	28,383
Net cash outflow from Acquisition	₱48,125	₱44,369

(1) For purposes of the Parent Bank financial statements, the purchase price above excludes the purchase of shares in CFSI amounting to ₱5.10 billion, which is presented separately as 'acquisition of an investment in subsidiary' in the statement of cash flows.

- b. CSB was incorporated and registered with the SEC on December 9, 1965. It is a thrift bank specializing in granting teacher's loans under the Department of Education's Automatic Payroll Deduction System. CSB has 149 branches as of December 31, 2022.

On July 5, 2018 and July 10, 2018, the BOD and the stockholders, respectively, of CSB approved the plan of merger with PR Savings Bank, with CSB as the surviving entity. On December 20, 2018, the Monetary Board (MB) of the BSP approved the merger subject to certain conditions, including completion of the merger within one year from the date of receipt of the BSP approval and that the merger should be effective on the date the SEC issues the certificate of merger. On December 27, 2018 and February 28, 2019, the BSP and the SEC, respectively, approved the merger between CSB and PR Savings Bank, with CSB as the surviving entity.

PR Savings Bank was the 14th largest thrift bank in the country. Most of its 102 offices are located in Luzon offering motorcycle, agri-machinery, and salary loans to over 131,000 borrowers, mostly from the mass market segment. The transaction enabled CSB to expand its reach in Luzon, and enter into new market segments, such as motorcycle and agri-machinery financing.

On December 20, 2018, the MB of BSP granted certain merger incentives, including temporary relief from compliance with the minimum CAR of 10% on solo basis for both the CSB and PRSB from June 2018 until the effectivity of the merger, provided that the CSB's CAR shall not fall below 7%; ten-year amortization of the goodwill from July 2018 to June 2028, and staggered booking of loan impairment determined based on BSP's examination of PR Savings Bank as of June 30, 2018 over a period of 5 years to start on the year the merger becomes effective. Subsequently, CSB recognized the required loan impairment amount outright as part of the determination of the final fair value of assets acquired at the date of the business combination.

CSB's CAR, after the effectivity of the merger, increased from 8.9% in December 2018 to 11.9% in March 2019. For prudential reporting, the Bank is amortizing the goodwill approved by the BSP for the next 10 years. The required annual amortization of goodwill for prudential reporting purposes of CSB is Php272.94 million. The difference between the final goodwill under PFRS and the BSP approved goodwill was reflected as a reduction in Retained Earnings for prudential reporting to the BSP.

- c. PETNET, more widely-known by its retail brand name PERA HUB, has the largest network of Western Union outlets in the Philippines. PETNET has over 3,714 outlets nationwide. It offers a variety of cash-based services including remittance, currency exchange and bills payment.
- d. FAIR Bank was registered with the SEC on September 15, 1998 primarily to engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises. FAIR Bank has one (1) banking office and ten (10) branches located all over Cebu and Negros Occidental areas.

In 2020, CSB and UIC further infused additional capital amounting to Php41.45 million (equivalent to 414,543 common shares at Php100 par value) and Php43.15 million

(equivalent to 431,157 common shares at Php100 par value), respectively, or a total of Php84.60 million. The aggregate additional infusion in 2020 resulted in UIC's ownership in FAIR Bank further increasing to 44.33%, while CSB's ownership remained the same at 49%.

On July 8, 2021, UIC acquired the remaining 199,998 shares held by the non-controlling interest of FAIR Bank for Php50.15 per share (Php10.2 million), further increasing the percentage of ownership of UIC from 44.33% to 51%, while CSB's ownership interest stood at 49%.

- e. UIC was incorporated and registered with the SEC on December 20, 1993. It is presently engaged in business as a holding company authorized to hold investments of real and personal properties, including shares of stocks, bonds, debentures, notes and other securities and obligations, without engaging in business of an investment company or broker or dealer in securities of stocks.

UIC holds investments of the Group's thrift banks, rural banks and remittance companies. In addition, through its wholly-owned subsidiaries, FUPI and FUIFAI, UIC is also engaged in the servicing of existing pre-need plans, and being an agent for life and non-life insurance products.

- f. On February 11, 2019, the BSP approved the Parent Bank's incorporation of UBX Philippines Corporation (UBX). UBX was incorporated to invest in, hold, own, purchase, lease manage, sell or otherwise dispose of real and personal properties of every kind and description. It shall also engage in the development of financial technology innovations and engage in electronic commerce business.

In October 2018, UIC incorporated UBX SG. On March 21, 2019, UBX then entered into an SPA with UIC to purchase 100 ordinary shares of UBX SG, a Singapore-based entity incorporated by UIC in October 2018, for a total consideration amounting to SGD100. Similar to UBX, UBX SG is incorporated to engage in the development of financial technology innovations and engage in electronic commerce business.

On November 27, 2020, the Parent Bank's BOD approved the additional capital infusion of Php500 million into UBX. The capital infusion was approved by the BSP on February 15, 2021. The additional capital is intended to grow UBX's business operations and venture platforms.

- g. In February 2019, CSB and UIC acquired 70% ownership of Bangko Kabayan, with CSB owning 49% and UIC owning 21%. The transaction was approved by BSP and Philippine Competition Commission (PCC) on September 19, 2019 and January 9, 2020, respectively. On March 12, 2020, the parties executed the Deed of Absolute Sale, which is determined to be the Group's acquisition date. On the same date, CSB and UIC paid 70% of the total purchase price, bringing the total payment to 90% of the purchase price. The remaining 10% deposited as a retention amount in an escrow account has been released to the sellers in November 2021.

Bangko Kabayan is authorized to engage in the business of extending financial services to farmers, employees, entrepreneurs, commercial, manufacturing and industrial enterprises and to such other persons or entities that require financial intermediation, and to have and to exercise all authority and powers, and to do and perform all acts, and to transact all business which may legally be done by thrift banks organized under and in accordance with the existing New Thrift Banks Act of 1995 (Republic Act No. 7906). It converted its existing microfinance banking office to a branch-lite unit and has 23 branches, including the head office, in the areas of Batangas, Laguna and Quezon (Southern Luzon), and one branch-lite in Lobo, Batangas.

- h. On January 5, 2018, CSB and UIC executed an SPA to acquire 75% ownership interest of PBI through a combination of (a) subscription to 18,000,000 new shares and (b) purchase of 11,980,916 common shares from the major stockholders. On February 24, 2020, the BSP approved the application of CSB and UIC to acquire 75% ownership of PBI.

On July 13, 2020, BSP noted a clarification made by the PCC in its acknowledgement letter indicating that PCC does not categorically declare that the acquisition does not breach the thresholds prescribed by PCC and its IRR, leaving the parties involved with the responsibility to ensure that they fully comply with the notification requirement. The PCC issued a Letter of Non-Coverage declaring that the transaction is not subject to compulsory notification on August 5, 2020. For convenience purposes, the Group used July 31, 2020 as the date of business combination.

On October 7, 2021, UIC acquired the remaining 19,993,640 shares held by the non-controlling interest of PBI for Php1.80 per share (Php36.0 million), further increasing the percentage of ownership of UIC from 26% to 51%, while CSB's ownership interest stood at 49%.

PBI is authorized to engage in the business of extending credit to farmers, tenants, and rural industries or enterprises, and to transact all business that may be legally done by rural banks formed under and in accordance with the existing Rural Banks Act (Republic Act No. 7353). The principal office address of PBI is located at Del Rosario St., Poblacion, Balasan, Iloilo, and operates an extension office in Pototan, Iloilo, for the purpose of providing microfinance loans along with its primary banking services, and a branch at No. 243 E. Lopez St., Brgy. Lourdes, Jaro, Iloilo City.

- i. In its letter dated July 15, 2021, the BSP approved the application for authority to establish a digital bank, to be known as UnionDigital Bank, Inc. (UnionDigital), a wholly-owned subsidiary of the Bank, subject to regulatory conditions. The BSP subsequently granted the Authority to Register with the SEC. On November 25, 2021, the SEC approved UnionDigital's Articles of Incorporation and its By-Laws and issued its Certificate of Incorporation. The Parent Bank subscribed to 100,000,000 new common shares of UnionDigital at par value Php10 per share totaling Php1.0 billion.

On June 24, 2022, the BOD of the Parent Bank approved to infuse additional capital to UnionDigital of up to Php2.0 billion.

On July 12, 2022, UnionDigital was granted the Certificate of Authority to Operate as a digital bank. Accordingly, UnionDigital started its operations on July 18, 2022. On the same date, the Parent Bank infused Php1.0 billion to UnionDigital.

In its letter dated October 27, 2022, the BSP approved the Parent Bank's request for additional equity investment of up to Php2.0 billion in UnionDigital. The Parent Bank then infused additional capital to UnionDigital in tranches for a total amount of Php1.0 billion. As of December 31, 2022, the Parent Bank's total equity investment in UnionDigital amounted to Php3.0 billion.

UnionDigital was organized to engage in, and carry on, the general business of a digital bank, including such other expanded services as may be approved by the MB of the BSP such as creating, developing, owning, maintaining, distributing, and marketing a digital platform that allows the bank to offer digital services, and issues mortgage and chattel mortgage certificates, buys and sells them or accept them in to such terms and conditions as may be prescribed by the MB of BSP.

- j. Bangko Kabayan, FAIR Bank and PBI are in the process of seeking regulatory approvals to merge, with Bangko Kabayan as the surviving entity. On March 21, 2022, the Philippine Competition Commission (PCC) acknowledged that the proposed merger does not breach the thresholds for compulsory notification. The PDIC consent and BSP approval were obtained on June 17, 2022 and September 12, 2022, respectively. The Group is waiting approval of the merger from the SEC.

Non-operating subsidiaries

- a. The BOD of FUDC authorized to temporarily suspend its business operations effective June 1, 2021 and until such time that management, with the approval of the BOD of FUDC, deems it appropriate to resume operations.
- b. UBPSI was incorporated and registered with the SEC on March 2, 1993. It was organized to engage in the business of buying, selling, or dealing in stocks and other securities. In January 1995, as approved by UBPSI's stockholders and BOD, UBPSI sold its stock exchange seat in the PSE. Accordingly, UBPSI ceased its stock brokerage activities.
- c. UCBC was registered in the SEC on June 14, 1994. It was organized to engage in the foreign currency brokerage business. On March 23, 2001, the BOD of UCBC approved the cessation of its business operations effective on April 16, 2001. Since then, UCBC's activities were significantly limited to the settlement of its liabilities. The BOD and the stockholders of UCBC have approved to shorten UCBC's corporate term to December 31, 2016. UCBC has secured a tax clearance from the Bureau of Internal Revenue (BIR) in 2018. UCBC has secured certificate from the SEC last April 8, 2022 amending the Article IV shortening the term of existence thereby dissolving the corporation.
- d. UDC was registered with the SEC on September 8, 1998. It was organized to handle the centralized branch accounting services as well as the processing of credit card application forms of the Parent Bank and the entire backroom operations of FUPI. On July 1, 2003, the BOD of UDC approved the cessation of its business operations effective on August 30, 2003, and subsequently shortened its corporate term to December 31, 2017 by amending its Articles of Incorporation. The services previously handled by UDC are now undertaken by the Financial Services Group of the Parent Bank. UDC is still in process of securing the tax clearance from the BIR.
- e. IVCC was incorporated and registered with the SEC on October 10, 1980. It was organized to develop, promote, aid and assist financially any small or medium scale enterprises and to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law. IVCC has ceased operations since 1992.

The total assets, liabilities and capital funds of these non-operating subsidiaries amounted to Php12,436, Php3,341 and Php9,095, respectively, as of December 31, 2022 and P5,011, Php3,158 and Php1,853, respectively, as of December 31, 2021.

The Bank's registered address, which is also its principal place of business, is at UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City. AEVI's registered address is located at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

Distribution Network of Products and Services

UnionBank primarily services its clientele through its well-trained relationship managers, as well as its strong digital footprint through its website (www.unionbankph.com), mobile or online banking apps, customer service chatbot, and various digital platforms, following its digital transformation journey. Its digital channels are complemented by strategically located branch networks, partner outlets, ATMs, as well as a Customer Engagement Group that takes up voice and non-voice customer service-related concerns.

<i>Relationship Managers</i>	UnionBank's sales force is trained to have expertise in UnionBank's solutions-based financial services and are equipped with tools (e.g., MAX 5.0) that allow them to service clients remotely and enhance productivity. UnionBank's Relationship Managers and Financial Advisors are also licensed by the Insurance Commission to provide customers with bancassurance products.
<i>Branch Network</i>	As of December 31, 2022, UnionBank had 198 branches strategically located within and outside Metro Manila to maximize visibility and expand customer reach. All of UnionBank's branches were transformed into digital and paperless branches called "The ARK", which allow for straight-through processing of transactions over-the-counter or via self-service machines, and at the same time, house branch ambassadors for product discovery and advisory services. UnionBank also increased its presence nationwide through its subsidiaries' physical network which consisted of 149 branches of CitySavings across the country, 11 branches of FAIRBank mainly in Visayas, 24 branches of Bangko Kabayan mainly in Luzon, 3 branches of Progressive Bank in Visayas and over 3,000 locations of PETNET nationwide. In addition, UnionBank has three mobile banking kiosks, also called "Bank on Wheels," which are vans equipped with 5G communication facilities to serve areas where branch access is limited by natural disasters, pandemics or geography, and/or high volume of ATM transactions are needed for a specific period. In 2020, UnionBank introduced agency banking cash deposit capability through its partnership with 7-Eleven and ECPay among others. As of December 31, 2022, UnionBank had more than 11,000 partner agents.
<i>ATM Networks</i>	As of December 31, 2022, UnionBank had 493 ATMS and CitySavings had 92 ATMs for a total of 585 ATMs, which are further categorized as 454 onsite and 131 off-site ATMs. UnionBank and its subsidiaries' network supplements its branch network in providing 24-hour banking services to its customers. UnionBank's interconnection with the Bancnet ATM consortium, allows its cardholders to access thousands of ATMs nationwide. In addition, UnionBank's ATM card functions as a VISA or Mastercard debit card that allows electronic purchase and payment transactions.
<i>Call Center</i>	UnionBank's Customer Engagement Group (CEG), which is responsible for retail customer relationship and consumer finance relationship and care, manages UnionBank's 24-hour call center, which caters to deposit and card product queries, among others. The call center utilizes a mix of phone, social media, email, and website as customer touch points. In handling customer complaints, it adheres to certain service-level agreements such as feedback or resolution of ATM-related concerns within five banking days and redelivery of card within Metro Manila after five days. Customer complaint handling is continuously improved through resolution tracking.

	UnionBank is currently enhancing other enabling channels capable of digital self-servicing and extended reach. The Customer Engagement Group is composed of the following units: (1) 24x7 Inbound Voice Customer Service, (2) Digital Engagement and (3) Business Support (4) Quality Assurance and Training (5) Performance Management Support.
<i>Customer Service Chatbot</i>	In 2017, UnionBank launched “Rafa,” the Philippines’ first banking chatbot that delivers instant 24/7 customer service. Rafa is accessible through Facebook messenger. It can answer customer queries on, among others, the nearest ATM and branch, providing the latest foreign exchange rate of up to ten currencies, assisting customers who are exploring auto loans, and giving customers options to choose the credit card that best suits them. It is also capable of assisting in processing account opening and loan applications. UnionBank believes that Rafa provides a more personal and conversational customer experience compared to the interactive voice response or auto reply forms.
<i>Mobile and E-Banking</i>	UnionBank Online, launched in August 2017, is the online and mobile banking platform for UnionBank’s retail customers. It is designed with an omni-channel user experience wherein the same look and feel applies to different touchpoints (websites and mobile applications), operating systems (Android or IOS) and device types. UnionBank Online enables UnionBank’s customers to perform account management and banking transactions such as account opening, deposit checks, fund transfer, bill payment without visiting a branch or contacting UnionBank’s call center. Customers may log in through fingerprint authentication, apart from password login. Customers can use UnionBank Online to send money to over 10,000 cash outlets nationwide and deposit checks simply by taking a photo with the application. It also enables real-time account opening via a digital application and thus facilitates customer onboarding process. UnionBank was the first Philippine universal bank to introduce such function in the Philippines in 2019. UnionBank also introduced an upgraded version of its cash management platform for corporates called “The Portal”. It is a fully featured application which enables, among others, single sign-on for customers with multi-org access, real-time fund transfers and setting up business approval steps. It helps customers’ merchant acquisition, account management and lending activities. As of December 31, 2022, The Portal served 36,402 clients, an increase from 7,142 clients as of December 31, 2019. The Portal facilitated an average of 1.9 million transactions per month in 2022, a significant increase from 48,000 transactions in December 2019. UnionBank also launched a cash management platform for MSME clients called MSME Business Banking in 2021. Its features include digital account opening for savings and checking account, mobile check deposit, local and international fund transfers, bills payment, payment gateway, and many more to help MSMEs manage financial operations. UnionBank also launched “UPAY” in 2021, an integrated payment acceptance hub for SME customers to support collection of funds through various payment channels including UnionBank Online, Gcash and GrabPay, over the counter, and debit and credit cards. In addition, UnionBank has launched “E-commerce Payment Gateway” with API connectivity via websites and mobile applications to enable merchants to accept major credit cards and alternative payment methods to

	support their customers' buying behavior and to deliver a cross-channel experience. Recurring customers could experience faster and more convenient payments by securely tokenizing payment credentials.
<i>EON</i>	EON was the first electronic money product in the Philippines with a "selfie banking" feature which employs facial recognition for account opening. UnionBank has merged the EON digital accounts into UnionDigital's system and EON account holders have become customers of UnionDigital. The EON brand was first launched in 1999 and re-launched in 2017 by UnionBank as its first digital bank account specially designed for tech savvy customers, mostly e-gig practitioners and e-commerce entrepreneurs.
<i>UnionDigital</i>	UnionDigital, the Bank's new digital banking arm, aims to provide low-cost digital banking services and make banking accessible to unbanked and underserved Filipinos. Its mobile app serves as a one-stop fully fledged platform offering community-based financial services. UD utilizes data analytics and machine learning to enhance cybersecurity and risk management.
<i>UBX</i>	UBX owns and operates four key digital platforms. First, "i2i" whose name refers to "island-to-island, institution-to-institution, individual-to-individual" is a fast-growing agency banking network and banking as a service solution provider that connects rural banks and non-banking financial institutions to each other and to the nation's financial networks while providing a digital transformation package for these institutions including core banking technology and digital banking channels, powered by blockchain technologies. Second, "Sentro," a homegrown eCommerce shop builder in the Philippines, with pre-integrated payment gateway and delivery services, is an online business-to-business marketplace for the MSME ecosystem, with business solutions to include BUX. Third, "BUX," is a fast-growing payment gateway for e-commerce in the Philippines, and an all-in-one payment platform which enables end-to-end payments. Merchants of all sizes can accept various forms of payments including over-the-counter, online banking, cash on delivery, e-wallets, installments as well as debit and credit cards. BUX has launched universal QR payments enabling merchants to accept payment with a scan from their customers' mobile devices. BUX also enables merchants to offer options of payment by installment and buy-now-pay-later. BUX was awarded "Best Digital Payment Facilitator - Philippines for 2021" by Global Brands Magazine. Lastly, "SeekCap" is a digital lending marketplace for MSMEs in the Philippines that offers fast and affordable financing options including same-day approvals and leverages blockchain technology. SeekCap studies customer behavior patterns by using alternative data such as digital platform usage and geographical metadata, making it possible for MSME borrowers to qualify for loans compared to just looking at traditional credit factors. UBX also invested in Shiptek Solutions Corporation to embed financial solutions into its shipping and logistics platform, XLOG. UBX also owns and operates a number of other digital platforms and fintech products including the below, among others. These are relatively new products and UnionBank is building momentum on their usage:

	“xpanse,” an open finance platform that enables banks, fintechs and startups to build new financial solutions through APIs and enables customer-controlled data sharing across hundreds of member institutions in the Philippines. “Vinne,” a money management mobile application powered by blockchain technologies, giving access to decentralized finance applications; “Assured,” an innovative embeddable insurance platform which business partners can embed into their platforms through APIs and embeddable user experience, and thus make their products accessible to consumers who have been previously underserved. Through Assured, insurance options are presented as a value-added feature in everyday experiences such as online shopping. Offerings are context-based. Examples of offerings include personal accident insurance at bill payment, item loss and delivery failure protection on e-commerce platforms, and insurance coverage embedded to MSMEs’ activities such as inventory management and payroll processing. UBX partners with insurtechs and selected companies to increase insurance penetration rate; and “AKIN,” a next-generation blockchain-based identity verification solution. In the AKIN management system, verified digital identities are shared across the platform for smoother and frictionless transactions such as leasing, loaning, and banking.
<i>Platforms and Other Digital Channels</i>	UnionBank’s thrust for digital transformation prompted it to launch digital platforms and channels intended to deliver products/services to various customer segments. UnionBank launched “GlobalLinker,” a virtual B2B community and network platform for SMEs, and UnionBank has partnered with Lazada by signing a memorandum of agreement on March 10, 2022, according to which the sellers at “GlobalLinker” and Lazada will be able to sell products at the other site, respectively. UnionBank also launched “Financial Supply Chain”, a blockchain-powered platform for supply chain financing and transactions, for corporate clients and their ecosystem of suppliers and dealers. UnionBank established the “Bonds.PH” application which facilitates blockchain-enabled distribution of sovereign retail treasury bonds in the Philippines. CitySavings also utilizes its own app for its Department of Education teacher community called “Loan Ranger Mobile” for account management and grant of reloans to accelerate the onboarding of teachers for faster turnaround and growth of loans. This complements the salesforce who are focused on searching for new leads and expanding in new regions.

Competition

UnionBank faces competition in all its principal areas of business. Philippine domestic and foreign banks are UnionBank's main competitors, followed by finance companies, mutual funds and investment banks. Currently, the industry is dominated by four largest universal banks with over Php2 trillion in assets. These banks have greater financial and other capital resources, and a greater market share than UnionBank. Moreover, as a publicly-listed bank, UnionBank also monitors its performance against the ten largest publicly-listed universal banks in the country.

Based on preliminary data of BSP as of December 31, 2022, there were a total of 45 domestic and foreign universal and commercial banks operating in the Philippines, with total assets of Php21.7 trillion, total loan portfolio (inclusive of Interbank Loans and RRP's) of Php11.4 trillion, and total deposits of Php16.8 trillion. Among the universal banks, there are 13 private domestic universal banks, six branches of foreign universal banks and three government-controlled universal banks. On the other hand, the commercial banks comprise three private domestic commercial banks, 18 branches and two subsidiaries of foreign commercial banks. While mergers, acquisitions, and closures reduced the number of industry players, the entry of foreign banks under new and liberalized banking laws and regulations resulted in the growth of the number of universal and commercial banks. Corporate lending remained competitive resulting in even narrower spreads especially under a low interest rate environment. Pockets of growth were, however, seen in the middle corporate market, SMEs, and consumer segments.

According to the Ranking as to Total Assets as of September 30, 2022 published by the BSP, the industry is dominated by the four largest universal banks with over Php2 trillion in assets, namely BDO Unibank, Inc. (BDO), Land Bank of the Philippines (LBP), Bank of the Philippine Islands (BPI) and Metropolitan Bank and Trust Co (MBT).

UnionBank also faces competition from financial technology firms and non-financial firms. Non-financial firms pose a challenge to Philippine banks by offering digital products such as mobile payments or online services. Financial technology firms utilize software to provide financial services and disrupt existing financial systems and corporations that rely less on software by offering faster, more convenient, and more efficient ways of transacting. In addition, purely digital financial technology or non-financial firms have no branches and thus have lower costs. UnionBank seeks to gain a competitive advantage by continuing to implement its digital transformation strategies.

Amidst this operating environment, UnionBank leverages on its competitive advantages anchored on superior technology, unique sales and service culture, centralized backroom operations, as well as its digital transformation roadmap geared towards strengthening its present business by repositioning itself into a digitally-transformed universal bank that achieves scale in a cost-efficient manner, while preparing for a future when embedded or decentralized banking becomes the dominant business model, all anchored on technology as the enabling factor.

As a result, UnionBank has been acknowledged as a leader in delivering superior customer experiences through innovation. UnionBank is among the top in the industry in terms of shareholder value, among the industry's lowest cost producers, and one of the most profitable in terms of return on equity, return on assets, and absolute income.

Transactions with and/or dependent on related parties

The information required is contained in item 12 on page 93.

Patents, trademarks and tradenames

The Bank has registered the following trademarks with the Intellectual Property Office (IPO) of the Philippines:

	Trademark	Registration Date	Expiration
1	UNIONBANK	December 19, 2005	December 19, 2025
2	UNIONBANK LOGO	October 21, 2010	October 21, 2030
3	UNIONBANK EON	December 05, 2013	December 05, 2023
4	UBP	August 07, 2014	August 07, 2024
5	UNIONBANK OF THE PHILIPPINES	August 07, 2014	August 07, 2024
6	UREKA	November 10, 2016	November 10, 2026
7	SELFIE BANKING	December 22, 2019	December 22, 2029
8	DIGITAL ME	June 29, 2017	June 29, 2027
9	EON FOR THE DIGITAL ME	July 30, 2017	July 30, 2027
10	EON	July 30, 2017	July 30, 2027
11	EON CYBER	November 02, 2017	November 02, 2027
12	THE ARK	April 05, 2018	April 05, 2028
13	THE ARK	April 05, 2018	April 05, 2028
14	THE ARK	April 05, 2018	April 05, 2028
15	THE ARK	April 05, 2018	April 05, 2028
16	I2I	May 30, 2019	May 30, 2029
17	THE FUTURE BEGINS WITH U.	October 24, 2019	October 24, 2029
18	CYBERSURE	January 12, 2020	January 12, 2030
19	1U HUB	February 06, 2020	February 06, 2030
20	1U HUB	February 06, 2020	February 06, 2030
21	THE FIRST FINANCIAL SUPPLY BLOCKCHAIN IN THE PHILIPPINES - POWERED BY UNIONBANK	February 06, 2020	February 06, 2030
22	UB	February 24, 2020	February 24, 2030
23	NO VERBAL ELEMENTS 	February 24, 2020	February 24, 2030
24	NO VERBAL ELEMENTS 	February 24, 2020	February 24, 2030
25	THE EDGE BY UB UNIONBANK	July 31, 2020	July 31, 2030
26	UB UNIONBANK	August 14, 2020	August 14, 2030
27	UB UNIONBANK	October 16, 2020	October 16, 2030
28	THE FIRST DIGITAL ACCOUNT OPENING FOR BUSINESS BY UNIONBANK	January 17, 2021	January 17, 2031
29	THE FIRST MOBILE CHECK DEPOSIT FOR BUSINESSES BY UNIONBANK	February 19, 2021	February 19, 2031
30	BANK THE WAY YOU LIVE	March 29, 2021	March 29, 2031
31	SITH SYSTEM FOR INTEGRATED TRACING OF HUMANS	March 29, 2021	March 29, 2031
32	SELYADO (GREYSCALE)	April 16, 2021	April 16, 2031
33	SELYADO (COLORED)	April 16, 2021	April 16, 2031
34	UNIONBANK ONLINE	April 16, 2021	April 16, 2031
35	UB ONLINE	April 16, 2021	April 16, 2031

36	UNIONBANK APP	April 16, 2021	April 16, 2031
37	UB MOBILE APP	April 16, 2021	April 16, 2031
38	P PHX COMMERCIAL BANK-BACKED PHILIPPINE STABLECOIN	April 16, 2021	April 16, 2031
39	PHX	May 21, 2021	May 21, 2031
40	UBP XCELLERATOR GAMECHANGERS	May 21, 2021	May 21, 2031
41	UBP XCELLERATOR BLOCKCHAIN BUSINESS SPECIALIST PROGRAM	June 18, 2021	June 18, 2031
42	UBP XCELLERATOR BLOCKCHAIN BASICS PROGRAM	June 18, 2021	June 18, 2031
43	BLOCKCHAIN XCELLERATOR POWERED BY UB UNIONBANK	June 18, 2021	June 18, 2031
44	UBXCELLERATOR	July 16, 2021	July 16, 2031
45	XCELLERATOR	July 16, 2021	July 16, 2031
46	UB GARAGE INNOVATION AND INCUBATION LAB POWERED BY UB UNIONBANK.	July 23, 2021	July 23, 2031
47	XCELLERATOR	July 23, 2021	July 23, 2031
48	UBXCELLERATOR	July 30, 2021	July 30, 2031
49	BLOCKCHAIN XCELLERATOR	July 30, 2021	July 30, 2031
50	UBP XCELLERATOR PROGRAM	August 6, 2021	August 6, 2031
51	UB GARAGE INNOVATION AND INCUBATION LAB POWERED BY UB UNIONBANK	October 1, 2021	October 1, 2031
52	ECONOMIX	November 14, 2021	November 14, 2031
53	NEXTGEN ACADEMY	November 20, 2021	November 20, 2031
54	BITBOX	February 5, 2022	February 5, 2032
55	SECURITYSTARTSWITHU	February 14, 2022	February 14, 2032
56	BANK DIFFERENTLY	February 14, 2022	February 14, 2032
57	UB METAVERSE	April 4, 2022	April 4, 2032
58	UB METAVERSE BRANCH	April 4, 2022	April 4, 2032
59	PLAYEVERYDAY	May 7, 2022	May 7, 2032
60	PLAY EVERYDAY	June 2, 2022	June 2, 2032
61	THE BLOCK POWERED BY UB UNIONBANK	June 4, 2022	June 4, 2032
62	QUICK GIVES	July 21, 2022	July 21, 2032
63	QUICK ADVANCE	August 8, 2022	August 8, 2032
64	UB UNION BANK (Orange logo)	August 18, 2022	August 18, 2032
65	UB UNIONBANK	August 18, 2022	August 18, 2032
66	THE PORTAL	September 15, 2022	September 15, 2032
67	CYBERSURE.PH	September 30, 2022	September 30, 2032
68	UNIONBANK	September 30, 2022	September 30, 2032
69	UBP DIGITAL	September 30, 2022	September 30, 2032
70	UB SME BUSINESS BANKING	September 30, 2022	September 30, 2032
71	BANK THE WAY YOU LIVE WITH UNIONBANK	December 19, 2022	December 19, 2032

The Bank has registered the following patents with the IPO which are all valid for 7 years:

	TITLE
1	Computer-Implemented System for Cross-Border Remittance through Distributed Ledger Systems
2	Computer-Implemented System for Providing Authenticated Banking Services through Remittance Facilities
3	Computer-Implemented System for an Asset Backed Digital Currency Implemented through Distributed Ledger Systems
4	Computer-Implemented System for Detecting and Reporting Potential Money Laundering Transactions
5	A Computer-Implemented System for Digitally Identity Verification through Blockchain Technology
6	A Computer-Implemented System for Digitally Processing Insurance Policy
7	Computer-Implemented System for Real-Time Online Freight Management
8	Computer-Implemented System and Method for Managing Digital Accounts
9	Computer-Implemented System for Implementing an Authenticated Circulars Banking Policy Storage and Retrieval System through a Blockchain
10	A Computer-Implemented System for an Enterprise Online Banking Facility
11	Computer-Implemented System for a Financial Supply Chain System through Blockchain Technology
12	Computer-Implemented Method for Efficient Processing of Bank Transactions
13	Method and System for Managing Market Groups in an Online Business Networking System
14	Computer-Implemented System for Authenticated Consent Wallet
15	Computer-Implemented System for Quick Loans Enhancement
16	Computer-Implemented System for Model Risk Management Platform

Regulatory Approvals

The Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Philippine Deposit Insurance Corporation (PDIC), Philippine Stock Exchange (PSE), Philippine Dealing and Exchange Corporation (PDEX), and the Bureau of Internal Revenue (BIR) are the major regulatory agencies that provide rules, regulations, and guidelines to the Bank's activities.

UnionBank ensures that its products, services, and systems carry the necessary regulatory approvals and conform with prescribed internal controls prior to launch and continue to be compliant with prescribed rules and regulations.

Keeping abreast of regulations affecting the business

As a banking institution, UnionBank adheres to the provisions of the General Banking Law of 2000 (Republic Act No. 8791), as amended, and the regular issuances by the BSP as embodied in its Manual of Regulations for Banks (MORB). The regulatory issuances of the SEC, PDIC, PSE, PDEX, BIR, and other regulatory bodies are likewise monitored constantly for new developments.

Anti-Money Laundering Laws and Know Your Customer Procedures

Union Bank of the Philippines (UBP) complies and is consistent with the provisions of Republic Act No. 9160, as amended by Republic Act Nos. 9194, 10167 and 10365, otherwise known as the "Anti-Money Laundering Act of the Philippines," and other pertinent laws, rules, regulations, and circulars issued by the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC) and other regulatory agencies of the Philippines, including the Anti-Money Laundering Council (AMLC) and the Financial Action Task Force (FATF) on Money Laundering. UBP adheres to the AML laws and regulations that include the Know Your Customer ("KYC") rules and customer due diligence at the inception of the bank-client relationship until its termination.

The Bank employs a third-party tool for screening customers during onboarding, subsequently, whenever there are updates to the sanctions and negative files and during periodic account reviews. A real-time transaction screening system is used to clear all transactions that pass through the SWIFT network. In July 2019, the Bank upgraded its AML

system through the deployment of an internally developed, highly intuitive, and more flexible transaction monitoring and reporting system. In 2020, an in-house developed screening portal replaced the previous tool to assist in the namescreening of clients against the lists of sanctioned individuals and organizations, persons convicted of AML predicate crimes, among other negative information. And, as part of the recent acquisition of Citibank's Consumer Business in the Philippines in 2022, UnionBank subscribed to Base60 to maintain continuity of management of Citibank's reportable, covered transactions.

Customer due diligence remains robust through documentation and upgrading of client information, understanding of client activity, review of customer risk rating, identification of ultimate beneficial owners, and obtaining senior management approval, where warranted.

Finally, on an annual basis, UnionBank, through its Compliance and Corporate Governance Office (CCGO), provides formal AML trainings to the members of the Board of Directors, Senior Management, and its Branches. In coordination with the HR Group, CCGO deploys the AML e-learning refresher module to all bank employees; while Operations and Sales personnel are apprised of new BSP requirements during Compliance roadshows held throughout the year.

Capital Adequacy

Per existing BSP regulations, the combined capital accounts of each commercial bank should not be less than an amount equal to 10% of its risk assets. Risk assets consist of total resources after exclusion of cash on hand, due from BSP, loans covered by holdout on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items as determined by the Monetary Board of the BSP.

In implementing current capital requirements, the BSP requires the Group and the Parent Bank to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets, known as the "capital adequacy ratio" (CAR). Risk-weighted assets is the aggregate value of assets weighted by credit risk, market risk, and operational risk, based on BSP-prescribed formula provided under BSP Circular No. 360 and BSP Circular No. 538 which contain the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations.

As of December 2022, 2021, and 2020, the Bank's CAR were at 13.0%, 18.4% and 17.0%, respectively.

Research and Development Activities

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

	2022	2021	2020
Cost	2,800,131	1,804,205	1,508,360
Ratio to Revenues	5.5%	5.0%	3.9%

Employees

As of December 31, 2022, the Bank employed 5,568 people, 551 as Executive. 4,343 as Officers, 674 as Clerical Staff and covered by CBA. Of these, 2,569 are in Operations, 1,340 are in Non-Operations, and 1,659 are in Sales/ Marketing. The Bank does not foresee an increase in the number of headcounts within the ensuing twelve (12) months.

The Collective Bargaining agreement started on June 01, 2020 and will expire on May 31, 2025.

RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are inherent in the business activities of the Group. Among its identified risks are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, information security risk, legal risk, and regulatory risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Group identifies its key risks, collects consistent and understandable risk measures, decides which risks to take on or reduce and establishes procedures for monitoring the resulting risk positions. The objective of risk management is to ensure that the Group conducts its business within the risk levels set by the BOD while business units pursue their objective of maximizing returns.

Risk Management Structure

The BOD of the Parent Bank exercises oversight over the Parent Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Parent Bank has established independent Risk Management Units (RMUs) that objectively review and ensure compliance with the risk parameters set by the BOD. The RMUs are responsible for the monitoring and reporting of risks to senior management and the various committees of the Parent Bank.

On the other hand, the risk management processes of its subsidiaries are handled separately by their respective BODs.

The Parent Bank's BOD is primarily responsible for setting the risk appetite, approving risk parameters, proposed credit policies, and investment guidelines, as well as establishing the overall risk-taking capacity of the Parent Bank. To fulfill its responsibilities in risk management, the BOD has established the following committees, whose functions are described below.

- (a) The Executive Committee (EXCOM), composed of seven (7) members of the BOD, exercises certain functions as delegated by the BOD including, among others, the approval of credit proposals, asset recovery and real and other properties acquired (ROPA) sales, and such other transactions as may be initiated by the Bank units within the EXCOM's delegated limits.
- (b) The Risk Management Committee (RMC) is composed of seven (7) non-executive directors of the BOD, majority of whom are independent directors, including the Chairman. The RMC advises the BOD regarding the Parent Bank's overall current and future risk appetite, oversees Senior Management's adherence to the risk appetite statement, and reports on the state of risk culture of the Parent Bank. The RMC oversees the Parent Bank's risk management framework and the risk management function. The RMC also provides oversight, direction, and guidance to the other risk committees, specifically the Market Risk Committee (MRC) and the Operations Risk Management Committee (ORMC).
- (c) The MRC is composed of nine (9) members of the BOD, majority of whom are independent directors, including the Chairman. The MRC is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.
- (d) The ORMC is composed of at least three (3) members of the BOD, with a majority of the ORMC's membership comprised of independent directors, including the Chairman. The ORMC reviews various operational risk policies and practices and approves the operational risk management framework which forms part of the Bank's enterprise risk management system and covers all business lines and functions of the Bank, including

outsourced services and services provided to external parties. The ORMC also provides oversight on the implementation of a sound business continuity management framework.

- (e) The Audit Committee is composed of seven (7) members, all non-executive and majority of whom are independent, including the Chairman, most of whom are with accounting, auditing, or related financial management expertise or experience. The skills, qualifications, and experience of the committee members are appropriate for them to perform their duties as laid down by the BOD.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Parent Bank's external auditors and the internal audit function. It also oversees the Parent Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

To effectively perform these functions, the Audit Committee has a good understanding of the Parent Bank's business including the following: Parent Bank's structure, businesses, controls, and the types of transactions or other financial reporting matters applicable to the Parent Bank as well as to determine whether the controls are adequate, functioning as designed, and operating effectively. It also considers the potential effects of emerging business risks and their impact on the Parent Bank's financial position and results of operations.

Among the responsibilities of the Audit Committee are:

- *Oversight of the financial reporting process.* The Audit Committee ensures that the Parent Bank has a high-quality reporting process that provides transparent, consistent, and comparable financial statements. In this regard, the Audit Committee works closely with management especially the Office of the Financial Controller, the Internal Audit Group (IAG), as well as the external auditors, to effectively monitor the financial reporting process.
- *Monitoring and evaluation of internal control.* The Audit Committee, through the IAG, monitors and evaluates the adequacy and effectiveness of the Parent Bank's internal control framework, integrity of financial reporting, and security of physical assets. The Audit Committee ensures that a proactive and forward-looking approach on evaluation of risks and controls is taken. The Audit Committee also ensures that periodic assessment of the internal control system is conducted to identify weaknesses and evaluates its robustness considering the risk profile and strategic direction of the Parent Bank.
- *Oversight of the audit process.* The Audit Committee is knowledgeable on audit function and the audit process. The Audit Committee maintains supportive, trusting, and inquisitive relationships with both internal and external auditors to enhance its effectiveness.
- *Oversight of the outsourced internal audit activities.* The Audit Committee oversees the performance of the internal audit service provider and ensures that they comply with sound internal auditing standards and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.
- *Oversees the implementation of Group Internal Audit Policy.* The Audit Committee oversees the implementation of the policy through the periodic reports on oversight of the Group Internal Audit and takes appropriate action on any group internal oversight issues identified. The Audit Committee reviews and evaluates the group internal audit policy, and any amendments thereto, and endorses the same to the BOD for approval.
- *Oversight of the whistle-blowing mechanism.* The Audit Committee oversees the establishment of a whistle-blowing mechanism in the Parent Bank by which officers

and staff shall in confidence raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It also ensures that independent investigation, appropriate follow-up, action, and subsequent resolution of complaints are in place.

In the performance of these functions, the Audit Committee is supported by the IAG. The Chief Audit Executive derives authority from and is directly accountable to the Audit Committee. However, administratively, the Chief Audit Executive reports to the President of the Parent Bank.

The IAG is entirely independent from all the other organizational units of the Parent Bank, as well as from the personnel and work that are to be audited. It operates under the direct control of the Audit Committee and is given an appropriate standing within the Parent Bank to be free from bias and interference. The IAG is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

The IAG is authorized by the Audit Committee to have unrestricted access to all functions, records, property, and personnel of the Bank subject to existing mandate and applicable laws. This includes the authority to allocate resources, set audit frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the audit engagement objectives.

The IAG is also authorized to obtain the necessary assistance from personnel within the Parent Bank units where they perform audits, as well as other specialized services within or outside the Parent Bank.

The IAG presents its risk-based rolling 1-year audit plan that is forward-looking and consistent with the Parent Bank's strategic plans and priorities every quarter for approval by the Audit Committee.

At least once a month, the Audit Committee meets to discuss the results of the assurance and consulting engagements, and case investigations by IAG. Financial reporting and Controllershship related topics are also included as needed. The results of these meetings are regularly reported by the Audit Committee Chairman to the BOD in its monthly meetings.

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

IAG adopted the Governance, Risk & Compliance (GRC) system which aims to integrate the operational risk management across the Parent Bank. IAG also uses it as an audit management system to aid in ensuring quality and completeness of documentation across its different engagements. IAG also implemented remote auditing and leveraged on the document management system of the Bank.

- (f) The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance and compliance responsibilities. It is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and of oversight over the compliance risk management. It assists in the establishment of a compliance program that facilitates the escalation and resolution of compliance issues expeditiously.

The CGC is composed of nine (9) members of the BOD, all non-executive, majority of whom, including its Chairman, are independent directors. Its specific duties include, among others, making recommendations to the BOD regarding continuing education of directors, overseeing the periodic performance evaluation of the 1) Board; 2) Board

Committees; 3) Individual Directors; 4) Management-level Committees (through the Compliance and Corporate Governance Office; and 5) Chief Compliance and Corporate Governance Officer (CCO).

The CGC also performs oversight functions over the Compliance and Corporate Governance Office (CCGO) and the following management-level committees: 1) Anti-Money Laundering Committee and 2) Discipline Committee.

Senior management, through the CCO, periodically reports to the CGC the status of regulatory audit and compliance testing findings until their closure. Any material breaches of the compliance program are reported to and promptly addressed by the CCO within the mechanisms defined by the Compliance Manual.

The Parent Bank's CCO defines the Group's minimum governance and compliance requirements and works closely with the subsidiaries' and affiliates' Chief Compliance Officers in the execution of these standards.

The CGC assumed the functions of the Nominations Committee (NomCom) and the Compensation and Remuneration Committee (CompRem) upon the latter Committees' dissolution. The NomCom review the qualifications of and screens candidates for the board including nominees for independent directors and key officers of the Parent Bank. As part of its added function, it also reviews the implementation of programs for identifying, retaining and developing critical officers and the succession plan for various units in the organization.

The functions of the CompRem include overseeing implementation of the programs for salaries and benefits of directors and senior management, and monitoring that the performance scorecards for the Parent Bank and its officers are comprehensive and balanced, and assessing the adequacy, effectiveness for driving performance and consistency of the Parent Bank's total compensation program vis-à-vis corporate philosophy and strategy.

The Parent Bank's CCO assists the CGC in fulfilling its functions by apprising the same of (1) pertinent regulations and other issuances relating to compliance or corporate governance, (2) related regulatory issues and compliance initiatives affecting the various units and the status of the corrective action plans, and (3) continuously giving updates thereon. In addition, the CCO keeps the CGC abreast of best governance practices and discusses issues being brought up among private organizations and individuals advocating good governance philosophy.

- (g) The Related Party Transaction Committee is a board-level committee composed of three (3) members, all of whom are independent directors, including its Chairman. The Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring that these are transacted on arm's length terms. The Committee reviews and endorses the related party transactions to the BOD for approval or confirmation, depending on the amounts involved.

The major risk types identified by the Group are discussed in the following sections:

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD and/or Credit Committee of the various companies within the Group. With respect to the Parent Bank, it has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The Enterprise Risk Management (ERM) undertakes several functions with respect to credit risk management. The ERM independently performs credit risk assessment, evaluation and review for its retail, commercial and corporate financial products to ensure consistency in the Parent Bank's risk assessment process. It also ensures that the Parent Bank's credit policies and procedures are adequate and are constantly updated to meet the changing demands or risk profiles of the business units, the COVID-19-related overlays as well as their impact on credit impairment and credit portfolio's credit risk profiles. The ERM also reported to the Board's Risk Management Committee.

The ERM's portfolio management function involves the review of the Parent Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and the development of a strategy for the Parent Bank to achieve its desired portfolio mix and risk profile. The ERM reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features. Concentrations indicate the relative sensitivity of the Parent Bank's performance to developments affecting a particular industry or geographical location.

The Group and the Parent Bank consider concentration risk to be present when the total exposure to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of December 31, 2022 and 2021, the Group and the Parent Bank did not exceed the limit in any of its industry concentration.

In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The ERM also monitors compliance to the BSP's limit on exposures.

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

Credit risk management practices and credit quality disclosures

Corporate Loans

Corporate lending activities are undertaken by the Parent Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies.

The Parent Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its obligor risk rating master scale.

The Parent Bank currently utilizes the same single rating system for both Corporate and Commercial accounts. In addition, the result on the latter is further refined through a second model to take more careful account of the nuances between the commercial bank portfolio with that of the corporate loan book.

The rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Significant changes in the credit risk considering movements in credit rating, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards. In 2022, the Parent Bank updated the stage assessment to enhance the considerations related to movements in the borrower's credit rating when determining significant increase in credit risk, which include rating threshold triggers.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), from AAA to D. In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which consists of a Facility Tenor Rating (FTR) and a Security Risk Rating (SRR). The FTR measures the maturity risk based on the length of loan exposure, while the SRR measures the quality of the collateral and risk of its potential deterioration over the term of the loan. The FTR and the SRR, each a 100-point scoring system, are given equal weight in determining the LER.

Once the BRR and the LER have been determined, the credit limit to a borrower is determined under the Risk Asset Acceptance Criteria (RAAC) which is a range of acceptable combinations of the BRR and the LER. Under the RAAC system, a borrower with a high BRR will have a broader range of acceptable LERs.

The credit rating for each borrower is reviewed annually or earlier when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy such as the COVID-19 pandemic. Any major change in the credit scoring system, the RAAC range and/or the risk-adjusted pricing system is presented to and approved by the RMC.

The description of each credit quality grouping for the credit scores is explained further as follows:

High Quality Grade - These accounts are of the highest quality and are likely to meet financial obligations.

Standard Grade - These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.

Substandard Grade - These accounts are vulnerable to non-payment but for which default has not yet occurred.

Non-Performing - These refer to accounts which are in default or those that demonstrate objective evidence of impairment.

Commercial Loans

The Group and Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly middle market companies. These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.

The non-financial ComBank accounts use an adjusted obligor rating scale derived from the one applied for corporate loans, and follows the same RAAC framework, while ComBank

accounts classified as banks and non-bank financial institutions are still rated using the 2018 rating scale.

Small and Medium Enterprise (SME) Financial Products

SME portfolio is composed of Business Line Loans and a small portion from emerging products. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses. Credit models are constantly revised and updated as necessary while data analytics have been enhanced to improve portfolio quality and product offers.

SME products use rating scale 1 to 5.

Consumer Loans

The Consumer loan portfolio of the Parent Bank is composed of three main product lines, namely: Home Loans, Auto Loans, and Credit Cards. Starting August 2022, the newly acquired Citibank Consumer loans of Credit Cards and Personal Loans were added in the product offering of the Parent Bank. Since the acquisition of the Citibank Consumer loan portfolios, there has been ongoing system builds, alignment of credit policies, processes and strategies to prepare for a seamless integration of the customers and products.

For the subsidiary, CSB, an accredited lending institution of the Department of Education (DepEd), provides salary loans to teachers under an agreement with DepEd for payroll deductions. CSB also provides motorcycle loans as a result of its acquisition and subsequent merger with PR Savings Bank.

Exposure to credit risk is managed through diligent assessment upon onboarding and regular portfolio and segment analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate.

The Consumer products' respective masterscale is defined by the credit scoring models, which consider demographic variables and behavioral performance, to segment the portfolio according to risk masterscale per product. The stages are defined by the approved SICR for Consumer which takes into account the following: NPL status, months on books, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance). In 2020, the Parent Bank implemented additional credit risk assessment for clients affected by and are responding to COVID-19-related challenges, as consideration in determining the SICR of the account. Subsequently in 2022, PD models for Credit Cards, Home Loan, Auto Loan and SME products have been updated, with incorporation of data points that consider the effect of the pandemic. With the update of scores of borrowers reflecting the effects of pandemic, the observable improvement of product portfolio performance as economic activities restarted that were input to the model in 2022, the Parent Bank removed the additional credit risk assessment overlay implemented in 2020 in its SICR determination.

Both Home Loans (except Contract to Sell - CTS) and Credit Cards use rating scale 1 to 6. CTS utilizes the Corporate ratings ranging from 1 to 9. Meanwhile, Auto Loans and SME products use rating scale 1 to 5.

For the acquired Credit card and Personal loan portfolio from Citibank, pending the completion of the integration and alignment of models with the Parent Bank, the Group measures the expected credit loss under the general approach based on historical experience of charge offs and recoveries, and adjusted for the effect of forward looking information.. The Parent Bank monitors the credit quality of the portfolio based on days past due information, as follows:

Delinquency buckets	Days past due
0	Current
1	0 – 30 days
2	30 – 59 days
3	60 – 89 days
4 (default)	90 – 119 days
5	120 – 149 days
6	150 – 179 days

Investments and Placements

Investments and placements include financial assets at amortized cost, debt financial assets through other comprehensive income, due from BSP, interbank loans receivable, and due from other banks. Each has established credit risk guidelines and systems for managing credit risk across all businesses.

Modification

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

For the years ended December 31, 2022 and 2021, the net impact of the subsequent accretion of the 2020 loan modifications amounted to income of Php129.15 million and Php101.37 million for the Group, respectively, and income of Php106.00 million and Php51.84 million for the Parent Bank, respectively.

Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables from customers in order to mitigate risk. The collateral may be in the form of mortgages over real estate property, chattels, inventory, cash, securities and/or guarantees. The Bank regularly monitors and updates the fair value of the collateral depending on the type of credit exposure. Estimates of the fair value of collateral are considered in the review and assessment of the adequacy of allowance for credit losses. In general, the Bank does not require collateral for loans and advances to other banks, except when securities are held as part of reverse repurchase agreements.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The Asset and Liability Committee (ALCO) and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations. A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.

Liquidity ratios are used to monitor and manage the Bank's liquidity. The MRC approves the ratios to be used for monitoring the performance of the Bank and for mapping out areas where improvements are needed. These ratios include Liquid Assets to Deposits Ratio, Liquidity ratio, Leverage Ratio and Intermediation Ratio.

The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD. The Bank has separate limits for the short term (generally less than 30 days) and the medium term tenor (from 30 days to one year).

In addition, the Bank established a sub-portfolio to manage excess USD Liquidity brought by the acquisition of Citibank's retail portfolio. The liquidity sub-portfolio can only be composed of securities within the approved parameters such as issuer, tenor composition and portfolio limit as defined in the Bank's FVOCI Business Model.

BSP Reporting

Liquidity Coverage Ratio (LCR)

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with Basel III framework. The LCR is calculated as the ratio of stock of high quality liquid assets (HQLA) over the total net cash outflows over the next 30 calendar days, which should not be lower than 100%. The Group is required to disclose information related to the liquidity coverage ratio (LCR) in a single currency and on solo and consolidated basis starting 2019.

The Group's and the Parent Bank's LCR as of December 31, 2022 and 2021 follows (amounts in millions):

	December 31, 2022	
	Group	Parent Bank
Total HQLA	₱284,622	₱238,303
Total net cash outflows	191,939	167,553
LCR Ratio	148.29%	142.23%
	December 31, 2021	
	Group	Parent Bank
Total HQLA	₱296,558	₱247,494
Total net cash outflows	109,038	79,124
LCR Ratio	271.98%	312.79%

Part of the disclosure requirements of BSP Circular 905 Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) and Disclosure Standards beginning in 2019 is the reporting of simple averages of quarterly observations over the last 12 months, following the format set forth in Annex C of BSP Circular 905. The results shown below, were simple averages of four data points, representing all the quarters of 2022.

NATURE OF ITEM	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
STOCK OF HIGH-QUALITY LIQUID ASSETS (HQLA)		
1. TOTAL STOCK OF HQLA (BEFORE CAP)		304,720,251
EXPECTED CASH OUTFLOWS		
2. Deposits, of which:	631,424,788	221,734,281
3. Retail funding	236,211,283	27,541,169
4. Wholesale funding, of which:	387,118,348	194,193,112
5. Operational deposits	200,343,235	60,102,970
6. Non-operational deposits (all counterparties)	186,775,113	134,090,141
7. Restricted term deposits	3,000,000	-
8. Hold-out deposits	5,095,158	-
9. Unsecured wholesale funding (all counterparties)	5,295,608	3,430,181
10. Secured funding	16,813,441	8
11. Derivatives contracts, of which:	37,864,899	37,864,899
12. Outflows related to derivative exposures (net)	37,864,899	37,864,899
13. Outflows related to collateral requirements	-	-
14. Structured financing instruments	-	-
15. Committed business facilities (all counterparties)	20,809,183	4,011,574
16. Other contractual obligations within a 30-day period	1,726,939	1,726,939
17. Other contingent funding obligations	34,791,862	1,043,756
18. TOTAL EXPECTED CASH OUTFLOWS	748,726,722	269,811,637
EXPECTED CASH INFLOWS		
19. Secured lending	1,734,442	-
20. Fully-performing exposures (all counterparties)	43,651,041	27,042,919
21. Other cash inflows	75,385,852	75,385,852
22. TOTAL EXPECTED CASH INFLOWS	120,771,334	102,428,770
23. TOTAL STOCK OF HQLA (AFTER CAP)		304,720,251
24. TOTAL EXPECTED NET CASH OUTFLOWS		167,382,867
25. LIQUIDITY COVERAGE RATIO (%)		182.05%

The Bank has always been compliant with the 100% minimum LCR requirement, as it continues to hold ample level of high-quality liquid assets (HQLA) in the form of cash, deposits with the BSP and investment grade securities. The Bank has also issued long-term liability instruments since 2017, in preparation for the LCR and net stable funding ratio (NSFR) requirements. Lastly, the Bank continues to diversify its funding sources, including deposits with focus on growing the share of CASA to total to further improved the Bank's LCR.

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. Banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2022 and 2021, the NSFR was at 123.81% and 148.88%, respectively, for the Group, and at 122.03% and 150.21%, respectively, for the Parent Bank.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.

The Parent Bank applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. Currently, the Bank uses a 10-day 99% VaR.

The Parent Bank shifted from using the historical simulation with partial revaluation approach to the historical simulation with full revaluation approach in calculating VaR starting May 2022. The historical simulation with full revaluation approach is the general market accepted methodology in the measurement of VaR. This new methodology recalculates the market value of each financial product for each scenario by applying simulated risk factors based on historical movements to the market-accepted valuation methodology defined for each product.

VaR may also be underestimated or overestimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Parent Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Parent Bank's VaR model.

Since VaR is an integral part of the Parent Bank's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits and are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Parent Bank.

Interest Rate Risk

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). The ALCO establishes appropriate asset and liability pricing in support of the Bank's balance sheet objectives.

The Group employs "gap analysis" to measure rate-sensitivity of the income and expenses, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every month. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest sensitive assets and liabilities

into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is then multiplied by the assumed interest rate movement and appropriate time factor to derive the EaR per tenor. The Bank uses one-year differences in the term structure of the different benchmark curves as the bases for the calculation of interest rate risk factor across all currencies. The 1st year (one-year) EaR is derived from the summation of the EaR per tenor within one year is subject to the established EaR limit per currency. With the acquisition of Citibank's retail portfolio, EaR limits were reviewed and updated to ensure that the risks brought by the changes in the balance sheet and liquidity strategies are within the risk appetite of the Bank.

As an additional interest rate risk measure, the Bank also calculates EaR for the 2nd and 3rd years in order to measure medium term vulnerabilities, i.e., those occurring in the second and third years. However, these are not subject to the EaR limit but are for monitoring purposes only.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

A positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities while a negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Accordingly, during a period of rising interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a higher interest rate than interest rate sensitive liabilities which will be favorable to it. During a period of falling interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a lower interest rate than interest rate sensitive liabilities, which will be unfavorable to it.

EaR is complemented by stress tests which are conducted quarterly. It involves subjecting the total interest rate sensitive assets and liabilities within one year to probable short-term and medium-term interest rate movements, assuming parallel and non-parallel (flatteners and steepeners) in the yield curve.

Additionally, the Bank also monitors long-term sensitivity to interest rate risk of the Bank's balance sheet through the Economic Value of Equity (EVE) method. EVE measures the economic value which provides a more comprehensive view of potential long-term effects of changes in interest rates. EVE is defined as the net cash flows of the Bank's assets and liabilities which affect the Bank's capital. Similar to EaR, EVE is also complemented by stress tests conducted quarterly.

The Bank's interest rate sensitive asset and liability positions are analyzed based on its cash flows, and its present value are computed using appropriate market rates which include the current risk-free rate plus the corresponding margin. On the other hand, the present values of non-interest sensitive assets and liabilities will be kept at their carrying values.

The Bank's risk management program includes measuring and monitoring the risks associated with fluctuations in market interest rates on its net interest income and capital ensuring that the exposures in interest rates are kept within acceptable limits.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with

corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

The Parent Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Bank believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Parent Bank is involved.

Operational Risk

BSP Circular 900, Guidelines on Operational Risk Management, serve as the groundwork for the Bank's Operational Risk Management (ORM) framework. This is to standardize the approach undertaken by the Bank in order to facilitate consistently strong ORM practices across the organization.

Operational risk is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Direct loss being the result primarily from an operational failure while an indirect loss relates to the impact of operational risk on other risks such as market, credit or liquidity risk.

Each specific unit of the Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the ORM framework. At the BOD level, an ORMC was formed to provide overall direction in the management of operational risk, aligned with the overall business objectives. Key to the effective implementation of the operational risk management framework is a governance structure that transparently defines the lines of responsibility from the BOD down to the Business and Functional Units level.

The ORMC was formed and given the mandate to build and lead the roadmap in developing the foundations and systems necessary for the effective implementation of an Operational Risk Management Framework. The ORM, together with all other Risk Units, reports directly to the Chief Risk Officer.

In managing products, services and systems, these are implemented only after a thorough operational risk evaluation. As part of the product and systems approval process, product owners and managers ensure that risks are clearly identified and adequately controlled and mitigated. For existing products, services and systems, regular reviews are conducted and controls are assessed to determine continued effectiveness. The Parent Bank, as part of its continuing effort to manage operational risk, has ensured that the basic controls to manage exposure to operational risk have been embedded in its processes.

Legal Risk and Regulatory Risk Management

Legal risk pertains to the Parent Bank's exposure to losses arising from cases decided not in favor of the Parent Bank where significant legal costs have already been incurred, or in some instances, where the Parent Bank may be required to pay damages. The Parent Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Parent Bank may incur significant legal expenses as a result of these events, but the Parent Bank may still end up with non-collection or non-enforcement of claims. The Parent Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors, who were endorsed to and carefully approved by senior management. At year-end, the Parent Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Parent Bank.

Regulatory risk refers to the potential risk for the Parent Bank and its subsidiaries to suffer financial loss due to changes in the laws, monetary, tax, or other governmental regulations of the country. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. The monitoring of the Parent Bank's and subsidiaries' compliance with these regulations is the primary responsibility of the

entity's CCO. The study of the potential impact of new laws and regulations is coordinated by the CCO with the Legal Group. The CCO is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing, and regularly reporting to the CGC and the BOD.

Item 2 - Properties

The UnionBank Plaza, which is a bank-owned property, is now the Union Bank of the Philippines' Head Office. It is a 50-storey office condominium building with an estimated usable area of **51,032.32** square meters. It is one of the most modern intelligent buildings in the Ortigas Business Center with electronically equipped building utility systems. It is also a PEZA proclaimed "IT Building" under Presidential Proclamation No. 900 dated Aug. 25, 2005 where the Bank occupies around **30,238.99** square meters. The Bank's leased area including those units for lease, cover an estimated total area of **18,982.43** square meters.

The UnionBank Innovation Campus (UBIC) is a one-hectare commercial complex owned by UnionBank of The Philippines. UBIC currently has one fully functional four-storey office building with lower ground, mezzanine, and roof top with a gross floor area of **7,588.65** square meters. The 5G-enabled office is The First Asia-Pacific Smart Campus for a financial institution, having used Huawei's Smart Campus technology for smart building operations, smart security management and digital collaboration tools among others. The property currently houses critical functions of the Bank and an Integrated Operations Center, further enhancing the Bank's Disaster Resiliency practices while providing ample space for collaboration and skills development.

As of December 31, 2022, and 2021, the Bank and its subsidiaries paid Php171.5 million and Php130.2 million in rentals, respectively, mainly for its branches.

Other properties owned by the bank are as follows:

Union Bank of the Philippines

Name of Property	Location
Olongapo Branch	87 Magsaysay Drive, East Tapinac, Olongapo City, Zambales
Cagayan De Oro Branch	Lapasan National Highway, Brgy 25, Cagayan De Oro City
Iligan Branch	Manuel L. Quezon Avenue, Poblacion, Iligan City
Iloilo City Branch	General Luna St., Brgy. Villa Anita, Iloilo City
Richville Branch(Southwest Tower)	UGI and UG 4 Condo Units Alabang Zapote Road Madrigal Business Park Alabang, Muntinlupa City
Emerald Branch	Condo Unit-GID and parking lot B209 Wynsum Corporate Plaza Emerald Avenue, Ortigas Center Pasig City
Cabanatuan Branch	P. Burgos St., Poblacion, Cabanatuan City
Davao-Magsaysay Branch	156 Ramon Magsaysay Avenue corner Jacinto St., Brgy 29C, Davao City
Dumaguete Branch	Unionbank Bldg., Real corner San Juan Sts., Brgy 7, Dumaguete City
Puerto Princesa	G/F, UnionBank Bldg., 293 J. Rizal Avenue, Brgy. Maningning, Puerto Princesa City, Palawan
Dasmarinas	G/F UnionBank Centre Manila Bldg., Quintin Paredes corner Dasmarinas St, Binondo, Manila
Antel Residences (Unit G-3) Floor Area 40.71	G/F Antel Residences, 7829 Salamanca Street., Brgy Poblacion, Makati City
Cebu Exchange Tower	1322-G/F Units D & E Cebu Exchange Tower, Salinas Drive, Lahug, Cebu City
Peak Tower (Condo Unit)	8th/9th Floor, Salcedo Village, Makati City
Europa Mines View Flat	Laussane #1506 Baguio City

Name of Property	Location
Monterraza Property	#6 Jasmine St. Monterraza Subd. Itogon, Baguio City
Iloilo Business Park	Brgy. Tabucan Airport , District of Mandurriao, Iloilo City
Ayala Integrated-Car Display Warehouse (From ROPA - ARG)	#138 Gen. Luis Along Nagkaisang Nayon, Cor. Pasacola St. Novaliches Quezon City
Citibank Square	Citibank Square, No. 1 Eastwood Avenue, Barangay Bagumbayan, Quezon City, Metro Manila, Philippines

City Savings Bank

Name of Property	Address
City Savings Financial Plaza	Barangay Santo Nino, Cebu City
Tagbilaran Branch	Barangay Poblacion II, Tagbilaran City, Bohol
Aurora Branch	Santiago-Tuguegarao Road and Pasuquin Street, Brgy. San Jose, Aurora, Isabela
Cabatuan Branch	Santiago-Tuguegarao Road, Brgy. Centro, Cabatuan, Isabela
Cauayan Branch	Alingog Center, Rizal Ave cor. Canciller Ave., Cauayan City Isabela
Diffun Branch	Cordon-Diffun-Madella-Aurora Road, Brgy. A. Bonifacio, Diffun, Quirino
Laoag Branch	Barangay Nangalisan, Laoag, Ilocos Norte - 338 sqm (T-021-2012000001)
Naguilian Branch	Magsaysay District, Naguilian, Isabela, Philippines
Ortigas	One Corporate Center - Units 103, Ground and 2nd Floor, with parking space
Roxas, Isabela	Leal Street, Brgy. Bantug, Roxas, Isabela
Roxas, Isabela Branch	Don Mariano Marcos Avenue, Brgy. Bantug, Roxas, Isabela , Leal Street, Brgy. Bantug, Roxas, Isabela
San Mateo Branch	Alicia-San Mateo Road, J. Cadelifia Street and La Salette Street, Brgy. 1, San Mateo, Isabela.
Sta. Ana Branch	Dugo-San Vicente Road and Arellano Street, Brgy. Centro, Sta. Ana, Cagayan
Pasig City, NCR (Condo)	2408 Jolibee Plaza, F. Ortigas Jr. Road, Ortigas Center, Pasig City
Aparri, Cagayan	Cagayan Valley Road, Brgy. Macanaya, Aparri, Cagayan - 710.57 sqm (T-142942)
Sta. Rosa, Laguna	Lakeside Evozone East II 3B Block9 Lot 3 - 5316 sqm (TCT No. 060 - 2015006178)

FAIR Bank

Name of Property	Address
Daanbantayan Branch	Poblacion, Daanbantayan, Cebu
Bogo Branch	Dela Vina cor. J. Leguin Sts. Gairan, Bogo City, Cebu

PetNet, Inc.

Name of Property	Address
PETNET Building	J.Catolico Sr Avenue. corner Mateo Rd, Brgy Lagao, Gen. Santos City
Parañaque Warehouse	0029 Spratley Island St, Betterliving Subd, Don Bosco, MM/ Petnet Inc, 003-BL-011C Swaziland St. Brgy Don Bosco, Betterliving Subd. Paranaque (2 LOTS)

UBP Investments Corp.

Name of Property	Address
Unionbank Centre-Manila	Quintin Paredes St. Corner Dasmarinas St. Binondo Manila
Kingswood	285 Vito Cruz Extension cor. Metropolitan Ave, Makati

Bangko Kabayan

Name of Property	Address
Executive Office and Ibaan Branch	Santiago St. Poblacion Ibaan Batangas
Executive Office	Sabang, Lipa, City, Batangas
San Pascual Branch	San Antonio San Pascual Batangas
Cuenca Branch	National Road Poblacion Cuenca Batangas
Rosario Branch	Barangay C Poblacion Rosario Batangas
Mabini Branch	F. Castillo Bldv. Poblacion Mabini Batangas
San Juan Branch	General Luna St. Poblacion San Juan Batangas
Nasugbu Branch	P. Rinoza St. Poblacion Nasugbu Batangas
Calaca Branch	Marasigan St. Poblacion Calaca Batangas
Pagsanjan Branch	Gen. Taino St. Poblacion 1 Pagsanjan Laguna
Nagcarlan Branch	Rizal Avenue Poblacion 2 Nagcarlan Laguna
Taal Batangas Property	Balisong, Taal, Batangas
San Pascual Batangas Property	Sambat, San Pascual Batangas
Oriental Mindoro Property	Malugay, Socorro, Oriental Mindoro
Mabini Batangas Property	Solo, Mabini, Batangas
Lipa City Batangas Property	Brgy. Lodlod, Lipa City, Batangas
Nasugbu Batangas Property	Brgy. Lumbangan, Nasugbu Batangas
Ibaan Batangas Property	Tulay, Ibaan, Batangas
Talisay Batangas Property	Brgy. Aya, Talisay, Batangas
Talisay Batangas Property	Brgy. Aya, Talisay, Batangas
Talisay Batangas Property	Brgy. Poblacion, Talisay, Batangas
Calaca Batangas Property	Brgy. Pantay, Calaca Batangas
Tiaong Quezon Property	Brgy. San Jose Tiaong Quezon
Batangas City Property	Bo. San Miguel, Bats. City
Parañaque City Property	Caliraya Drive Marian Park Subd., San Martin de Porres Parañaque City

Progressive Bank

Name of Property	Address
Head Office and Kabulig Center	Del Rosario St. Balasan Iloilo
Barotac Nuevo, Iloilo Property	Guintas, Barotac Nuevo, Iloilo
Sara, Iloilo Property	Brgy. Crespo, Sara, Iloilo
Lanot Property	Brgy Lanot, City of Roxas
Carles, Iloilo Property	Poblacion, Carles, Iloilo
Alimodian, Iloilo Property	Sinamay, Alimodian, Iloilo
Estancia, Iloilo Property	Brgy Botongon, Mun. of Estancia, Iloilo
Baldoza Lapaz, Iloilo Property	Baldoza Lapaz, Iloilo City
Oton, Iloilo Property	Tagbac, Oton, Iloilo
Anilao, Iloilo Property	Brgy. Serallo, Anilao, Iloilo
Lantangan, Carles Property	Lantangan, Carles

There are also Bank premises which are being leased as per attached report (Annex 3).

All the facilities are in good condition. Likewise, there are no properties owned by the Bank that are mortgaged to third parties nor are there adverse claims on such properties. The

Bank has plans of purchasing properties for branch locations, if possible. However, there are no concrete steps taken to date regarding actual land purchase for branches in the next 12 months.

Item 3 - Legal Proceedings

The Bank is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Corporation was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction by final judgment in a criminal proceeding or being subject to a pending criminal proceeding of any director, person nominated to become a director, executive officer, or control person of the Bank;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director, person nominated to become a director, executive officer, or control person of the Corporation in any type of business or banking activities.

The Bank is a defendant/respondent in various legal actions, most of which are claims for damages arising in the ordinary course of business. The results of these actions, however, will not have a material effect on the Bank's financial position.

Item 4 - Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter covered by this report.

As of March 31, 2023, the Bank has only Common shares with foreign equity ownership of 38,823,807 or 1.65% of the total subscribed capital stock.

Number of Common Shares as of March 31, 2023 Issued Common Shares – 2,353,774,567 shares and Outstanding Common Shares – 2,353,746,590 shares.

Item 5 - Market for Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

UnionBank's shares were officially listed and first traded at the Philippine Stock Exchange on May 21, 1992.

The price performance of the shares has been as follows:

(Philippine Peso)	HIGH	LOW
Quarter Ended December 2022	86.20	75.00
Quarter Ended September 2022	94.00	73.00
Quarter Ended June 2022	93.00	68.00
Quarter Ended March 2022	105.80	76.15
Quarter Ended December 2021	118.00	66.88
Quarter Ended September 2021	72.16	60.40
Quarter Ended June 2021	62.40	55.44
Quarter Ended March 2021	60.20	53.76
Quarter Ended December 2020	71.90	54.20

(2) Holders

The Bank has 4,969 stockholders of record as of March 31, 2023. The number of common shares outstanding as of said date stood at 2,353,746,590.

The list of top twenty (20) stockholders of the Bank as of March 31, 2023 is as follows:

	STOCKHOLDERS	NATIONALITY	NUBER OF SHARES	PERCENTAGE
1	PCD NOMINEE CORPORATION	FILIPINO	1,111,035,944*	47.20%
2	ABOITIZ EQUITY VENTURES, INC.	FILIPINO	639,477,007	27.17%
3	THE INSULAR LIFE ASSURANCE CO., LTD.	FILIPINO	201,402,013	8.56%
4	SOCIAL SECURITY SYSTEM	FILIPINO	191,830,598	8.15%
5	SOCIAL SECURITY SYSTEM (1)	FILIPINO	41,151,527	1.75%
6	PCD NOMINEE CORPORATION	OTHER ALIEN	38,145,346	1.62%
7	RAMON ABOITIZ FOUNDATION, INC.	FILIPINO	8,202,736	0.35%
8	SANFIL MANAGEMENT CORPORATION	FILIPINO	4,472,116	0.19%
9	BAUHINIA MANAGEMENT, INC.	FILIPINO	3,117,390	0.13%
10	FMK CAPITAL PARTNERS, INC.	FILIPINO	2,965,248	0.13%
	DOMINUS CAPITAL PARTNERS INC.	FILIPINO	2,965,248	0.13%
11	PORTOLA INVESTORS, INC.	FILIPINO	2,732,841	0.12%
12	HAWK VIEW CAPITAL, INC.	FILIPINO	2,731,998	0.12%
13	SALTORE HOLDING CORPORATION	FILIPINO	2,588,400	0.11%
14	FORTES MANAGEMENT, INC.	FILIPINO	2,264,971	0.10%
15	CIA MANAGEMENT CORPORATION	FILIPINO	2,264,668	0.10%
	ASPIRA MANAGEMENT, INC.	FILIPINO	2,264,668	0.10%
16	AZURA MANAGEMENT, INC.	FILIPINO	2,264,666	0.10%
17	WINDEMERE MANAGEMENT CORPORATION	FILIPINO	2,141,240	0.09%

18	ALPHITONIA MANAGEMENT, INC.	FILIPINO	2,138,003	0.09%
19	ANDROLEPIS MANAGEMENT, INC.	FILIPINO	2,138,001	0.09%
	ANACYCLUS MANAGEMENT, INC.	FILIPINO	2,138,001	0.09%
	ALDROVANDA MANAGEMENT, INC.	FILIPINO	2,138,001	0.09%
20	DONYA I MANAGEMENT CORP.	FILIPINO	2,131,341	0.09%

**Inclusive of PCD-lodged shares of Aboitiz Equity Ventures, Inc., The Insular Life Assurance Co., Ltd., and Social Security System*

Level of the Bank's Public Float Pursuant to the Minimum Public Ownership (MPO) Rule of the PSE

As of March 31, 2023, the public ownership percentage representing the total number of shares owned by public in the Bank's stockholdings, computed based on the MPO Rule of the PSE is 35.66%.

The Bank has only common shares with foreign equity ownership of 38,823,807 or 1.65% of the total subscribed capital stock.

(1) Dividends

A. Cash Dividends

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

The following is a summary of the dividends declared and distributed by the Bank in 2022, 2021, and 2020:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
January 28, 2022	February 14, 2022	N/A	March 2, 2022	Php2.80	1,524,918,059	Php4,269,770,565.20
January 29, 2021	February 15, 2021	N/A	March 4, 2021	3.50	1,219,362,818	4,267,769,863.00
January 24, 2020	February 7, 2020	N/A	February 24, 2020	3.50	1,218,471,467	4,264,650,134.50

On February 1, 2023, the Bank's Board of Directors approved the declaration of a cash dividends at Php2.00 per share or a total of Php4,707,549,134.00 based on the outstanding common stock of 2,353,774,567. Record date for stockholders entitled to the cash dividend was on February 15, 2023 and payment was made on February 27, 2023.

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

B. Stock Dividends

On June 25, 2021 and August 2021, the Board of Directors and stockholders of the Bank approved, respectively, the declaration of 25% stock dividends in the amount of Php3,048,407,050.00 equivalent to 304,840,705 common shares with a par value of Php10.00 to comply with the required 25% subscription of the increase in authorized capital stock of the Bank. Fractional shares resulting from the stock dividend declaration were paid in cash based on the closing rate of Php74.90 as of June 25, 2021, the date of approval by the Board of Directors of the Bank of the stock dividend declaration and computed up to two (2) decimal places. Record date for stockholders entitled to stock dividends was on December 9, 2021 while payment date was made on January 5, 2022.

(2) Recent Sales of Unregistered Securities or Exempt Securities (within the past 3 years)

On June 2, 2022, the Bank successfully issued the first-ever digital peso bonds in the Philippines, raising an aggregate size of Php11.0 billion under its Php39.0 billion bond program. UnionBank is the pilot user of Philippine Depository & Trust Corp.'s (PDTC) Proof of Concept Digital Registry & Digital Depository that uses Distributed Ledger or Blockchain Technology for registry and depository operations. The bonds, which have a tenor of 1.5 years and a fixed rate of 3.25% per annum, are listed on the Philippine Dealing & Exchange Corp. (PDEX) for trading in the PDEX Fixed Income Market. The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") and Standard Chartered Bank ("SCB") were the Joint Lead Arrangers and Bookrunners on the transaction. They were also the Selling agents for the offering together with the Bank.

On May 16, 2022, the Bank issued and listed on The Philippine Stock Exchange, Inc. a total of 617,188,705 common shares following the completion of its Php40.0 billion Stock Rights Offering ("SRO"). The offer period was from April 25, 2022 to May 6, 2022. Eligible shareholders of the Bank were entitled to a ratio of 1:2.4707 common shares as of record date of April 11, 2022 at a price per share of Php64.81 each. Total gross proceeds of the SRO is Php39,999,999,971.05. CLSA Exchange Capital, Inc. and ING Bank N.V., Manila Branch acted as Joint Global Coordinators and Joint Domestic Underwriters for the SRO.

On July 23, 2021, the Bank issued a 7-year USD150 million Social Bond with the International Finance Corporation ("IFC") as sole investor. The bond, which was issued under the Bank's new sustainable finance framework, is the first social bond by the bank and its longest-term USD-denominated bond to date. Proceeds from the bond are expected to finance over 2,000 loans to micro, small and medium-sized enterprises. IFC's investment will also help the Bank boost financing for MSMEs through its supply chain financing platform, enabled using digital technologies.

On December 9, 2020, the Bank issued and listed on the PDEX its Php9.0 billion Dual-Tranche Fixed Rate Bonds, i.e. 3-year and 5.25-year Bonds. This was the third issuance of the Bank under its Php39.0 billion Bonds program. HSBC and Standard Chartered Bank SCB were the Joint Lead Arrangers and Bookrunners on the transaction. They were also the Selling Agents for the offering together with the Bank. Consideration amounted to Php8,987,413,094.27.

On October 22, 2020, the Bank issued US dollar-denominated Regulation S only offering 5-year Senior Unsecured Notes, a drawdown from its USD2 billion Medium Term Notes Programme, which was updated and upsized on October 2, 2020. The Notes were issued at an aggregate principal amount of USD300MM and were listed on the Singapore Exchange Securities Trading Limited. Citigroup, MUFG, and SCB acted as Joint Bookrunners for the issuance. Consideration amounted to USD297.954 million.

On February 24, 2020, the Bank issued and listed on PDEX its Php6.8 billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital Due 2030 under its BSP-approved issuance of Php20.0 billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital. SCB and HSBC acted as Joint Lead Arrangers, Bookrunners and Selling Agents for the issuance, alongside the Bank who acted as the Limited Selling Agent. Consideration amounted to Php8,957,410.76.

All the above issued securities were exempt securities under Section 9.1 (Exempt Securities) of the Securities Regulation Code (SRC), i.e. any security issued by a bank except its own shares of stock, except for the SRO which were exempt under Section 10.1 (I) of the SRC.

For the years 2019 to 2022, the Bank issued a total of 2,929,705 common shares to eligible employees out of the 5,000,000 common shares pursuant to the Bank's Employee Stock Plan. On February 6, 2023, the Bank issued 697,339 common shares to eligible employees pursuant to the Bank's Employee Stock Plan. These issuances were exempt from registration under Section 10.2 (Exempt Transactions) of the SRC.

UNION BANK OF THE PHILIPPINES
SEC FORM 17-A
FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

Union Bank of the Philippines posted a net income of Php12.7 billion for the year ended December 31, 2022. This is 0.8% higher than the same period last year mainly due to higher revenues coming from its core businesses that compensated for the absence of trading gains.

Net revenues were at a new high of Php52.2 billion. **Net interest income** grew 30.5% to Php38.9 billion on account of higher margins and volume. Net interest margins were up 27 basis points to 4.9%, buoyed by higher proportion of consumer loans to total loans and the growth of low-cost Current Account/Savings Account (CASA) deposits. **Service charges, fees and commissions** and **miscellaneous** income increased by 101.7% to Php13.4 billion, driven by the acquisition of the consumer banking business of Citigroup Inc. (Citi) and the growing digital customer transactions.

Total interest income jumped by 39.1% to Php50.5 billion from the year-ago level. **Interest income on loans and other receivables** improved by 31.5% to Php36.0 billion due to increased average volume levels and yields year-on-year (YoY). **Interest income on cash and cash equivalents and investment securities at amortized cost and fair value through other comprehensive income (FVOCI)**, improved by 60.9% to Php13.5 billion due to higher yields and volume. **Interest income on Securities Purchased under Repurchase Agreements (SPURA)** was up by 88.2% to Php566 million coming from higher volume and yield improvement. **Interest income on trading securities at fair value through profit or loss (FVTPL)**, on the other hand, declined by 16.7% to Php0.2 billion due to lower yields.

Total interest expense hiked by 78.5% to Php11.6 billion. This is attributed to higher **interest expense on deposit liabilities** (up 102.9% to Php6.0 billion) due to the robust growth of CASA deposits (25.3% increase to Php427.1 billion based on outstanding balance), and higher **interest expense on bills payable and other liabilities** (up 58.0% to Php5.6 billion) resulting from higher interbank borrowings and deposit substitutes.

Provision for loan losses was at Php4.1 billion, 30.0% lower YoY as credit risk stabilized compared to the prior year.

Total other income declined by 13.1% to Php13.3 billion. The drop was primarily due to the absence of **trading gains from the sale of investment securities at amortized cost and investment securities at FVTPL and FVOCI**. The decrease was partially offset by 1) the Bank's higher **service charges, fees, and commissions** driven by higher transaction fees from credit card interchange, electronic fund transfers, bills payment, ATM, and other transactional fees, and 2) by higher **miscellaneous income** which grew 130.6% to Php6.6 billion on account of higher foreign exchange gains, and income from trust operations.

Total expenses amounted to Php31.5 billion, up 29.6%. **Salaries and employee benefits** rose 16.0% to Php10.0 billion driven by compensation-related increases and manpower expenses related to the acquired consumer banking business from Citi. **Taxes and licenses** increased by 42.6% to Php4.1 billion from higher gross receipts taxes and documentary stamp taxes coming from the elevated deposit levels. **Occupancy** jumped by 15.3% to P1.03 billion resulting from higher rent and utilities cost. **Miscellaneous expenses** also grew by 43.5% to Php14.8 billion mainly on volume-related fees and commissions expenses, advertising and information and technology expenses.

Tax expense amounted to Php3.9 billion, 63.3% higher from Php2.4 billion last year, due to higher final taxes from securities and BSP placements, as well as higher taxable income of the Bank's subsidiary.

With the improved performance of subsidiaries, **net income attributable to non-controlling interests** increased to Php144.0 million, 2.75x higher than in 2021.

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

The Bank registered a **total comprehensive income** of P360.2 million, down from Php11.4 billion posted in the previous year. This was primarily driven by the **fair market value losses on investment securities at FVOCI** which shot up to Php12.5 billion from Php845.9 million a year ago on account of the concerted increase in global interest rates in 2022, following consecutive central bank hikes to stem inflation. The US Federal Reserve System rates rose from 0% to 4.50%, while the BSP raised its policy rate from 2.0% to 5.5% during the year. This resulted to US bond yields moving from around 1% to 4%, and GS Peso Bond yields from around 4% to 6% on year on year basis.

Remeasurement gains on defined benefit plan, net of tax expense was recorded at Php279.6 million vs. last year of Php309.4 million. **Total comprehensive income attributable to non-controlling interests** was at Php143.2 million.

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

As of end of December 2022, total resources amounted to Php1.1 trillion, 31.5% higher than previous year's Php831.1 billion, driven by the acquisition of the Citi consumer banking business, and increases in trading and investment securities and net loans and receivables.

There was an 11.1% increase in **Cash and other cash items** due to higher cash requirements versus 2021. **Due from Bangko Sentral ng Pilipinas** decreased by 8.5% to Php94.6 billion as a result of lower placement balances with the BSP on top of the mandatory reserves. **Due from other banks** declined by 14.8% to Php46.2 billion resulting from lower working balances with foreign correspondent banks. **Interbank loans receivable** is nil due to the deployment of funds to higher-yielding securities and loans.

Holdings of trading and investment securities grew by 40.1% to Php333.0 billion driven by the build-up of **financial assets at FVTPL**, **financial assets at amortized cost** and **financial assets at FVOCI**, which increased by 53.4% to Php 8.7 billion, 47.0% to Php244.6 billion, and 21.5% to Php79.8 billion, respectively.

Net loans and other receivables also grew by 42.6% to Php479.7 billion due mainly to the addition of the Citi business in the consumer loans portfolio. The Bank's **loan-to-deposit ratio** was recorded at 67.4%.

Bank premises, furniture, fixtures and equipment-net and **Goodwill** increased by 28.7% to Php8.7 billion and by 4.2x to Php62.3 billion, respectively, mainly due to the acquisition of Citi's consumer banking business and certain real estate properties in the Philippines.

Investment in subsidiaries and associates went down by 13.3% to Php123.4 million mainly from share in net losses in UBX's associate but partially offset by Petnet's additional investment in an associate. Meanwhile, **other resources** rose by 37.3% to Php26.3 billion driven by higher software assets.

Total liabilities were at Php944.6 billion as of December 31, 2022, 31.4% higher YoY. **Deposit liabilities** increased by 24.7% to Php711.3 billion given the robust growth in demand and savings volumes which were up by 13.5% and 42.9% to Php232.1 billion and Php195.0 billion, respectively. Customers' CASA balances sustained growth owing to the stability and convenience offered by the Bank's cash management platforms and digital channels, as well as increased customer onboarding in 2022. With this, the Bank's CASA ratio was sustained at 60%.

Bills payable jumped to Php132.8 billion from Php51.2 billion last year due to higher short-term funding requirements compared to 2021. **Notes and bonds payable** decreased by 26.1% to

Php51.6 billion driven by the maturity of senior debt instruments. **Other liabilities** grew by 78.4% to Php48.8 billion primarily due to increases in bills purchased, accounts payable, and derivative liabilities.

The Bank's total capital funds rose by 32.0% to Php148.1 billion as of December 31, 2022 from Php112.2 billion as of December 31, 2021 mainly driven by the increase in **common stock** (up 75.7% to Php 21.4 billion) and **additional paid-in capital** (up 3.4x to Php 47.9 billion) as a result of a stock rights offering (SRO) last May 2022 wherein the Bank listed 617.2 million common shares at a price of Php64.81 per share. **Stock dividend distributable** is nil as the stock dividends were paid on January 5, 2022. In addition, **surplus free** increased by 10.5% to Php90.7 billion coming from the Bank's earnings in 2022. **Surplus reserves** were down by 12.4% to Php2.5 billion due to reversal of required appropriations for the difference between BSP's required 1% general loan loss provision (GLLP) over the Bank's computed expected credit loss (ECL) for stage 1 accounts. **Net unrealized fair value gains on investment securities** has a negative balance of Php14.1 billion coming from mark-to-market valuation of the Bank's investments at FVOCI, while accumulated **remeasurements of defined benefit plan** also recorded a negative balance of Php1.2 billion. **Other reserves** increased 2.25x to Php31.0 million.

Key performance indicators of the Bank are as follows:

	<u>2022</u>	<u>2021</u>
Return on Average Assets	1.3%	1.6%
Return on Average Equity	9.7%	11.6%
Cost-to-Income Ratio	60.5%	53.9%
Net Non-Performing Loan Ratio	2.2%	2.4%
Common Equity Tier 1 Ratio	11.3%	16.3%
Capital Adequacy Ratio	13.04%	18.4%

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

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	(Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

Material Commitment for Capital Expenditures

The Bank allotted Php5.3 billion in capital expenditures in 2023 primarily intended to further accelerate and enhance digital capabilities, including the migration costs of the Citi consumer banking business.

As to material event/s and uncertainties, the Bank has nothing to disclose on the following apart from those already disclosed elsewhere or presented in the accompanying audited financial statements:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
- Any events that will trigger direct or contingent financial obligation, including any default or acceleration of an obligation.
- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company.

- Any known trends, events or uncertainties that have had or that are reasonably expected` to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

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

Union Bank of the Philippines registered a net income of Php12.6 billion for the year ended December 31, 2021. This is 8.8% higher than the same period last year mainly due to higher topline revenues which were at a new high of Php45.1 billion.

Net interest income grew 3.8% to Php29.8 billion due to the sustained increase in net interest margins (up 9bps to 4.6%). Lower funding costs from the record increase in CASA deposits supported margin growth. Non-interest income also rose 14.4% to Php15.3 billion. This was driven by higher service charges and fees, as well as foreign exchange gains.

Total interest income dipped by 5.8% to Php36.3 billion from Php38.6 billion in the previous year. **Interest income on loans and other receivables** decreased by 4.1% to Php27.7 billion due to lower average volume levels and lower yields YoY. **Interest income on investment securities at amortized cost and fair value through other comprehensive income (FVOCI)**, as well as **interest income on trading securities at fair value through profit or loss (FVTPL)**, declined by 4.7% and 53.3% to Php7.7 billion and Php244.6 million, respectively, on lower yields despite higher average volumes.

Total interest expense was down by 33.9% to Php6.5 billion from Php9.8 billion in the same period last year mainly driven by the lower **interest expense on deposit liabilities** (down 47.2% to Php3.0 billion). This was attributed to the robust growth of low-cost CASA deposits which grew by 31.8% YoY. **Interest expense on bills payable and other liabilities** also declined by 16.2% to Php3.5 billion on lower short-term borrowings and lower funding cost.

As a result of the foregoing, **net interest income** amounted to Php29.8 billion, 3.8% higher than Php28.7 billion earned last year.

Provision for loan losses was at Php5.8 billion, 31% lower YoY as credit risk stabilized compared to 2020.

Total other income grew by 14.4% to Php15.3 billion. The growth was primarily due to the Bank's higher **service charges, fees, and commissions** driven by higher transaction fees from credit card interchange, electronic fund transfers, bills payment, ATM, and other transactional fees. **Miscellaneous income** also buoyed the bottom line which grew 39.0% to Php2.9 billion on account of higher foreign exchange gains, and income from trust operations. Meanwhile, the Bank had lower total **trading gains from the sale of investment securities at amortized cost and investment securities at FVTPL and FVOCI** for the year by 3.1% to Php8.7 billion vs. Php8.9 billion in the previous year.

Total expenses were at Php24.3 billion, up 13.8%. **Salaries and employee benefits** rose 10.7% to Php8.6 billion driven by higher compensation-related increases. **Miscellaneous expenses** also grew by 32.7% to Php10.3 billion mainly on goodwill impairment, volume-related fees and commissions expenses, and information and technology expenses. **Taxes and licenses**, on the other hand, decreased by 17.7% to Php2.9 billion from lower gross receipts taxes and documentary stamp taxes from lower time deposit levels.

Tax expense amounted to Php2.4 billion from Php781.4 million in the same period last year as the Bank absorbed the one-time impact on deferred taxes due to the reduction in the income tax rate under the CREATE Law.

Net income attributable to non-controlling interests increased to Php52.4 million, 6.9x higher than in 2020 driven by other subsidiaries.

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

The Bank posted a **total comprehensive income** of Php11.4 billion for 2021, 3.0% higher than Php11.1 billion posted in the same period a year ago. This was primarily driven by the higher **net income** in 2021 which offset the impact of **fair market value losses on investment securities at FVOCI**. **Remeasurement gains on defined benefit plan, net of tax expense** was recorded at Php305.4 million vs. last year's losses. **Total comprehensive income attributable to non-controlling interests** was at Php53.3 million from subsidiaries performance for the year.

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

As of end-December 2021, UnionBank's total resources amounted to Php831.1 billion, 7.3% higher than previous year's Php774.5 billion mainly on higher trading and investment securities, higher net loans and receivables, as well as in interbank loans receivables.

Due from other banks declined by 20.8% to Php54.3 billion from lower working balances with foreign correspondent banks. **Interbank loans receivable**, on the other hand, was up in 2021 to Php17.5 billion as the Bank's excess liquidity was placed in other banks.

Holdings of trading and investment securities grew by 15.7% to Php237.7 billion driven by the build-up of **financial assets at amortized cost and FVOCI**, which increased by 6.8% and 2.1x to Php166.4 billion and Php65.7 billion, respectively. **Financial assets at FVPL**, on the other hand, dropped by 69.4% to Php5.6 billion.

Net loans and other receivables also grew by 6.0% to Php359.8 billion due to higher outstanding loan levels across major segments – corporate, commercial, and retail – as well as higher securities purchased under reverse repurchase agreements. The Bank's **loan-to-deposit ratio** was recorded at 63.1%.

Investment in subsidiaries and associates went down by 44.2% to Php142.4 million mainly from disposal of UBX's investment in an associate. Meanwhile, **other assets** rose by 15.0% to Php19.2 billion driven by higher software assets.

Total liabilities were at Php718.9 billion as of December 31, 2021, 7.4% higher YoY mainly driven by higher deposit liabilities. **Deposit liabilities** increased by 8.1% to Php570.5 billion given the robust growths in demand and savings volumes which were up by 28.0% and 37.9% to Php204.6 billion and Php136.4 billion, respectively. Customers' CASA balances sustained growth owing to the stability and convenience offered by the Bank's cash management platforms and digital channels, as well as increased customer onboarding in 2021. With this, the Bank's CASA ratio improved to 60% from 49% in December 2020.

Bills payable declined by 5.6% to Php51.2 billion on lower short-term funding requirements compared to 2020. **Notes and bonds payable** went up by 16.7% to Php69.9 billion driven by the USD150 million issuance of social bonds.

The Bank's total capital funds rose by 6.7% to Php112.2 billion as of December 31, 2021 from Php105.2 billion as of end-December 2020 mainly due to the increase in **surplus free** by 6.5% to Php82.1 billion coming from the Bank's earnings in 2021. **Stock dividends distributable** amounting to Php3.0 billion were undistributed stock dividends declared on June 25, 2021 pending regulatory approval for the Bank's increase in authorized capital stock. Said stock dividends were paid on January 5, 2022. **Surplus reserves** were up by 5.8% to Php2.8 billion from higher required appropriations for the difference between BSP's required 1% general loan loss provision (GLLP) over the Bank's computed expected credit loss (ECL) for stage 1 accounts. **Net unrealized fair value gains on investment securities** have a negative balance of Php1.4 billion coming from mark-to-market valuation of the Bank's investments at FVOCI,

while accumulated **remeasurements of defined benefit plan** also recorded a negative balance of Php1.5 billion.

Key performance indicators of the Bank are as follows:

	<u>2021</u>	<u>2020</u>
Return on Average Assets	1.6%	1.5%
Return on Average Equity	11.6%	11.5%
Cost-to-Income Ratio	53.9%	50.8%
Net Non-Performing Loan Ratio	2.4%	3.2%
Common Equity Tier 1 Ratio	16.3%	15.0%
Capital Adequacy Ratio	18.4%	17.0%

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

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	(Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

Material Commitment for Capital Expenditures

The Bank allotted more than Php2.0 billion in capital expenditures in 2021 primarily intended to further accelerate and enhance digital capabilities, as well as construct an innovation hub.

As to material event/s and uncertainties, the Bank has nothing to disclose on the following apart from those already disclosed elsewhere or presented in the accompanying audited financial statements:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
- Any events that will trigger direct or contingent financial obligation, including any default or acceleration of an obligation.
- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company.
- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Statement of Income for the Year Ended December 31, 2020 vs December 31, 2019

Union Bank of the Philippines posted a net income of Php11.6 billion for the year ended December 31, 2020. This is 17.4% lower than last year due to the significantly higher reserves set aside in response to the effects of the COVID crisis on the Bank's credit portfolio. Topline revenues, however, were at an all-time high of Php42.1 billion driven by the 28.6% expansion of net interest income to Php28.7 billion.

Net interest income growth was attributed to higher margins at 4.5% due to: 1) robust CASA growth, 2) reduced funding cost given the low interest rate environment, and 3) shift to high-yielding loans (i.e., consumer, SME, and commercial) amid the subdued demand for corporate loans. Higher fee income and strong trading gains also boosted topline revenues.

Total interest income increased by 0.6% to Php38.6 billion from Php38.4 billion in the previous year. **Interest income on loans and other receivables** and **interest income on trading securities at fair value through profit or loss (FVTPL)** went up by 3.0% and 23.7% to Php28.9 billion and Php524.3 million, respectively, due to higher average volume levels despite lower yields YoY. The higher average volume of loans in particular, was driven by the expansion of the Parent Bank's commercial loans (up 21%), SME loans (up 9%), and consumer loans (up 22%) mostly composed of home loans. **Interest income on cash and cash equivalents** also increased by 5.4x to Php1.0 billion due to higher average volume levels and higher yields. **Interest income on investment securities at amortized cost and fair value through other comprehensive income (FVOCI)** declined by 14.8% to Php8.1 billion driven by lower yields and lower average volumes, while **interest income on interbank loans receivables** went down by 61.3% to Php95.9 million due to lower yields despite higher average volumes year-on-year.

Total interest expense went down by 38.5% to Php9.8 billion from Php16.0 billion in the same period last year mainly driven by the lower **interest expense on deposit liabilities** (down 44.7% to Php5.6 billion). This was attributed to the robust growth of low-cost CASA deposits and reduced funding cost coming from BSP's policy rate and reserve requirement ratio cuts in 2020. **Interest expense on bills payable and other liabilities** also declined by 27.8% to Php4.2 billion on lower short-term borrowings and lower funding cost.

As a result of the foregoing, **net interest income** amounted to Php28.7 billion, 28.6% higher than Php22.3 billion earned last year.

In response to the adverse effects of the COVID crisis on the Bank's loan portfolio, provision for loan losses were increased to Php8.4 billion, 4.5x higher than Php1.9 billion last year.

Total other income was at Php13.4 billion, 6.8% lower than the previous year. This is primarily due to the lower **gain on sale of investment securities at amortized cost** during the year at Php5.1 billion vs. Php7.1 billion in the previous year. **Miscellaneous income** was also down by 29.9% to Php2.1 billion from Php3.0 billion in 2019 from lower foreign exchange gains and gains on property sale in the previous year. Meanwhile, **service charges, fees, and commissions** rose by 20.0% to Php2.3 billion due to higher transaction volumes across the Parent Bank and subsidiaries. **Gains on trading and investment securities at FVTPL and FVOCI** also went up by 63.1% to Php3.8 billion.

Total expenses grew by a single digit (5.2%) to Php21.4 billion as increases from volume-related costs were partially offset by the modest growth of controllable expenses. **Taxes and licenses** were up by 14.8% to Php3.5 billion due to higher revenue-related gross receipt taxes and documentary stamp taxes from increased deposit volume. **Occupancy** went down by 6% to Php904.8 million from reduced branches and lower head office utility expenses attributable to the Bank's work-from-home arrangement amid COVID. **Miscellaneous expenses**, on the other hand, grew by 12.9% to Php7.7 billion on account of higher PDIC insurance from higher deposit volume, information and technology expenses, and provision of impairment on goodwill.

Tax expense amounted to Php781.4 million, 58.0% higher from Php494.5 million last year due to the Bank's higher final taxes from securities and BSP placements, as well as higher taxable income of the Bank's subsidiary.

Net income attributable to non-controlling interests increased to Php7.5 million, 2.3x higher than in 2019.

Statement of Comprehensive Income for the Year Ended December 31, 2020 vs December 31, 2019

The Bank posted a **total comprehensive income** of Php11.1 billion for 2020, 18.6% lower than Php13.6 billion posted in the same period a year ago. This was primarily driven by the lower net income in 2020 and the effect of the **realized gains on sale of investment securities at FVOCI** at Php3.0 billion which equally offset the Php3.0 billion higher **fair market value gains on investment securities at FVOCI**. **Remeasurement losses on defined benefit plan** declined by 12.8% to Php634.6 million based on actuarial adjustments.

Statement of Condition as of December 31, 2020 vs December 31, 2019

UnionBank ended 2020 with total resources amounting to Php774.5 billion, 0.5% higher than previous year's Php770.8 billion as the decline in loans and other receivables were partially offset by the increase in trading and investment securities, as well as higher balances in due from Bangko Sentral ng Pilipinas (BSP) accounts.

Due from BSP accounts went up by 40.8% to Php103.9 billion from Php73.7 billion last year due to increased special deposit account (SDA) placements. **Due from other banks**, on the other hand, declined by 7.0% to Php68.5 billion from lower working balances with foreign correspondent banks. **Interbank loans receivable** was nil in 2020 as the Bank's excess liquidity were deployed to other asset classes.

Total trading and investment securities grew by 17.3% to Php205.4 billion driven by the build-up of **financial assets at FVTPL and FVOCI** which increased by 2.3x and 5.5x to Php18.4 billion and Php31.2 billion, respectively. **Financial assets at amortized cost**, on the other hand, dropped by 3.6% to Php155.8 billion.

Loans and other receivables amounted to Php339.5 billion, 13.5% lower than the same period last year largely driven by reduced demand for corporate loans. The Bank's **loan-to-deposit ratio** was recorded at 64.3%.

Investment in subsidiaries and associates went up 60.5% to Php255.3 million due to investments made by the Bank's subsidiary, UBX. **Other assets** also rose by 7.2% to Php16.7 billion driven by higher deferred tax assets on account of increased reserves set up during the period.

Total liabilities were at Php669.3 billion as of December 31, 2020, lower by 0.5% driven by **bills payable** which declined by 48.4% to Php54.2 billion from Php105.1 billion on lower short-term funding requirements compared to 2019. **Other liabilities** also decreased by 19.3% to Php27.4 billion from lower bills purchased, pre-need reserves, and payment orders payable. **Deposit liabilities**, on the other hand, increased by 9.0% to Php527.8 billion driven by higher demand and savings volumes which were up by 17.2% and 37.4% to Php159.8 billion and Php99.0 billion, respectively. **Notes and bonds payable** also grew by 21.3% to Php59.9 billion from Php49.3 billion in the previous year attributed to the issuance of USD300 million medium term notes in October 2020 and Php9.0 billion corporate bonds in December 2020.

The Bank's total capital funds rose by 7.0% to Php104.4 billion as of December 31, 2020 from Php97.5 billion as of end-December 2019 mainly due to the increase in **surplus free to** Php77.1 billion from Php67.9 billion from the Bank's earnings. Meanwhile, **surplus reserves** declined by 42.5% to Php2.6 billion from Php4.6 billion largely on account of lower amount in required appropriation, while accumulated **remeasurements of defined benefit plan** recorded a negative balance of Php1.8 billion based on actuarial adjustments.

Key performance indicators of the Bank are as follows:

	<u>2020</u>	<u>2019</u>
Return on Average Assets	1.5%	1.9%
Return on Average Equity	11.5%	15.3%
Cost-to-Income Ratio	50.8%	55.4%
Net Non-Performing Loan Ratio	3.2%	1.8%
Common Equity Tier 1 Ratio	15.0%	13.2%
Capital Adequacy Ratio	17.0%	15.3%

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

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	(Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

Material Commitment for Capital Expenditures

The Bank allotted more than Php2.0 billion in capital expenditures in 2021 primarily intended to further accelerate and enhance digital capabilities, as well as construct an innovation hub.

As to material event/s and uncertainties, the Bank has nothing to disclose on the following apart from those already disclosed elsewhere or presented in the accompanying audited financial statements:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
- Any events that will trigger direct or contingent financial obligation, including any default or acceleration of an obligation.
- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company.
- Any known trends, events or uncertainties that have had or that are reasonably expected` to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Statement of Income for the Year Ended December 31, 2019 vs December 31, 2018

Union Bank of the Philippines posted a record high net income of Php14.0 billion for the year ended December 31, 2019, double than last year's net income of Php6.9 billion. The higher earnings performance was driven by strong topline revenues coming from the robust growth of the Bank's earning assets (mostly attributed to the growth of higher-yielding retail and SME loan segments), improvement of margins in 2019, and higher non-interest income components such as fees, trading gains, and miscellaneous income.

Total interest income increased by 21.3% to Php38.4 billion from Php31.6 billion recorded in the comparable period a year ago. **Interest income on loans and other receivables, investment securities at amortized cost and fair value through other comprehensive income (FVOCI), trading securities at fair value through profit or loss (FVTPL)**, as well as **interbank loans receivable** were up by 19.5%, 21.1%, 11.6x, and 2.3x to Php28.0 billion, Php9.5 billion, Php423.7 million, and Php247.5 million, respectively, due to higher average volume levels and yields. The higher average volume of loans and receivables, particularly, was driven by the robust growth of Parent Bank's credit cards business (up 35% YoY), consumer loans which includes mortgage loans (up 31% YoY), businessline or SME loans (up 40% YoY), and commercial loans (up 16% YoY). **Interest income on cash and cash equivalents**, on the other hand, declined by 9.3% to Php188.1 million attributed to lower average volumes despite higher average yields.

Total interest expense went up by 37.7% to Php16.0 billion from Php11.6 billion in the same period last year. The higher **interest expense on deposit liabilities** was driven by the higher average rate of deposits. The higher **interest expense on bills payable and other liabilities**, on the other hand, is attributed to the increase in short term borrowings, as well as the issuance of corporate bonds totaling Php16.8 billion during the year primarily intended to lengthen the maturity profile of the Bank's liabilities in compliance with BSP's liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements.

As a result of the foregoing, **net interest income** amounted to Php22.3 billion, 11.7% higher than Php20.0 billion earned last year.

The Bank also set aside Php1.9 billion for **impairment losses**, 2.2x higher than Php856.0 million last year.

Total other income jumped by 2.6x to Php14.3 billion from the Php5.5 billion earned in the same period a year ago primarily driven by the Bank's **gain on sale of investment securities at amortized cost** amounting to Php7.1 billion, as well as **gain on trading and investment securities at FVTPL and FVOCI** of Php2.3 billion. **Service charges, fees, and commissions** also increased by 24.4% year-on-year (YoY) to Php2.0 billion driven by the higher transaction volumes across the Parent Bank and its subsidiaries. **Miscellaneous income** further rose by 25.8% to Php3.0 billion from Php2.4 billion a year ago due to higher foreign exchange gains, as well as gains on property sale.

Total expenses were at Php20.3 billion, up by 21.7% from Php16.7 billion in 2018. **Salaries and employee benefits** amounted to Php8.1 billion from Php5.7 billion last year on compensation-related increases and manpower expenses from recent acquisitions (PR Savings Bank and Petnet). **Taxes and licenses** were up by 19.1% to Php3.1 billion from Php2.6 billion from higher volume-related gross receipt taxes. **Depreciation and amortization**, as well as **occupancy**, also rose by 23.5% and 13.3% to Php1.4 billion and Php962.3 million, respectively, mainly driven by the consolidation of PR Savings Bank and Petnet. Meanwhile, **miscellaneous expenses** increased by 6.4% to Php6.9 billion on account of higher information and technology expenses, advertising and publicity expenses, as well as inclusion of other expenses from acquisitions.

Tax expense amounted to Php494.5 million, 52.4% lower from Php1.0 billion in the same period last year due to the application of deferred tax benefit.

Net losses attributable to non-controlling interests was at Php22.6 million in 2019 from Php1.1 million in 2018.

Statement of Comprehensive Income for the Year Ended December 31, 2019 vs December 31, 2018

The Bank posted a **total comprehensive income** of Php13.6 billion for 2019, 90.6% higher than the Php7.1 billion posted in the same period a year ago. The higher amount year-on-year was primarily driven by the higher net income in 2019 at Php14.0 billion, as well as the higher **fair market value gains on investment securities** at FVOCI at Php1.1 billion compared to last year.

Statement of Condition as of December 31, 2019 vs December 31, 2018

UnionBank ended 2019 with total resources amounting to Php770.8 billion, 15.1% higher than previous year's Php669.5 billion mainly attributed to the robust growth of loans and other receivables, as well as higher balances in due from other banks and due from Bangko Sentral ng Pilipinas (BSP) accounts.

Cash and other cash items decreased by 21.4% to Php8.6 billion due to lower cash requirements compared to end-December 2018. **Due from Bangko Sentral ng Pilipinas (BSP)** increased by 30.5% to Php73.7 billion from Php56.5 billion last year due to increased special deposit account (SDA) placements from higher deposit levels. **Due from other banks** also rose by 4.9x to Php73.7 billion from higher working balances with foreign correspondent banks. **Interbank loans receivable** amounted to Php213.1 million in 2019 as the Bank's excess liquidity were placed in other banks.

Total trading and investment securities were down by 19.7% to Php175.2 billion from Php218.3 billion driven by the reduction of **investment securities at amortized cost**, as well as **investment securities at FVOCI** by 19.2% and 42.4% to Php161.7 billion and Php5.7 billion, respectively. **Trading and investment securities at FVTPL** also declined by 5.0% to Php7.9 billion compared to Php8.3 billion last year.

Loans and other receivables grew robustly by 20.6% to Php392.6 billion anchored on the growth across the Parent Bank's customer loan businesses to include credit cards (up 35% YoY), consumer loans mainly comprised of mortgage loans (up 31% YoY), SME banking (up 40% YoY), and commercial loans (up 16% YoY). With this, the Bank's **loans-to-deposit ratio** increased to 81.1% in 2019 from 77.4% in 2018.

Investment in subsidiaries and associates increased by 5.4x to Php159.1 million driven by UBX's various investments. **Bank premises, furniture, fixtures, and equipment** grew by 27.2% to Php6.5 billion mainly due to the adoption of PFRS 16 accounting standards on leases, which resulted in the recognition of the right-of-use of assets relating to the present value of lease obligations. Moreover, **other assets** went up by 20.5% to Php15.6 billion driven by higher deferred tax assets and software assets.

Total liabilities were at Php672.8 billion as of December 31, 2019, up by 15.4% compared to Php582.8 billion at end-December 2018. **Total deposits** grew by 15.1% to Php484.3 billion from Php420.7 billion in the same period a year ago primarily on account of higher **time and demand deposits** which increased by 19.7% and 14.3% to Php273.0 billion and Php136.3 billion, respectively. **Long-term negotiable certificate of deposits**, on the other hand, were halved to Php3.0 billion in 2019 due to the maturity of the Bank's Php3.0 billion LTNCDs in April 2019 which were issued in October 2013.

Bills payable increased by 15.5% to Php105.1 billion from Php91.0 billion on higher short-term funding requirements. **Notes and bonds payable** were also higher by 10.8% to Php49.3 billion mainly attributed to the issuance of corporate bonds during the year intended to lengthen the Bank's maturity profile in compliance with BSP's LCR and NSFR requirements. Meanwhile, **Other liabilities** grew by 27.7% to Php34.0 billion from Php26.6 billion in the same period a year ago driven by higher bills purchases, accrued taxes and other expenses, as well as inclusion of lease liabilities due to PFRS 16 accounting standards.

The Bank's total capital funds rose by 13.1% to Php98.0 billion as of December 31, 2019 from Php86.7 billion as of end-December 2018 mainly due to the increase in **surplus free** to Php67.9 billion from Php57.2 billion, in view of the Bank's higher earnings. **Surplus reserves** also increased by 31.3% to Php4.6 billion largely on account of the appropriation for the difference between BSP's required 1% general loan loss provision (GLLP) over the Bank's computed expected credit loss (ECL) allowance for stage 1 accounts. Accumulated **remeasurements of defined benefit plan**, on the other hand, was recorded with a negative balance of Php1.4 billion based on actuarial adjustments.

Key performance indicators of the Bank are as follows:

	<u>2019</u>	<u>2018</u>
Return on Average Assets	1.9%	1.1%
Return on Average Equity	15.3%	8.8%
Cost-to-Income Ratio	55.4%	65.6%
Net Non-Performing Loan Ratio	1.8%	2.3%
Common Equity Tier 1 Ratio	13.2%	12.7%
Capital Adequacy Ratio	15.3%	15.2%

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

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	(Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables)
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

As to material event/s and uncertainties, the Bank has nothing to disclose on the following apart from those already disclosed elsewhere or presented in the accompanying audited financial statements:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
- Any events that will trigger direct or contingent financial obligation, including any default or acceleration of an obligation.
- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company.
- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected` to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Item 7 - Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A. Said statements were audited by the accounting firm, Sycip Gorres Velayo & Co. (SGV), and signed by Partner Ms. Janet A. Paraiso.

Item 8 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with the Bank's present external auditors, Sycip, Gorres, Velayo & Co. (SGV), on accounting principles or practices, financial statement disclosures or scope of audit or procedures for the year ended December 31, 2022.

(A) Audit and Audit Related fees

Fees for the regular and statutory audits for the years 2022 and 2021 amounted to Php21.1 million and Php17.0 million, respectively, exclusive of VAT and out-of-pocket expenses.

Fees for other special audit, assurance and related services rendered by SGV in 2022 were as follows:

1. Php16.9 million for review engagements and issuance of comfort letters related to capital raising and bond offerings;
2. Php1.8 million for due diligence services related to business acquisitions; and
3. Php373.2 thousand for other engagements and consultancy services.

Fees for other special audit, assurance and related services rendered by SGV in 2021 were as follows:

1. Php2.8 million for the performance of the audits of the financial statements of Bangko Kabayan, Inc., First Agro-Industrial Rural Bank, Inc., and Progressive Bank, Inc. as of and for the six months ended June 30, 2021, for purposes of meeting the requirements of the Philippine Securities and Exchange Commission related to the plan of merger; and
2. Php6.4 million for the performance of due diligence services related to business acquisitions.

(B) All Other Fees

No other fees were paid by the Bank to SGV for 2022 and 2021.

The following practices were agreed to and adopted by and between Management and the external auditor:

1. Before the start of each year's audit, the external auditor presents to the Audit Committee for approval its proposed audit plan, describing the areas of focus for the audit, as well as any new accounting standards, laws and new regulatory rules that need to be taken into account in the course of the audit. The audit schedule is also presented.
2. The audit fees are agreed with the external auditor by Management and reviewed by the Audit Committee.
3. When the audit is substantially completed and before the Bank's Board meeting in January of the following year, the external auditor presents an initial report of its audit to the Audit Committee. The complete set of audited financial statements and accompanying notes are submitted to the Board for approval of the issuance of the same in its February meeting.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 – Directors and Executive Officers of the Issuer

a) Directors and Nominees

The following are the names of the nominee for directors of UnionBank who have been pre-screened and certified qualified by the Corporate Governance Committee of the Board pursuant to SRC Rule No. 38, the BSP's Manual of Regulations for Banks, SEC Code of Corporate Governance and the Bank's Revised Manual on Good Corporate Governance, at the special meeting held on February 24, 2023, by the following Corporate Governance Committee Members:

1. Atty. Francisco Ed. Lim, *Chairman/ Independent Director*
2. Justo A. Ortiz
3. Erramon I. Aboitiz
4. Nina Perpetua D. Aguas
5. Rolando L. Macasaet
6. Roberto G. Manabat, *Lead Independent Director*
7. Manuel D. Escueta, *Independent Director*
8. Josiah L. Go, *Independent Director*

NOMINEES	AGE	CITIZENSHIP	POSITION	Period during which individual has served as such
Erramon I. Aboitiz	66	Filipino	Chairman Director	May 22, 2020 to present July 23, 1993 to present October 11, 1988 to April 23, 1993
Justo A. Ortiz	65	Filipino	Vice Chairman Chairman Chairman & CEO	May 22, 2020 to present January 1, 2018 to May 22, 2020 July 23, 1993 to December 31, 2017
Sabin M. Aboitiz	58	Filipino	Director	May 24, 2013 to present
Ana Maria A. Delgado	42	Filipino	Director	April 23, 2021 to present
Samel A. Aboitiz	31	Filipino	Director	April 22, 2022 to present
Nina Perpetua D. Aguas	70	Filipino	Director	January 4, 2016 to present
Rolando L. Macasaet	62	Filipino	Director	January 27, 2023 to present
Robert Joseph M. De Claro	51	Filipino	Director	January 27, 2023 to present
Edwin R. Bautista	62	Filipino	President & CEO Director President & COO	January 1, 2018 to present January 4, 2016 to present January 1, 2016 to December 31, 2017
Jose Emmanuel U. Hilado	59	Filipino	Director	Nominee for election on April 28, 2023
INDEPENDENT DIRECTORS				
Roberto G. Manabat	76	Filipino	Lead Independent Director Independent Director	July 23, 2021 to present May 25, 2018 to present
Manuel D. Escueta	72	Filipino	Independent Director	April 23, 2021 to present

Josiah L. Go	60	Filipino	Independent Director	April 23, 2021 to present
Atty. Francisco Ed. Lim	68	Filipino	Independent Director	May 28, 2021 to present
Honorio G. Poblador IV	53	Filipino	Independent Director	Nominee for election of April 28, 2023

The nominees for Independent Directors, namely, Mr. Roberto G. Manabat, Mr. Manuel D. Escueta, Mr. Josiah L. Go, Atty. Francisco Ed. Lim, and Mr. Honorio G. Poblador IV possess the qualifications and none of the disqualifications of an independent director. They have complied with all the requirements of the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), and the Bank's Revised Manual on Good Corporate Governance for their respective positions. Mr. Manabat, Mr. Escueta, and Mr. Go were nominated by stockholders, Maria Luz F. Evaristo, Norman C. Gabriel, and Luisa L. Grafil, respectively.

Atty. Lim and Mr. Poblador were nominated by stockholders, Ma. Theresa S. Daguiso and Leticia A. Moreno, respectively. The nominators are not related to the nominees for independent directors.

BUSINESS EXPERIENCE:

The following is a brief description of the business experience of each of the directors/nominees of the Bank:

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

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

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

Chairman: Executive Committee, Trust Committee

Vice Chairman: Non-Executive Board

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

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

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

Chairman: Information Technology and Cybersecurity Committee

Member: Executive Committee, Risk Management Committee, Trust Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance Committee

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

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

He is the Chairman of Aboitiz Foundation, Inc., Aboitiz Land, Inc., Aboitiz Power Corp, Manila-Oslo Renewable Enterprise, Inc.; Republic Cement Services, Inc., Filagri Holdings Inc., Director of Aboitiz & Company, Inc., Aboitiz Equity Ventures, Inc, Aboitiz InfraCapital, Inc, AEV CRH Holdings, Inc.; Republic Cement and Building Materials, CRH Aboitiz Holdings, Inc., Apo Agua Infraestructura, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., Unity Digital Infrastructure Inc., Pilmico International Pte. Ltd, Aboitiz Power International Pte. Ltd., and AEV International Pte. Ltd. He spent much of his professional life with Aboitiz Transport, Inc.; his last position was as President and Chief Executive Officer of one of its subsidiaries, Aboitiz One, Inc. (owner of the 2GO brand) now called 2GO Group, Inc. He graduated from Gonzaga University in the USA with a B.S. Business Administration Degree, majoring in Finance.

Member: Non-Executive Board, Executive Committee

Alternate Member: Operations Risk Management Committee, Corporate Governance Committee

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

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

Member: Information Technology and Cybersecurity Committee

Alternate Member: Executive Committee, Market Risk Committee

Samel A. Aboitiz serves as Director of UnionBank. He is Vice President and Head of Finance & Accounting for Coal Business Unit of Aboitiz Power Corporation (AboitizPower), a publicly listed company. He is also concurrently Treasurer and Controller of Aboitiz & Company (ACO), and Vice President for Finance of Aboitiz Equity Ventures, Inc. (AEV), a publicly listed company. He is a member of the Board of Advisors of ACO, and the Board of Directors of San Fernando Light & Power Co. and Visayas Electric Company. He served as Assistant Vice President and Controller for Coal Business Unit of AboitizPower from January 2019 to July 2021; Deputy Head of Operations of PETNET, Inc. from July 2018 to December 2018; and Corporate Finance Manager of AEV from September 2016 to July 2018. Prior to joining the Aboitiz Group, he was Investment Banking Analyst for CLSA Exchange Capital, and with Castleton Commodities International as Freight Analyst.

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

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

Alternate Member: Risk Management Committee

Nina Perpetua D. Aguas serves as Director of UnionBank. She is currently the Executive Chairperson of the Board of Trustees of The Insular Life Assurance Co., Ltd. and its subsidiaries: Insular Health Care, Inc. and Insular Foundation, Inc. She also sits as Non-Executive Director of Pilipinas Shell Petroleum Corporation; Independent Director of Monde Nissin Corporation, both publicly listed

companies; and Director of Insurance Institute for Asia and the Pacific, Inc. She was also a member of the Board of Directors and Chairperson of Bank of Florida (A Rural Bank) and has served as a member of the World Bank Group's Advisory Council on Gender and Development.

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

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

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

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

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

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

Member: Non-Executive Board, Executive Committee, Trust Committee, Corporate Governance Committee, Information Technology and Cybersecurity Committee

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

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

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

Member: Non-Executive Board, Risk Management Committee, Audit Committee, Market Risk Committee, Operations Risk Management Committee
Alternate Member: Executive Committee, Corporate Governance Committee, Information Technology and Cybersecurity Committee

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

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

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

Jose Emmanuel U. Hilado is a nominee for election as Director of UnionBank. He is currently the Senior Vice President, Chief Financial Officer, and Corporate Information Officer of Aboitiz Equity Ventures (AEV). He has more than 30 years of banking experience behind him and has held various positions in Treasury, Trading, Investments, Correspondent Banking, Bank Operations, Human Resources, and Purchasing. Mr. Hilado had been the Senior Executive Vice President and Chief Financial Officer of the UnionBank from October 2022 to December 2022. Prior to this role, he was Senior Executive Vice President, Treasurer, and Head of Global Markets from July 2017 to Oct 2022. He has held various positions with publicly listed companies such as: Senior Executive Vice President and Chief Operating Officer of East West Bank Corporation; Treasurer of Rizal Commercial Banking Corporation for six (6) years; and Chief Trader at Banco De Oro Unibank ("BDO") for four (4) years. He also held numerous roles in International Business Development of Far East Bank & Trust Company and in Treasury of Equitable PCI Bank. He is currently a Director of UBP Investments Corporation and First Union Plans, Inc., both UnionBank subsidiaries.

While at BDO, he was also the Treasurer of BDO Private Bank for three (3) years. He was a member of various industry-related associations such as the Bankers Association of the Philippines' Open Market Committee, Money Market Association and ACI Philippines and the Philippine Interpretations Committee (PIC) and is current a member of the Financial Executives Institute of the Philippines (FINEX). He was President of ACI Philippines from 2002 to 2006 and was its Director in 2004. ACI Philippines is a business organization for financial market professionals involved in foreign exchange, fixed income, and derivatives markets.

He obtained his Bachelor of Science degree in Business Economics at the University of the Philippines, and his MBA degree at Kellogg-Hong Kong University of Science and Technology. He is also a Certified Treasury Professional from the BAP- Ateneo Graduate School.

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

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

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

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

Chairman: Non-Executive Board, Audit Committee

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

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

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

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

Chairman: Risk Management Committee

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

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

Mr. Go is known as one of the Philippines' most respected marketing gurus and the most awarded business educators of the Philippines with 19 bestselling and record-breaking marketing and entrepreneurship books. He has been recognized as one of the Agora Awardees in 1994, one of the Ten Outstanding Young Men (TOYM) of the Philippines in 2001, one of the Ten Outstanding Young Persons (TOYP) of the World in 2002 and one of only two Lifetime Achievement Awardees by the Association of Marketing Educators (2007), the youngest marketing educator to be bestowed this honor. He was also given the Brand Leadership Award during the World Brand Congress in India

(2009). His accomplishments were recognized by the international community where he has been included in the 10th edition of the International Who's Who of Intellectuals (England).

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

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

Chairman: Market Risk Committee

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

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

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

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

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

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

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

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

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

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

* *publicly listed company*

and Suspension of Payments, Rules of Procedure on the Liquidation of Closed Banks, and Interim Rules on Electronic Notarization.

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

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

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

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

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

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

b) *Executive Officers*

The Executive Officers of the Bank, and their respective age, citizenship, and position as of February 28, 2023, are as follows:

NAME	AGE	CITIZENSHIP	POSITION	Period during which individual has served as such
Edwin R. Bautista	62	Filipino	President and Chief Executive Officer President and Chief Operating Officer Senior Executive Vice President – Center Head, Transaction Banking, Commercial Banking and Channel Management Executive Vice President – Center Head, Retail Banking	January 1, 2018 to present January 1, 2016 to December 31, 2017 November 1, 2011 to December 31, 2015 April 27, 2001 to October 31, 2011
Henry Rhoel R. Aguda	54	Filipino	Senior Executive Vice President – President & Chief Executive Officer, UnionDigital Bank Inc. (Seconded) Senior Executive Vice President – Chief Technology and Operations Officer and Chief Transformation Officer	February 13, 2023 to present August 1, 2016 to February 12, 2023
Ana Maria A. Delgado	42	Filipino	Senior Executive Vice President – Chief Digital Channel Officer Chief Customer Experience Officer Executive Vice President – Chief Digital Channel Officer Chief Customer Experience Officer Senior Vice President – Center Head, Consumer Finance and Chief User Experience Officer Senior Vice President – Deputy Center Head, Consumer Finance and Chief User Experience Officer First Vice President –	June 1, 2022 to present June 1, 2020 to May 31, 2022 October 23, 2018 to May 31, 2020 August 1, 2018 to October 22, 2018 July 1, 2017 to July 31, 2018

			Deputy Center Head of Consumer Finance and Chief User Experience Officer First Vice President – Deputy Center Head of Consumer Finance and Chief User Experience Officer Vice President – Business Head, Credit Card Business	February 24, 2017 to June 30, 2017 July 1, 2015 to February 23, 2017
Manoj Varma	58	American	Senior Executive Vice President – Head, Consumer Banking	August 1, 2022 to present
Roberto F. Abastillas	62	Filipino	Executive Vice President – Center Head, Commercial Banking Senior Vice President – Center Head, Commercial Banking Senior Vice President - Deputy Center Head, Commercial Banking Senior Vice President, Head – Commercial Banking 1	August 1, 2019 to present January 1, 2018 to July 31, 2019 August 1, 2017 to December 31, 2017 August 28, 2006 to July 31, 2017
Ramon G. Duarte	58	Filipino	Executive Vice President – Center Head, Transaction Banking Senior Vice President – Center Head, Transaction Banking and Platform Development Head Senior Vice President – Head, Platform Development Group	July 1, 2021 to present April 23, 2020 to June 30, 2021 June 23, 2006 to May 21, 2020
Antonino Agustin S. Fajardo	59	Filipino	Executive Vice President – Center Head, Corporate Banking Senior Vice President – Center Head, Corporate Banking First Vice President – Deputy Center Head, Corporate Banking	August 1, 2019 to present August 1, 2018 to July 31, 2019 January 1, 2018 to July 31, 2018

			First Vice President – Business Head, Mortgage Finance Business	November 1, 2014 to December 31, 2018
			First Vice President – Group Head, Consumer Finance – Auto Finance Business Center	May 1, 2013 to October 31, 2014
Mary Joyce S. Gonzalez	64	Filipino	Executive Vice President – Center Head, Retail Banking Senior Vice President – Deputy Center Head, Retail Banking First Vice President – Unit Head, Makati Region	August 1, 2015 to present June 1, 2010 to July 31, 2015 May 24, 2002 to May 31, 2010
Manuel R. Lozano	52	Filipino	Executive Vice President – Chief Financial Officer	January 1, 2023 to present
Eric S. Lustre	60	Filipino	Executive Vice President – Chief Trust Executive Executive Vice President – Trust Officer Executive Vice President – Head of Trust	July 21, 2022 to present January 28, 2022 to July 20, 2022 January 3, 2022 to January 27, 2022
Dennis D. Omila	50	Filipino	Executive Vice President – Chief Information Officer, and Head, IT Services Group and Operations and Shared Services Group Executive Vice President – Chief Information Officer Senior Vice President – Chief Information Officer	March 25, 2019 to present August 1, 2018 to March 24, 2019 November 16, 2016 to July 31, 2018
Michaela Sophia E. Rubio	58	Filipino	Executive Vice President – Chief Human Resource Officer and Lead for CSR, Sustainability and Occupational Safety and Health Division Senior Vice President - HR Director First Vice President and HR Director	August 1, 2019 to present June 1, 2014 to July 31, 2019 June 1, 2012 to May 31, 2014

Johnson L. Sia	55	Filipino	Executive Vice President – Treasurer and Head of Global Markets	October 1, 2022 to present
Raymond Anthony B. Acosta	46	Filipino	Senior Vice President – Head, Infrastructure and Service Management First Vice President – Head, Infrastructure and Service Management/ Digital Integration Committee Vice President - Senior Team Manager – Technical Support Database Admin Assistant Vice President – Senior Team Manager – Technical Support Database Admin	June 1, 2022 to July 28, 2022 July 1, 2019 to May 31, 2022 July 1, 2016 to June 30, 2019 June 27, 2008 to June 30, 2016
Atty. Arlene Joan T. Agustin	54	Filipino	Senior Vice President – Head, Private Banking Group Senior Vice President – Trust Officer	December 1, 2018 to present February 5, 2018 to November 30, 2018
Francis B. Albalate	52	Filipino	Senior Vice President – Financial Controller	July 1, 2016 to present
Mary Angelica C. Balangue	48	Filipino	Senior Vice President – Head, Corporate Banking Group 5 First Vice President – Senior Relationship Manager	June 1, 2022 to present November 18, 2019 to May 31, 2022
Atty. Joselito V. Banaag	52	Filipino	Senior Vice President – General Counsel and Corporate Secretary	November 16, 2015 to present
Konstantin O. Beloglazov	40	Russian	Senior Vice President – Head, Portfolio Lending	November 3, 2022 to present
Antonio Sebastian T. Corro	50	Filipino	Senior Vice President – Chief Cross Sell Officer and Asset-Backed Lending Head Senior Vice President – Center Head, Consumer Finance Senior Vice President – Head, Cards Business	September 1, 2022 to present August 28, 2020 to August 31, 2022 August 1, 2018 to August 27, 2020

Albert Raymond C. Cuadrante	51	Filipino	Senior Vice President – Chief Marketing Officer	August 16, 2021 to present
Gerard R. Darvin	53	Filipino	Senior Vice President – Head, Corporate Solutions First Vice President – Sales Head – CMS, Transaction Banking Vice President – Sales Director Assistant Vice President – Business Manager	June 1, 2021 to present July 1, 2016 to June 30, 2021 June 23, 2006 to June 30, 2016 May 2, 2000 to June 22, 2006
Joebart T. Dator	55	Filipino	Senior Vice President – Head, Branch Channel Management First Vice President – Head, Branch Channel Management Vice President – Head, Branch Channel Management	July 1, 2019 to present August 1, 2017 to June 30, 2019 June 1, 2014 to July 31, 2017
Montano M. Dimapilis	58	Filipino	Senior Vice President – Head, Business Services Group First Vice President – Head, Facilities Management Group and Branch Network Management Vice President – Head, Facilities Management Group	May 1, 2020 to present July 1, 2015 to April 30, 2020 November 2, 2011 to June 30, 2015
Carlo I. Eñanosa	47	Filipino	Senior Vice President – Head, Corporate Planning and Investor Relations First Vice President – Head, Corporate Planning Group Vice President – Head, Planning and Budget Assistant Vice President – Strategic Risk Head	June 1, 2022 to present August 1, 2018 to May 31, 2022 July 1, 2016 to July 31, 2018 January 2, 2015 to June 30, 2016
Concepcion Perla P. Lontoc	54	Filipino	Senior Vice President – Sales Director First Vice President – Sales Director	May 1, 2020 to present July 1, 2016 to April 30, 2020

			Vice President – Sales Director	December 14, 2007 to June 30, 2016
Michael P. Magbanua	48	Filipino	Senior Vice President – Head, Corporate and Digital Operations First Vice President – Head, Customer Service Group	June 1, 2022 to present April 3, 2017 to May 31, 2022
Dave T. Morales	47	Filipino	Senior Vice President – Head, Mortgage Finance Business First Vice President - Mortgage Finance Business Head Vice President – Sales Director Assistant Vice President – Sales Director	June 1, 2022 to present July 1, 2019 to May 31, 2022 July 1, 2014 to June 30, 2019 June 1, 2011 to June 30, 2014
Raquel P. Palang	52	Filipino	Senior Vice President – Treasurer, City Savings Bank, Inc. (<i>Seconded</i>) First Vice President – Treasurer, City Savings Bank, Inc. (<i>Seconded</i>) First Vice President – Deputy Treasurer Vice President – Unit Head	June 26, 2020 to present January 1, 2020 to June 25, 2020 June 1, 2010 to June 25, 2020 June 23, 2006 to May 31, 2010
Ruby Gisela L. Perez	52	Filipino	Senior Vice President – Chief Operations Officer, UnionDigital Bank Inc. (<i>Seconded</i>) Senior Vice President – Head, Technical Services and Solutions Group First Vice President – Head, Strategic Business Process Optimization Vice President – Head, Business Process Management Assistant Vice President – Head, Business Process Optimization	February 1, 2023 to present June 1, 2022 to January 31, 2023 August 1, 2018 to May 31, 2022 July 1, 2016 to July 31, 2018 November 1, 2014 to June 30, 2016

Ronaldo Jose M. Puno	45	Filipino	Senior Vice President – Solutions Delivery Head First Vice President – Head, Business Process Automation	May 1, 2020 to present June 4, 2018 to April 30, 2020
Jose Maria O. Roxas	55	Filipino	Senior Vice President – Sales Director First Vice President – Sales Director Vice President – Sales Director Assistant Vice President – Sales Director	June 1, 2022 to present July 1, 2019 to May 31, 2022 July 1, 2016 to June 30, 2019 June 1, 2011 to June 30, 2016
Raquel N. Sevidal	56	Filipino	Senior Vice President – Head, Wholesale Credit Group	July 1, 2022 to present
Gautam Sharma	39	Indian	Senior Vice President – Head, Retail Bank Sales Network	November 3, 2022 to present
Julian P. Tarrobago, Jr.	49	Filipino	Senior Vice President – Chief Investment Officer	July 9, 2021 to present
Jeannette Yvonne M. Zagala	52	Filipino	Senior Vice President – Head, Financial Markets Sales First Vice President – Head of Distribution	June 1, 2021 to present November 8, 2017 to June 30, 2021
Myrna E. Amahan	62	Filipino	Senior Vice President – Chief Audit Executive First Vice President – Chief Audit Executive First Vice President – Head, Internal Audit Division Vice President – Head, Internal Audit	July 29, 2022 to present February 23, 2021 to July 28, 2022 August 1, 2016 to February 1, 2021 June 23, 2006 to July 31, 2016
Rear Admiral Rommel Jason L. Galang (Ret.)	57	Filipino	Senior Vice President – Chief Security Officer First Vice President – Chief Security Officer	July 29, 2022 to present November 1, 2021 to July 28, 2022
Irma M. Lasquety	56	Filipino	Senior Vice President – Acting Trust Officer First Vice President –	July 29, 2022 to present July 21, 2022 to July 28,

			Acting Trust Officer	2022
			First Vice President – Head, Trust Operations	June 1, 2022 to July 20, 2022
Joselynn B. Torres	64	Filipino	Senior Vice President – Chief Compliance and Corporate Governance Officer	July 29, 2022 to present
			First Vice President – Chief Compliance and Corporate Governance Officer	December 1, 2018 to July 28, 2022
Jose Paolo G. Rufo	38	Filipino	Senior Vice President – Chief Information Security Officer and Data Protection Officer	July 29, 2022 to present
			First Vice President– Chief Information Security Officer and Data Protection Officer	July 1, 2022 to July 28, 2022
			First Vice President – Chief Information Security Officer	June 1, 2021 to June 30, 2022
			Vice President – Chief Information Security Officer	August 9, 2018 to May 31, 2021
Atty. Buenaventura S. Sanguyo, Jr.	53	Filipino	Vice President – Deputy Head, Legal Division, and Assistant Corporate Secretary	July 22, 2016 to present
			Vice President – Deputy Head, Legal Division	October 12, 2015 to July 21, 2016
Therese G. Chan	49	Filipino	Head, Wealth and Brokerage	August 1, 2022 to present
Dr. David R. Hardoon	42	Brazilian	Chief Data Science and AI Officer	April 22, 2022 to present
Vishal Kadian	42	Indian	Head, Credit Cards and Personal Loans	August 1, 2022 to present
Erwin Wiriadi	50	Indonesian	Chief Risk Officer	December 16, 2022 to present
			Acting Chief Risk Officer	October 28, 2022 to December 15, 2022
			Credit Portfolio Senior Group Manager	August 1, 2022 to October 27, 2022

BUSINESS EXPERIENCE:

The following is a brief description of the business experience of each of the Executive Officers of the Bank:

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

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

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

Henry Rhoel R. Aguda is the Senior Executive Vice President of UnionBank of the Philippines. He is also the Chairman of the Board of UBX Philippines, the fintech venture studio of the Bank; Director of City Savings Bank, the thrift bank subsidiary of UnionBank; and President and Chief Executive Officer of UnionDigital Bank Inc., the digital bank subsidiary of UnionBank. He was Chief Technology and Operations Officer and Chief Transformation Officer of the Bank. Currently, he is a lecturer at the University of the Philippines Diliman Technology Management Center and a global faculty mentor at the Asian Institute of Digital Transformation. Mr. Aguda is a board member of BancNet, Incorporated and Insular Health Care, Inc. He is also a member of the Board of Trustees of the Institute of Corporate Directors (ICD), Manila Central University (MCU) and the Parish Pastoral Council for Responsible Voting (PPCRV); and a member of the Financial Executive Institute of the Philippines (FINEX). Mr. Aguda was a former Chief Information Officer of Globe Telecom, Inc., a publicly listed company. He served as the Chief Technology Officer and Senior Vice President for the IT Group of the Government System Insurance Services (GSIS) and the Group Chief Information Technology Officer of Digitel Telecommunications Philippines. He was also the Chief Operations Officer and Chief Financial Officer of Nextel Communications Philippines.

In addition to this, he has worked with Fujitsu Philippines, Bayantel, and Computer Information Systems Inc. Mr. Aguda obtained his degrees in Bachelor of Science in Mathematics and Juris Doctor, both from the University of the Philippines. He is one of the authors of the books, "Data Privacy & Cybercrime Prevention in the Philippine Digital Age" and "Opening the Archipelago: The Story of Blockchain in the Philippines".

Non-Voting Member: Information Technology and Cybersecurity Committee

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

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

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

Manoj Varma holds the position of Senior Executive Vice President and Head of the Consumer Banking Group of UnionBank. He is also the Chairman of Citicorp Financial Services and Insurance Brokerage Philippines, Inc. Prior to joining the Bank, he was the Country Business Manager of Citibank Philippines from 2018 to 2022. During his 30-year career with Citibank, he served in various business management across all functional units in finance, sales, credit, and marketing from Philippines, India, Taiwan, South Korea, and the United States of America. Mr. Varma graduated in bachelor's degree in mechanical engineering from New Delhi, India and obtained his MBA degree from Georgetown University, Washington DC.

Roberto F. Abastillas holds the position of Executive Vice President and Center Head of the Commercial Banking of UnionBank. He is also a Director of First Union Insurance & Financial Agencies, Inc. He started his career with the Bank in 2006 as Senior Vice President and Head of the Commercial Banking 1 Group. Mr. Abastillas was previously Senior Vice President and Head of the Account Management Center I at International Exchange Bank from 1995 to 2006. He was Vice President and Head of the Account Management Group 1 for United Coconut Planters Bank from 1986 to 1995.

Ramon G. Duarte holds the position of Executive Vice President and Head of Transaction Banking Center of UnionBank. He was previously Chief Technology Officer of Dotenable, Inc. from 2000-2001; Head of Electronic Banking Transaction Services at ABN AMRO Philippines from 1999 to 2000; and Assistant Vice President of Product Management under Global Transaction Services at Citibank from 1996 to 1999.

Antonino Agustin S. Fajardo is Executive Vice President and Center Head of Corporate Banking of UnionBank and serves as Director of First Union Insurance & Financial Agencies, Inc., a subsidiary of the Bank. He is also a Senior Credit Officer and has had broad experience in the corporate and consumer sectors of the Bank in various leadership roles. He headed the Mortgage Business from 2013 to 2017, and in the early years of the Bank from 1994 to 1998, also played key roles in the Specialized Lending Group, which was involved in general project finance and the on-lending of official development funds to key accounts. Prior to joining the Bank, he was Project Officer for the Private Development Corporation of the Philippines.

Mary Joyce S. Gonzalez holds the position of Retail Banking Center Head at UnionBank with a Corporate Rank of Executive Vice President. She is also the Chairperson of First Union Insurance and Financial Agencies, Inc., at the same time she is Director of UBP Investments Corporation and First Union Direct Corporation, all subsidiaries of the Bank. She started her career in UnionBank as Branch Manager of the Main Office Branch in 1994. After a few months, she was given an expanded role as Sales Director of the Makati 1 Region. Her stint as Sales Director over the years saw major growth in the deposit and fund generation business, and the development of a very capable sales management team. In recognition of her contribution to the business, Joyce was promoted to Senior Vice President and was given an additional task to develop and lead Customer Segment Management and bring greater customer centricity in UnionBank's pursuit in delighting its customers, given her seasoned abilities, and exposure in the business of Retail Banking.

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

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

Member: Executive Committee

Alternate Member: Risk Management Committee, Market Risk Committee

Eric S. Lustre holds the position of Executive Vice President and Chief Trust Executive of UnionBank. He most recently served as President and Chief Executive Officer of Philam Asset Management, Inc. from 2016 to 2021. Simultaneous to his role, he held various roles with Philam Group of Companies as Country Credit Officer and Chief Executive Officer of Philam Properties Corporation, Philamlife Tower Management Corporation, Philamlife Tower Condominium Corporation and the President of Tower Club, Inc. Mr. Lustre also served as Head of Corporate Finance and Real Estate Investment of The Philippine American Life and General Insurance Company. He was previously a member of the Board of Directors of the following corporations: Phinma Corporation, a publicly listed company; Philam-Equitable Life Assurance Company; ICCP Holdings, Inc.; Science Park of the Philippines, Inc.; Regatta Properties, Inc.; Beacon Property Ventures, Inc.; Pueblo de Oro Development Corporation; Cebu Light Industrial Park, Inc.; and RFM-Science Park of the Philippines, Inc.

Mr. Lustre started his banking career as a Staff Analyst for Corporate Account Management in Far East Bank & Trust Company, and with Citibank N.A. Manila Branch as Assistant Manager for Corporate Sales. He has a Bachelor of Science in Business Management from Ateneo de Manila University and holds a Master's degree in Business Management Major in Finance from the Asian Institute of Management.

Dennis D. Omila holds the position of Executive Vice President, Chief Information Officer, IT Services Group and Operations and Shared Services Group Head of UnionBank. He was the former Senior Vice President of the Infrastructure Engineering and Service Operations cluster of Globe Telecom, Inc., a publicly listed company, from 2014 to 2016. He was also the President and COO of NetX Technology Solutions, Inc. from 2002 to 2007. His certifications include Certified Information Systems Security Professionals (CISSP), Certified Check Point Security Instruction (CCSI), Certified Check Point Security Engineer (CCSE), Certified Check Point Security Administrator (CCSA), Vulnerability Assessment Specialist, Threat Assessment Specialist, Certified Core and Edge ATM Network Specialist (Fore Systems), Certified Networks Administrator (Nortel Networks), Certified SINIX, IRIX, Solaris and BSD UNIX Administrator and Business Continuity Certified Planner (BCCP).

Mr. Omila is a graduate of De La Salle University with a degree in Bachelor of Science major in Computer Science with specialization in Computer Technology (BSCS-CT).

Michaela Sophia E. Rubio holds the position of Executive Vice President and Chief Human Resource Officer of UnionBank. She is also the Lead for CSR, Sustainability, and Occupational Safety and Health Division. She joined the Bank in 2004 as Vice President and handled the Human Resource Services, Training and Organization Development divisions. Subsequently, she became the Deputy HR Director. Prior to joining the Bank, she was the Vice President and Country Human Resource, Quality and Corporate Communications Head in the Philippines of the global electrical and power company, Asea Brown Boveri (ABB) from 1999 - 2001. She worked from 2001 - 2003 as a Senior Consultant in OTI Consulting Singapore working with government owned and private organizations on Singapore Quality Class/Award, People Developer, Industry Capability Upgrading (ICAP) and Work Life and Work Redesign of which she was certified by SPRING Singapore. Before a career in Human Resource, she worked for ten years in the semiconductor and electronics manufacturing industry handling engineering and managerial functions in Statistical Process Control and Quality.

Johnson L. Sia holds the position of Executive Vice President, Treasurer and Head of Global Markets of UnionBank. He was formerly the Head of Financial Markets of ING Philippines. He has twenty-eight (28) years of experience in treasury and financial markets from Citibank Philippines, Singapore and Korea. Mr. Sia started his banking career in Citibank by being part of the bank's Management Associate Program and rose from the ranks. He has broad treasury experience spanning risk management, sales, operations, product development and general treasury management, including balance sheet management.

He has been active in leading industry market issues in the Philippines as Vice Chair of the Open Markets Committee of the Bankers Association of the Philippines (BAP) as well as the Chairperson of the BAP's Benchmark Committee.

He graduated Magna Cum Laude and obtained his Bachelor of Science degree in Computer Science from Ateneo de Manila University. He obtained his Master of Science in Business Management from the Asian Institute of Management and finished his graduate studies with high distinction.

Raymond Anthony B. Acosta holds the position of Senior Vice President and Head of Infrastructure and Service Management of UnionBank. He is responsible for the IT and Service Management operations and has led various infrastructure initiatives of the Bank. Prior to joining the Bank, he was Database Administrator/ Solutions Consultant of iASpire.Net Philippines. He served as LEAD Database Administrator/ Solutions Consultant of Active Business Solutions, Inc. He started his career as LEAD Database Administrator/ Solutions Consultant for DataCenter Operations and Services of Open Systems Operation Corporate Information Solutions, Inc.

Mr. Acosta graduated from Ateneo de Manila University with a degree in Bachelor of Science Major in Management Information Systems.

Atty. Arlene Joan Roxas Tanjuaquio-Agustin holds the position of Senior Vice President and Head of Private Banking Group of UnionBank. She is a Chartered Wealth Advisor and a Chartered Trust and Estate Planner. Atty. Agustin brings with her more than two decades of experience and expertise in Treasury and Trust. She started her career in banking in 1990 as a Trader in Asiatrust Bank, then moved to China Banking Corp., a publicly listed company, as an Assistant Manager for Treasury. In 1997, she transferred to Jade Progressive Savings and Mortgage Bank where she became the Senior Assistant Vice President-Treasurer. After her two-year stint, she went to join Robinsons Bank and became its First Vice President, Head of Treasury and concurrent Head of Legal & Credit Administration. From 2007 to 2009, she worked for GE Money Bank where she was appointed as First Vice President and Treasurer. When GE Money Bank was acquired by BDO Unibank, Inc., a publicly listed company, she was appointed as the Customer Solutions Desk Head of the Treasury Capital Markets and Derivatives Division and at the same time served as the First Vice President and Treasurer of BDO Elite Savings Bank until 2011. In the same year, she joined Maybank Philippines, Inc. where she became the Senior Vice President, Treasurer and Head of Global Markets.

Atty. Agustin completed her Bachelor's degree in Political Science and Economics from the University of the Philippines, Diliman. She earned her Juris Doctor Law degree at the Ateneo De Manila University and later took her Master's degree in Business Administration at De La Salle University. She is a member of the Integrated Bar of the Philippines.

Francis B. Albalade holds the position of Senior Vice President and Financial Controller of UnionBank. He is a Certified Public Accountant. Prior to joining the Bank, he was an Audit Partner at Punongbayan & Araullo from 2003 to 2011. He worked as Head of the Transaction Advisory Services from 2007 to 2009 and Audit Senior Manager from 1999 to 2003. He was a former Financial Services Industry Audit Leader at Deloitte Philippines from 2011 to 2016. He earned a Master's degree in Business Management from the Asian Institute of Management.

He graduated with a degree in Bachelor of Science in Commerce, majoring in Accounting, from San Beda College. He attended the Pacific Rim Bankers Program at the University of Washington in 2006.

Maria Angelica C. Balangue is a Senior Vice President and Group Head in the Corporate Banking Center of UnionBank. She joined UnionBank as First Vice President in November 2019. She was previously with China Bank Capital Corporation and ING Bank N.V., Manila Branch. She also worked at the Bank of Tokyo-Mitsubishi UFJ Ltd. in their Manila and Singapore offices. She completed the academic requirements for the Master of Science in Computational Finance at De La Salle University. She obtained her undergraduate degree in Bachelor of Science in Economics from the University of the Philippines, Diliman.

Atty. Joselito V. Banaag holds the position of Senior Vice President, Corporate Secretary, and General Counsel of UnionBank. He was the former Head of the Legal and Compliance Division and Corporate Governance of GT Capital Holdings, Inc., a publicly listed company, from 2012 to 2015. He also previously worked at the Philippine Stock Exchange (PSE), a publicly listed company, as the General Counsel and concurrently, as Chief Legal Counsel of the Securities Clearing Corporation of the Philippines (SCCP). He was also Officer-in-Charge of the Exchange's Issuer Regulation Division. Prior

to that, he held various positions in SGV & Co., Cayetano Sebastian Ata Dado & Cruz Law Offices, PNOG Exploration Corporation, and Padilla Jimenez Kintanar & Asuncion Law Offices.

He earned his Bachelor of Arts in Political Science minoring in Japanese Studies from the Ateneo de Manila University and his Bachelor of Laws from the University of the Philippines.

Konstantin O. Beloglazov holds the position of Senior Vice President and Portfolio Lending Head. Prior to joining the Bank, he was the Consumer Lending Business Strategy & Development Head of Citibank N.A. He has 16 years of experience in Operations, Customer Engagement, Customer Lending and Project Implementation. Expert in call centre operations & productivity, Product & portfolio SME in cards, cash loans, instalments. He started his career with Citibank N.A. and has held various positions within Citibank. Mr. Beloglazov obtained his bachelor's degree in Linguistics from Sakhalin State University.

Antonio Sebastian T. Corro holds the position of Senior Vice President and Chief Cross-Sell Officer & Asset-Backed Lending Head of UnionBank. Prior to joining the Bank, he held various positions from 2001 to 2017 in MasterCard Asia/Pacific Pte. Limited such as Country Manager in Thailand & Myanmar, leading the execution of business development strategies to expand MasterCard products and services throughout Thailand and Myanmar; Country Manager and Chief Representative in Indochina Region, guiding the member banks across the Indochina region Vietnam, Cambodia, Laos and Myanmar, through the execution of franchise related activities, among others; and Vice President for Operations and Member Relations in the Philippines. He also held various positions in Standard Chartered Bank from 1999-2001.

Mr. Corro earned his Administracion de Recursos Fisicos Y Financieros from Colegio Universitario Fermin Toro, Venezuela.

Albert Raymond C. Cuadrante holds the positions of Senior Vice President and Chief Marketing Officer of UnionBank. He was formerly the President of Acumen Strategy Consultants, providing consultancy services focused on strategy, transformation and capability building to enable higher business performance. Mr. Cuadrante has almost 30 years of collective experience in the field of digital commerce, brand management and marketing. In 2008, he joined Jollibee Foods Corporation, a publicly listed corporation, and handled various positions from Marketing Director for Red Ribbon, Vice President and Marketing Head of Jollibee, President for Greenwich, and established and headed the Digital Commerce and Customer Loyalty division for the Philippines, which was tasked to lead the digital transformation for customer-facing touchpoints. He was the recipient of the 2013 Asia Pacific Tambuli Chief Marketing Officer of the Year award. He started his Marketing career at Procter & Gamble Philippines.

Mr. Cuadrante graduated Bachelor of Science Major in Management Engineering (Honors Program) from Ateneo De Manila University.

Gerard R. Darwin holds the position of Senior Vice President and Sales Head of Corporate Solutions under Transaction Banking Center of UnionBank. He has held other roles in the Bank from 2000-2010 initially as a Relationship Manager in Retail Banking Center until he assumed the role of Director of Sales covering several regional areas.

Prior to joining the Bank, he had extensive experience in Retail Banking Sales as a Branch Manager in Philam Savings Bank (an AIG company) from 1996 to 2000 and a Sales Officer in Citytrust Banking Corporation from 1992-1996. He started his banking career at Urban Bank, a mid-sized bank known for private banking in 1990 as a Sales Associate.

Mr. Darwin graduated with a Bachelor of Arts degree in Political Science at the Ateneo de Manila University in 1990.

Joebart T. Dator holds the position of Senior Vice President, Branch Channel Management Head of UnionBank. A graduate of Bachelor of Science in Business Administration Major in Accounting from Enverga University in Lucena City. He has been with the Bank for 25 years and has extensive experience in Branch Operations Management. He has obtained Six Sigma Black Belt Certification last 2015. He was also a former Sales Director under Retail Banking Group. Rose from the ranks, he started

working with the Bank as a Branch Service Officer and eventually became a Branch Manager. In addition to this, he also worked with China Banking Corporation and Metropolitan Bank and Trust Corporation, both publicly listed companies, early in his career.

Montano M. Dimapilis holds the position of Senior Vice President and Head of Business Services Group of UnionBank. He joined the Bank as Vice President and Head of Facilities Management Group in November 2011 before his promotion as First Vice President, Head of Facilities Management Group and Branch Network Management in July 2015. Prior to joining UnionBank, he was Resident Manager/ General Manager of Pacific Plaza Condominium Association under FPD Asia Property Management. Involved in various consultancy works related to property management and construction. He was Operations Manager of Phoenix Omega Development Corporation. He also worked as Project Manager and Project Site Engineer to companies in Saudi Arabia.

Mr. Dimapilis is a licensed Civil Engineer and Real Estate Broker. He earned his Bachelor of Science in Civil Engineering degree from Adamson University and took his Master of Business Administration degree from Ateneo de Manila University.

Carlo I. Eñanosa holds the position of Senior Vice President and Head of Corporate Planning and Investor Relations of UnionBank. He also served as Treasurer of UBX Philippines Corporation, a wholly-owned subsidiary of the Bank. He joined the Bank in 2015 as Assistant Vice President and Head of Strategic Risk Management Division and then held the role of Vice President and Head of Budget and Planning Division. Prior to joining the Bank, he was Senior Assistant Vice President and Head of Strategic Management Department of East West Banking Corporation, a publicly listed corporation. He had been a Project Management Officer for Citigroup Business Service – Asia. He also worked with International Exchange Bank from 1998-2006 and held roles as Methods Analyst and Investments & Capital Budgeting Officer. Mr. Eñanosa graduated from De La Salle University with a Bachelor's degree in Industrial Engineering Minor in Mechanical Engineering.

Concepcion Perla P. Lontoc holds the position of Senior Vice President and Sales Director of the Bank. She was First Vice President and Sales Director from July 2016 to June 2020. She started her career with the Bank as Assistant Manager/ Sales Officer in May 1996. She graduated with a degree in BS Economics from the University of the Philippines Diliman in 1989.

Michael P. Magbanua holds the position of Senior Vice President and Head of Corporate and Digital Operations of UnionBank. He was First Vice President and Head of Operations and Shares Services of the Bank from July 2019 to July 2021. From 2014 to 2016, he served as President & CEO of Price Solutions Philippines, Inc, a Standard Chartered Group Company. Prior to this, he held various positions in Sales and Distribution with Citibank N.A. Philippines and its affiliates. He was Marketing Manager, and Operations Special Projects & Front-end Collection Manager in Equitable Cardnetwork, Inc.

Mr. Magbanua graduated from the De La Salle University with Bachelor's degree in Business Administration Major in Computer Application. He obtained his MBA from the University of the Philippines.

Dave T. Morales holds the position of Senior Vice President and Head of Mortgage Finance Business of UnionBank. He joined the Bank as Relationship Manager and then assumed the role of Sales Director. He started his career as Merchants Specialist Acquiring of FarEast Bank & Trust Company. He has also worked with Bank of the Philippine Islands, a publicly listed company, as Merchants Sales Acquiring.

Mr. Morales is conferred a Doctor of Philosophy in Commerce and earned his Master's degree in Business Administration both from the University of Santo Tomas.

Raquel P. Palang holds the position of Senior Vice President of UnionBank. She is presently seconded to City Savings Bank, Inc. (CSB), a subsidiary of UnionBank, as Treasurer. Prior to being seconded to CSB, she was Deputy Treasurer with a rank of First Vice President. She has a total of 29 years of banking experience, having held various positions in Treasury including Head of Asset-Liability Management, Head of Foreign Currency-Denominated Bond Portfolio Management, and Head of Fixed Income & Derivatives Trading. She also served as lending officer at UnionBank's Regional

Business Center prior to moving to the Treasury Department. She started her banking career at Asian Banking Corporation as Account Assistant at the Correspondent Banking and Corporate Banking Groups.

Ms. Palang graduated from the University of the Philippines, Diliman with a degree of BS Business Administration in 1991 and Master's of Business Administration in 1998. She also holds a Certificate in Strategic Business Economics Program (SBEP) from the University of Asia and the Pacific and a Certificate in Leadership for Business Results from the Asian Institute of Management (AIM).

Ruby Gisela L. Perez holds the position of Senior Vice President of UnionBank. She currently serves as Chief Operating Officer of UnionDigital Bank Inc., a subsidiary of the Bank. She possesses over 25 years of experience in banking across the following disciplines: Business Process Management, Corporate Planning & Investor Relations, Project & IT Vendor Management and Enterprise Architecture. Ms. Perez obtained a Bachelor of Science degree in Industrial Engineering from the University of the Philippines – Diliman. She also attended Strategic Business Economics Program from the University of Asia and the Pacific, Six Sigma Black Belt and Scrum Master Programs, and Banking Industry Architecture Network Foundation Course.

Ronaldo Jose M. Puno currently holds the position of Senior Vice President and Solutions Delivery Head of UnionBank, where he is responsible for the bank's overall software development. He joined the Bank on June 4, 2018 as Head of Business Process Automation.

Prior to the bank, Mr. Puno directed local privately-held holdings companies in applying new technologies for mass housing and transportation segments. Mr. Puno also served as the Global Business Process Lead in the U.S.A for one of the world's largest biotechnology companies, leading process improvement and automation COE activities for N. America, EMEA, Brazil, Latin America, and Asia. Mr. Puno also worked at the U.S.A's leading car rental company to automate and digitize its case management and fulfillment processes, and implemented the OMS for one of the world's largest telecommunications companies. Mr. Puno graduated with a degree in Commerce from the University of Virginia, U.S.A.

Jose Maria O. Roxas holds the position of Senior Vice President and Sales Director of UnionBank. He started his career with the Bank as Foreign Exchange Trader and then transferred to Retail Banking Group as a Relationship Manager. In 2011, he was promoted as Sales Director for the Bank's Metro Central Region and for Ortigas Central Business district in 2017. Mr. Roxas graduated from De La Salle – College of St. Benilde with a degree in Bachelor of Science in Business Management.

Raquel N. Sevidal holds the position of Senior Vice President and Head of the Wholesale Credit Group of UnionBank. She has more than twenty-four (24) years of experience in the banking industry. She was formerly First Vice President and Sub-Group Head - Countryside of the Commercial Banking Group of Metropolitan Bank and Trust Company ("MBTC"). She also previously held the position of Division Head of Credit Group from and a Designated Senior Credit Officer of MBTC. She started her career as Relationship Manager of Equitable PCIBank.

Ms. Sevidal graduated with a Bachelor of Science degree in Psychology from the University of Santo Tomas and holds a Master's degree in Business Administration at De La Salle University.

Gautam Sharma holds the positions of Senior Vice President and Retail Bank Sales Network Head of UnionBank. He has a 15-year track record of success in financial services and a result-oriented professional with experience across business strategy, portfolio management, sales & marketing, and digital banking. Prior to joining the Bank, he was Senior Vice President in Regional Retail Bank for APAC & EMEA of Citibank, N.A. He started his career with Citibank N.A. in 2007 and has held various positions within Citibank across India, Philippines, and Singapore.

He graduated with a Bachelor's degree in Technology (Mechanical Engineering) from Punjab Technical University and obtained his Master's in Management Studies (Marketing) from the University of Mumbai.

Julian P. Tarrobago, Jr. holds the position of Senior Vice President and Chief Investment Officer of UnionBank. Prior to joining the Bank, he was Head of Equities of ATR Asset Management (ATRAM), where he managed the best-performing Equity Fund in the Philippines for the past 6 years.

Prior to this, he worked with ING Bank as its Assistant Vice President for Investments for four (4) years--where he spear-headed the implementation & development of the Regional Equity Investment Process, in collaboration with the Australian and Hong Kong IIM Offices. He had a short stint with Sunlife of Canada as its Senior Equities Portfolio Manager. Earlier, he was Vice President for Investment Research at Philippine Equity Partners, Inc (formerly known as Merrill Lynch Philippines) where he functioned mainly as an industry analyst covering consumer, property and power and energy sectors.

Mr. Tarrobago completed his degree in Management of Financial Institutions from De La Salle University Manila and finished further certifications in ING Investment Institute Hong Kong in 2007 and the UBS Asset Management Academy of the Phil Securities and Exchange Commission Singapore in 2017.

Jeannette Yvonne M. Zagala holds the position of Senior Vice President and Financial Markets Sales Head of UnionBank. Prior to joining the Bank in November 2017, she was First Vice President and Distribution Group Head of East West Banking Corporation, a publicly listed company. She has extensive experience with distribution of investment and foreign exchange sales, fixed income securities and UITF products to different market segments, among other. Ms. Zagala's leadership positions have included serving as Vice President and Fixed Income Products and Trading Desk Head of Citicorp Financial Services and Insurance Brokerage Phils., Inc. from July 2010 to January 2015, Senior Assistant Vice President and Fixed Income Asian Credit Portfolio of Banco De Oro Universal Bank, a publicly listed company, from February 2007 to July 2010. She started her career as Money Market Trader from The Philippine Banking Corporation, and later joined the Metropolitan Bank and Trust Company, a publicly listed company as USD/PhP Swap and Forward Trader. She held various positions with the National Association of Securities Brokers, Inc. and currently serves as Co-Chair of its Education Committee.

Ms. Zagala graduated with a Bachelor of Science degree in Business Economics from the University of the Philippines and completed her Applied Business and Economics Program Candidate from the University of Asia and the Pacific.

Myrna E. Amahan holds the position of Senior Vice President and Chief Audit Executive of UnionBank. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and has the designation of Certification in the Governance of Enterprise Information Technology (CGEIT). On top of these certifications in the field of internal audit and information technology, Mrs. Amahan is a qualified internal audit external validator, having undertaken the necessary training as well as passing the required exams. As qualified external validator, Mrs. Amahan is certified to conduct quality assessment of internal audit units as required under the International Standards for the Professional Practice of Internal Auditing.

She previously worked as supervising IS auditor at Equitable-PCI Bank from 1996 to 2000 and was Head of the System Consultancy Services of the Commission on Audit from 1993 to 1996. Also, while with the Commission on Audit, Mrs. Amahan was among the government auditors sent to various United Nations agencies to conduct information systems audit. Mrs. Amahan graduated Magna Cum laude with a degree of Bachelor of Science in Commerce Major in Accounting from the University of San Carlos. She obtained a Master's degree in Public Management from the Development Academy of the Philippines in 1994.

Rear Admiral Rommel Jason L. Galang PN, (Ret.) holds the position of Senior Vice President and Chief Security Officer of UnionBank. Prior employment in Unionbank, he is a senior officer of the Philippine Navy where he held various position. Rear Admiral Galang is a distinguished military officer with over 38 years of active service and exhibits exceptional standard of excellence, fine leadership acumen, a notable innovator in navy modernization and perspective vision. He has expertise in the field of strategic and tactical planning, operations and research, project management on the Philippine Navy Modernization program, and special operations. His notable position while on active service was the former Commander of the Naval Sea Systems Command; Commander, Naval Forces West; Deputy

Commander, Philippine Fleet; Commander, Littoral Combat Force; Chief of United Command Staff, Western Command, AFP; Director, Naval Research and Technology Development Center; and Commander of the Naval Special Operations Group (Navy seals).

Rear Admiral Galang PN (ret) is a recipient of the Philippine Legion of Honors medal given by president Rodrigo Duterte, and the Order of Lakandula (rank of Commander) given by President Gloria Macapagal Arroyo. He also received Four Distinguished Service Star, Two Distinguished Navy Cross, Two Meritorious Achievement Medal, One Distinguished Service Medal, One Gawad sa Kaunlaran Medal, Five Bronze Cross medal, Two Silver Wing medal, Thirty Three Military Merit Medal, Two Military Civic Action Medal, Seven Military Commendation Medal, and Ten more assorted medals making him one of the few Navy Officers who received more than 50 different medals throughout his Naval Career. He is a graduate of the Philippine Military Academy Class of 1987 and obtained his master's degree in Management (Public Administration) from the Philippine Christian University.

Irma M. Lasquety holds the position of Senior Vice President and COO/Acting Trust Officer of UnionBank. She has a solid experience, specializing in the overall management of global transaction operations under the Trust Department/ Asset Management from both foreign and local banks. She was formerly served as Senior Assistant Vice President and Deputy Operations Head of BDO Unibank, Inc., a publicly listed corporation. Prior to this role, she was Vice President, Deputy Operations Head for Global Technology Operations Asset Management of Deutsche Bank AG, Manila. She started her career with Citytrust Banking Corporation, Inc. as Project Manager under the Trust Department.

Ms. Lasquety is a Certified Public Accountant and a Registered Financial Planner. She holds a Bachelor's Degree in Accounting from Philippine School of Business Administration.

Member: Trust Committee

Jose Paolo G. Rufo holds the position of Senior Vice President, Chief Information Security, and Data Protection Officer of UnionBank. Mr Rufo is a Certified Information Systems Security Professional and Founding Member and Treasurer of ISC2 Philippine Chapter. Prior to joining the Bank, he was Head of Data Privacy and Information Security Governance, and formerly served as Head of Data Management and Development of Globe Telecom, Inc. (a publicly listed company) from 2010 to 2018. He also served under the Government Service Insurance System as the Head of SAP and Database Administration Unit from 2009 to 2010.

Mr. Rufo graduated with the degree in BS Statistics from the University of the Philippines - Diliman.

Joselynn B. Torres holds the position of Senior Vice President and Chief Compliance and Corporate Governance Officer of UnionBank. With over thirty years of experience in the financial and compliance services industries, working in the areas of business development and mergers and acquisitions, audit, compliance and quality assurance, most of which were spent in the banking sector. She was the Business Development Head of City Savings Bank, Inc. (a UnionBank subsidiary), heading the product development function and assisted in the microfinance business acquisitions. As Senior Vice President, she previously handled Business Development, in charge of mergers & acquisitions, for Philippine Bank of Communications (PBCOM), a publicly listed company; and Compliance and Audit responsibilities for Citibank N.A. Philippines and ABN AMRO, responsible for the promotion of control and compliance awareness among the employees of the organization.

Atty. Buenaventura S. Sanguyo, Jr. holds the position of Vice President, Deputy Head of the Legal Division and Assistant Corporate Secretary of UnionBank. He is also the Corporate Secretary of various subsidiaries of the Bank. Prior to joining the Bank, he was the Assistant Vice President and General Counsel of The Philippine Stock Exchange, Inc., a publicly listed company, from 2012 to 2015. He was previously a Partner at Castro Sanguyo Margarejo and Rosas Law Office. He was also engaged as an Associate of Reyes Francisco & Associates Law Office and Senior Tax Consultant at Isla Lipana & Co./ Pricewaterhouse Coopers. He graduated Cum Laude from the University of Santo Tomas with a degree in Bachelor of Arts in Political Science and obtained his Law degree from the University of the Philippines.

Therese G. Chan holds the position of Head of Wealth and Brokerage of UnionBank. She serves as Director of Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and as Chairman of

Citifinancial Holdings Corporation. Prior to joining the Bank, she was Retail Bank Director of Citibank N.A. Philippines. She also held various roles with Citibank N.A. Philippines such as Sales & Distribution Director from 2016-2019, and Senior Vice President for S&D Cards Sales Head (2012-2015) and CitiPhone (2010-2011), among others. Ms. Chan holds a Bachelor of Science degree in Broadcast Communication minor in Economics from the University of the Philippines – Diliman, Quezon City.

Dr. David R. Hardoon holds the position of Chief Data and AI Officer of UnionBank. He also sits in acting capacity as Chief Data Officer for UnionDigital Bank Inc., a subsidiary of the Bank, as Chief Data & Innovation Officer for Aboitiz Group, and as Chief Executive Officer for Aboitiz Data Innovation. He concurrently serves as Senior Advisor to Singapore's Central Provident Fund Board and to Corrupt Practices Investigation Bureau. He also sits as Independent Non-Executive Director for Auto & General Services – Southeast Asia; Data Analytics Advisory Board Member for Singapore Management University; Advisory Board Member for Sim Kee Boon Institute; Executive Education Fellow (Artificial Intelligence) for National University of Singapore; and Honorary Senior Research Associate for University College London. Prior to joining the Bank, he was Chief Data Officer for Monetary Authority of Singapore and subsequently as Special Advisor (Artificial Intelligence).

Mr. Hardoon brings with him years of experience in business and data analytics, artificial intelligence, and machine learning. He holds a PhD in Computer Science in the field of Machine Learning from the University of Southampton. He graduated from Royal Holloway, University of London with a Bachelor of Science degree in Computer Science with Artificial Intelligence.

Vishal Kadian holds the position of Credit Cards and Personal Loans Head of UnionBank. He previously served as the Head of Credit Cards and Unsecured Lending of Citibank Philippines. From August 2018 – July 2021, he was Unsecured Lending Head of Citibank Korea, Inc., and served as Cards Portfolio & Lending Head of Citibank Philippines from January 2014 to July 2018. He also worked with Cards Product in Citibank Australia and has held various roles in Citibank India such as Deputy Branch Manager, Regional Credit Card Manager – Unsecured Lending, and Operation Head – Automobile Loans.

Mr. Vishal is a graduate of BBA from EMPI Business School and holds a Masters' Degree in MBA from T.A. Pai Management Institute.

Erwin Wiriadi holds the position of Chief Risk Officer of UnionBank. Prior to this role, he was the Director and Head of Consumer Risk Management of Citibank N.A. Philippines from 2017 to 2022. He also held various capacities relating to risk management in Citibank N.A. Indonesia for over 20 years. He held Senior Credit Officer entitlement since 2005 during his stint in Citibank N.A. Indonesia and had international exposures through risk reviews/audits and short-term assignment. Mr. Wiriadi graduated from Ohio State University with a degree in MSc Industrial and Systems Engineering.

c) Significant employee

No person who is not an executive officer of the Bank is expected to make a significant contribution to UnionBank.

d) Family Relationship among Directors

Messrs. Erramon I. Aboitiz and Sabin M. Aboitiz are siblings and are related within the 4th degree of consanguinity. Mr. Samel A. Aboitiz is the son of Mr. Sabin M. Aboitiz and thus, are related to each other within the 4th degree of consanguinity.

Other than the foregoing, there are no directors or officers related within the 4th degree either by consanguinity or affinity.

e) Involvement in Certain Legal Proceedings

The Bank is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Corporation was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction by final judgment in a criminal proceeding or being subject to a pending criminal proceeding of any director, person nominated to become a director, executive officer, or control person of the Bank;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director, person nominated to become a director, executive officer, or control person of the Corporation in any type of business or banking activities.

The Bank is a defendant/respondent in various legal actions, most of which are claims for damages arising in the ordinary course of business. The results of these actions, however, will not have a material effect on the Bank's financial position.

Item 10 - Compensation of Directors and Executive Officers

Information as to the aggregate compensation paid or accrued during the last two calendar years and to be paid in the ensuing calendar year to the Bank's Chief Executive Officer and four other most highly compensated executive officers are as follows:

Name	Principal Position	Year	Aggregate Compensation (net of bonuses)	Bonuses
Edwin R. Bautista	President and Chief Executive Officer	2023	Php167,468,031.92 *	Php41,867,007.98 *
Henry Rhoel R. Aguda	Senior Executive Vice President - Chief Technology & Operations Officer & Chief Transformation Officer			
Manoj Varma	Senior Executive Vice President - Consumer Banking Head			
Dennis D. Omila	Executive Vice President - Chief Information Officer & Information Services & Operations Head			
Mary Joyce S. Gonzalez	Executive Vice President - Retail Banking Center Head			
Edwin R. Bautista	President and Chief Executive Officer	2022	Php157,988,709.36	Php39,497,177.34
Henry Rhoel R. Aguda	Senior Executive Vice President - Chief Technology & Operations Officer & Chief Transformation			

Manoj Varma	Officer Senior Executive Vice President - Consumer Banking Head			
Dennis D. Omila	Executive Vice President - Chief Information Officer & Information Services & Operations Head			
Mary Joyce S. Gonzalez	Executive Vice President - Retail Banking Center Head			
Edwin R. Bautista	President and Chief Executive Officer	2021	Php161,483,576.40	Php40,370,894.10
Henry Rhoel R. Aguda	Senior Executive Vice President - Chief Technology & Operations Officer & Chief Transformation Officer			
Jose Emmanuel U. Hilado	Senior Executive Vice President - Chief Financial Officer and Treasurer			
Mary Joyce S. Gonzalez	Executive Vice President - Retail Banking Center Head			
Ronaldo Francisco B. Peralta ⁺	Executive Vice President - Chief Risk Officer			
All other officers & directors as a group unnamed		2023 2022 2021	Php4,430,237,926.29* Php4,179,469,741.78 Php2,904,539,433.60	Php1,080,228,293.15* Php1,019,083,295.42 Php726,134,858.40

**estimated amount*

The non-executive directors each receive a per diem of Php160,000.00 for attendance in meetings of the Board, except for the Chairman of the Board who receives Php240,000.00. The executive directors receive a per diem of Php1,500.00 for attendance in Board meetings and Php3,000.00 for each committee meeting.

The Chairman of each committee receives a per diem of Php120,000.00 per meeting attended and a committee member receives a per diem of Php80,000.00. Per diems and bonuses of some directors who represent institutional shareholders are received by said directors for and on behalf of their respective institutions.

For 2022, the total annual compensation paid to the directors amounted to Php629,530,827.14. In the interest of security, the Bank decided to disclose the annual compensation on an aggregate basis.

The executive officers receive salaries and bonuses which are covered by the Bank's standard employment contract.

UnionBank Employee Stock Plan

UnionBank has an Employee Stock Plan (“ESP”) that allows selected employees of the Bank stock ownership of shares to align the interest of management and shareholders for the long-term success of the Bank. Up to five million (5,000,000) common shares (“ESP Shares”) of the Bank shall be granted once per annum, over a 5-year period, to eligible employees of the ESP with the rank of First Vice President and Up. The ESP is issued in the form of stock certificates and kept under the Bank’s custody for a period of three (3) years. The issue price of the grant is equivalent to the closing price of common shares of UnionBank’s stock on the day the Board of Directors approves the Profit Sharing/ Performance Bonus allocation for the Bank for the year. The last tranche of the ESP was granted on February 6, 2023.

Name	Number of ESP Shares Granted	Date of Grant	Issue Price	Market Price on the Date of Grant
Chief Executive Officer, Senior Executive Vice Presidents, Executive Vice Presidents, Senior Vice Presidents and First Vice Presidents	697,339 (5 th Tranche)	February 6, 2023	Php93.50	Php92.35
	716,399 (4 th Tranche)	January 28, 2022 February 4, 2022	Php97.70	Php97.70 Php110.00
	891,351 (3 rd Tranche)	January 29, 2021	Php71.35	Php71.35
	861,906 (2 nd Tranche)	January 24, 2020	Php59.80	Php59.80
	460,049 (1 st Tranche)	January 30, 2019 February 1, 2019 February 18, 2019 February 22, 2019	Php64.50	Php64.55 Php65.00 Php62.00 Php62.00

Item 11 - Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Record and Beneficial Owners:

The following are known to the registrant to be directly or indirectly the record or beneficial owners of more than 5 percent of registrant’s voting securities (registrant has only one class of voting security, i.e. common shares) as of March 31, 2023:

<i>Title of Class</i>	<i>Name, address of Record Owner & Relationship with Issuer</i>	<i>Name, address of Beneficial Owner & Relationship with Record Owner</i>	<i>Citizenship</i>	<i>No. of Shares Held</i>	<i>Percent of Class</i>
Common	Aboitiz Equity Ventures, Inc. NAC Tower, 32 nd Street Bonifacio Global City Taguig City Principal Shareholders	Aboitiz Equity Ventures, Inc.* NAC Tower, 32 nd Street Bonifacio Global City Taguig City	Filipino	1,175,533,528	49.94%
Common	The Insular Life Assurance Co., Ltd. Insular Life Corporate Center Insular Life Drive Filinvest, Alabang, Muntinlupa Principal Shareholders	The Insular Life Assurance Co., Ltd.* Insular Life Corporate Center Insular Life Drive Filinvest, Alabang, Muntinlupa	Filipino	288,968,125	12.28%
Common	Social Security System East Avenue, Diliman Quezon City Principal Shareholders	Social Security System* East Avenue, Diliman Quezon City	Filipino	430,896,443	18.31%
Common	PCD Nominee Corporation 37/F Tower 1 Enterprise Center	PCD Nominee Corporation** 37/F Tower 1 Enterprise Center	Filipino	279,434,958	11.87%

6766 Ayala Avenue, Makati Cit 6766 Ayala Avenue, Makati City
Minority Shareholders

**Inclusive of PCD-Lodged Shares. Based on previous meeting, Mr. Manuel R. Lozano has been authorized representative for the Aboitiz Equity Ventures, Inc., Mr. Raoul Antonio E. Littaua for The Insular Life Assurance, Co., Ltd., and Mr. Michael G. Regino for Social Security System.*

***The PCD Nominee Corporation, represented by its Director, Josephine F. Dela Cruz, only holds legal title, and not beneficial ownership over the lodged shares.*

(b) Security Ownership of Management

The following are the number of shares comprising the Bank's capital stock (all of which are voting shares) owned of record by the directors, Chief Executive Officer, key officers of the Bank, and nominees for election as director as of March 31, 2023:

Title of Class	Name of Beneficial Owner	Number of Shares, Amount, and Nature of Legal and Beneficial Ownership			Citizenship	Percentage of Class
A. Directors						
Common	Erramon I. Aboitiz	436 26,626,594	Php4,360.00 (r) Php266,265,940.00 (b)	Filipino	0.00% 1.13%	
Common	Justo A. Ortiz	4,440,678 -	Php44,406,780.00 (r) - (b)	Filipino	0.19% 0.00%	
Common	Edwin R. Bautista	1,137,288 -	Php11,372,880.00 (r) - (b)	Filipino	0.05% 0.00%	
Common	Sabin M. Aboitiz	251,459 3,408,579	Php2,514,590.00 (r) Php34,085,790.00 (b)	Filipino	0.01% 0.14%	
Common	Manuel R. Lozano	- 31,864	- (r) Php318,640.00 (b)	Filipino	0.00% 0.00%	
Common	Samel A. Aboitiz	454,685 -	Php4,546,850.00 (r) - (b)	Filipino	0.02% 0.00%	
Common	Ana Maria A. Delgado	131,454 3,459,954	Php1,314,540.00 (r) Php34,599,540.00 (b)	Filipino	0.01% 0.15%	
Common	Nina D. Aguas	1 -	Php10.00 (r) - (b)	Filipino	0.00% 0.00%	
Common	Robert Joseph M. De Claro	1 -	Php10.00 (r) - (b)	Filipino	0.00% 0.00%	
Common	Rolando L. Macasaet	1 -	Php10.00 (r) - (b)	Filipino	0.00% 0.00%	
Common	Roberto G. Manabat	81 -	Php810.00 (r) - (b)	Filipino	0.00% 0.00%	
Common	Manuel D. Escueta	81 -	Php810.00 (r) - (b)	Filipino	0.00% 0.00%	
Common	Josiah L. Go	81 28,931	Php810.00 (r) Php289,310.00 (b)	Filipino	0.00% 0.00%	
Common	Atty. Francisco Ed. Lim	9,678 -	Php96,780.00 (r) - (b)	Filipino	0.00% 0.00%	
B. Officers						
Common	Henry Rhoel R. Aguda	671,555 -	Php6,715,550.00 (r) - (b)	Filipino	0.03% 0.00%	
Common	Roberto F.	929,894	Php9,298,940.00 (r)	Filipino	0.04%	

Title of Class	Name of Beneficial Owner	Number of Shares, Amount, and Nature of Legal and Beneficial Ownership		Citizenship	Percentage of Class
	Abastillas	36,243	Php362,430.00 (b)		0.00%
Common	Ramon G. Duarte	307,350 -	Php3,073,500.00 (r) - (b)	Filipino	0.01% 0.00%
Common	Antonino Agustin S. Fajardo	681,309 -	Php6,813,090.00 (r) - (b)	Filipino	0.03% 0.00%
Common	Mary Joyce S Gonzalez	856,943 -	Php8,569,430.00 (r) - (b)	Filipino	0.04% 0.00%
Common	Eric S. Lustre	10,540 -	Php105,400.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Dennis D. Omila	161,713 -	Php1,617,130.00 (r) - (b)	Filipino	0.01% 0.00%
Common	Michaela Sophia E. Rubio	170,057 -	Php1,700,570.00 (r) - (b)	Filipino	0.01% 0.00%
Common	Raymond Anthony B. Acosta	17,539 -	Php175,390.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Arlene Joan T. Agustin	22,301 -	Php223,010.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Francis B. Albalate	55,395 -	Php553,950.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Maria Angelica C. Balangue	5,006 -	Php50,060.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Joselito V. Banaag	20,177 -	Php201,770.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Antonio Sebastian T. Corro	38,657 -	Php386,570.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Albert Raymond C. Cuadrante	7,356 -	Php73,560.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Gerard R. Darwin	74,817 -	Php748,170.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Joebart T. Dator	43,617 -	Php436,170.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Montano M. Dimapilis	28,607 -	Php286,070.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Carlo I. Eñanosa	27,930 22,955	Php279,300.00 (r) Php229,550.00 (b)	Filipino	0.00% 0.00%
Common	Concepcion Perla P. Lontoc	33,731 -	Php337,310.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Michael P. Magbanua	9,304 -	Php93,040.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Dave T. Morales	16,964 -	Php169,640.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Raquel P. Palang	92,599 3,213	Php925,990.00 (r) Php32,130.00 (b)	Filipino	0.00% 0.00%

Title of Class	Name of Beneficial Owner	Number of Shares, Amount, and Nature of Legal and Beneficial Ownership		Citizenship	Percentage of Class
Common	Ruby Gisela L. Perez	16,424 -	Php164,240.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Ronaldo Jose M. Puno	21,582 -	Php215,820.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Jose Maria O. Roxas	27,949 5	Php279,490.00 (r) Php50.00 (b)	Filipino	0.00% 0.00%
Common	Raquel N. Sevidal	2,855 -	Php28,550.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Julian P. Tarrobago, Jr.	7,433 -	Php74,330.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Jeannette Yvonne M. Zagala	20,374 -	Php203,740.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Myrna E. Amahan	6,937 4,900	Php69,370.00 (r) Php49,000.00 (b)	Filipino	0.00% 0.00%
Common	Donald A. Asuncion	2,023 -	Php20,230.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Alan Jay C. Avila	1,873 -	Php18,730.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Conrad Anthony Dominic L. Banal	30,980 -	Php309,800.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Ronaldo S. Batisan	760 -	Php7,600.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Ma. Cecilia Teresa S. Bernad	92,288 -	Php922,880.00 (r) - (b)	Filipino	0.00% 0.00%
Common	May G. Buencamino	780 -	Php7,800.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Catherine Anne B. Casas	21,974 -	Php219,740.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Wilbert P. Casillano	1,147 -	Php11,470.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Luis Alberto A. Castañeda	27,480 -	Php274,800.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Efrenilo L. Cayanga, Jr.	7,089 -	Php70,890.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Abigail Sarena T. Chua	1,560 -	Php15,600.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Luis Martin S. Clemente	751 -	Php7,510.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Hannah Theresa S. Contreras	55,945 -	Php559,450.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Ma. Theresa S. Daguiso	9,872 -	Php98,720.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Antonio Miguel D. Dans II	7,943 -	Php79,430.00 (r) - (b)	Filipino	0.00% 0.00%

Title of Class	Name of Beneficial Owner	Number of Shares, Amount, and Nature of Legal and Beneficial Ownership		Citizenship	Percentage of Class
Common	Jonathan Jerald V. Deomano	4,943 -	Php49,430.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Julie Anne C. Dela Cruz	579 -	Php5,790.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Gladys G. Enriquez	631 -	Php6,310.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Eduardo V. Enriquez III	3,061 -	Php30,610.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Edric B. Fernandez	548 -	Php5,480.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Marilou I. Ferrer	406 -	Php4,060.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Norman C. Gabriel	4,508 -	Php45,080.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Rommel Jason L. Galang	1,155 -	Php11,550.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Erika Denise D. Go	2,093 -	Php20,930.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Enrique M. Gregorio	8,467 -	Php84,670.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Paula Katerina S. Joson	4,318 -	Php43,180.00 (r) - (b)	Filipino	0.00% 0.00%
Common	James Morris P. Iletto	960 -	Php9,600.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Mariano Dominick F. Lacson	15,772 -	Php157,720.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Irma M. Lasquety	550 -	Php5,500.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Adrian H. Lim	9,166 -	Php91,660.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Angelbert D.G. Macatangay	22,856 -	Php228,560.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Kenneth C. Mariano	593 -	Php5,930.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Ma. Eloisa Jovita M. Mariano	11,650 -	Php116,500.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Don Jerico B. Matriano	973 -	Php9,730.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Wilfredo P. Montino, Jr.	1,842 -	Php18,420.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Edgar Allan G. Oblena	593 -	Php5,930.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Christopher Patrick G. Ocampo	10,999 -	Php109,990.00 (r) - (b)	Filipino	0.00% 0.00%
Common	Lauro P. Peralta	6,191	Php61,910.00 (r)	Filipino	0.00%

Title of Class	Name of Beneficial Owner	Number of Shares, Amount, and Nature of Legal and Beneficial Ownership		Citizenship	Percentage of Class
		-	- (b)		0.00%
Common	Maria Iraida B. Recto	1,529	Php15,290.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Jose Paolo G. Rufo	3,008	Php30,080.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Quintin C. San Diego, Jr.	16,037	Php160,370.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Christine V. Siapno	6,468	Php64,680.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Jose Paolo R. Soliman	1,513	Php15,130.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Rahni R. Svenningsen	8,001	Php80,010.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Ben P. Sy Chu	29,345	Php293,450.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Leslie May S. Tandoc	760	Php7,600.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Fides C. Tiongson	116,185	Php1,161,850.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Ma. Cristina C. Tismo	3,178	Php31,780.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Jo-Ann Fatima L. Tolentino	236,985	Php2,369,850.00 (r)	Filipino	0.01%
		-	- (b)		0.00%
Common	Menchie M. Tormon	4,977	Php49,770.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Joselynn B. Torres	9,142	Php91,420.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Maria Paz B. Urmatam	6,319	Php63,190.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Dominador N. Velasco IV	2,765	Php27,650.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Jane Ann C. Vergara	771	Php7,710.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Jonathan Z. Almeda	3,716	Php37,160.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Anna Lea O. Axalan	3,073	Php30,730.00 (r)	Filipino	0.00%
		5,000	Php50,000.00 (b)		0.00%
Common	Edzel S. Babas	34,473	Php344,730.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Margaret O. Chao	58,118	Php581,180.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Michael Vincent F. Condez	1,909	Php19,090.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Rachel Christine T. Geronimo	18,116	Php181,160.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Girly G. Magnait	580	Php5,800.00 (r)	Filipino	0.00%

Title of Class	Name of Beneficial Owner	Number of Shares, Amount, and Nature of Legal and Beneficial Ownership		Citizenship	Percentage of Class
		-	- (b)		0.00%
Common	Gillian Justine S. Pua	210	Php2,100.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Marnita J. Tan	460	Php4,600.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Ronald Gerard M. Arceo	312	Php3,120.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Aaron Jon D. Atienza	754	Php7,540.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Basille Alicesandara L. Avelino	28	Php280.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Ma. Rowena S. Basconcillo	22,432	Php224,320.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Jenille Stephanie N. Chuan	630	Php6,300.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Honeylee G. Regala	12,996	Php129,960.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Enrique Noel L. Yusingco	2,630	Php26,300.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Ivy T. Zuñiga	3,371	Php33,710.00 (r)	Filipino	0.00%
		-	- (b)		0.00%
Common	Therese G. Chan	14,047	Php140,470.00 (r)	Filipino	0.00%
		-	- (b)		0.00%

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of March 31, 2023 is 45,441,234 shares equivalent to Php454,412,340 at Php10.00/ share which is approximately 1.87% of the Bank's outstanding capital stock.

"r" represents record ownership.

"b" represents beneficial ownership at par value of Php10.00/ share.

- There is no existing voting trust agreement involving shares of the Bank.
- There was no change in control that occurred in the Bank since the beginning of the last fiscal year.

Item 12 - Certain relationship and Related Transactions

Related Party Transactions are transactions or dealings with related parties, regardless of whether a price is charged. These covers all types of transactions both on and off-balance sheet and regardless of which side of the transaction/deal of the Bank is acting.

Parties are said to be related if one has direct or indirect control as well as significant influence over the other. Related Parties of the Bank include, but is not limited to:

(a) Directors, Officers, Stockholders and Related Interests (DOSRI), subsidiaries, affiliates, and any party that directly or indirectly has control over or is subjected to the control of the Bank as well as those with direct and indirect linkages to it, (b) the Bank's and its affiliated companies' directors, officers, stockholders, and their related interests and close family members, and (c) other persons and juridical entities whose interests may pose potential conflict with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

The Group's significant transactions with its related parties are disclosed in Note 32 on Related Party Transactions of the Audited Financial Statements, pages 145-150, as required by Philippine Auditing Standards (PAS) 24, *Related Party Disclosures*, and SEC FRB No. 013. Likewise, disclosure of transactions of the Parent Bank with its subsidiaries that have been eliminated at consolidated level are also disclosed on pages 145-146.

As deemed necessary, enumerated below are the elements of the transactions that are necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions, with reference to the Notes to the financial statements and corresponding pages:

(a) the business purpose of the arrangement	The nature and business purpose are disclosed in columnar format in Note 32 on pages 145-146.
(b) identification of the related party transaction with the registrant and nature of the relationship	As required by PAS 24, the related party transactions and outstanding balances shall be made separately for each of the following categories: (a) parent; (b) entities with joint control of, or significant influence over the entity; (c) subsidiaries; (d) associates; (e) joint ventures in which the entity is a venturer; (f) key management personnel of the entity or its parent; and (g) other related parties as disclosed in Note 32, pages 145-146.
(c) how transaction prices were determined by the parties;	Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability and did not present other unfavorable conditions. The Bank has a Related Party Transaction (RPT) Committee which assists the BOD in ensuring that all related party transactions are done on arm's length terms, in accordance with the Bank's RPT Policy. The RPT Committee's role is further detailed in Note 4, page 35. Discussion of transaction prices are further discussed in the narratives in Note 32, pages 145 to 150.
(d) if disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made; and	In accordance with the Bank's RPT Policy, related party transactions are reviewed by the Bank's RPT Committee for fairness and endorsed to the BOD for approval or confirmation, depending on the amounts involved. Discussion of pricing is discussed in Note 32, pages 145 to 150.
(e) any on-going contractual or other commitments as a result of the arrangement.	Any further commitments, if applicable, are disclosed in narratives in Note 32, pages 145-150.

The disclosure shall also include information about parties that fall outside the definition of "related parties" under PAS No. 24, but with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from others, more clearly independent parties on an arm's length basis. For example, an entity may be established and operated by individuals that were former senior management of, or have some other current or

former relationship with, a registrant. The purpose of the entity may be to own assets used by the registrant or provide financing or services to the registrant. Although former management or persons with other relationships may not meet the definition of a related party pursuant to PAS 24, the former management positions may result in negotiation of terms that are more or less favorable than those available on an arm's-length basis from clearly independent third parties that are material to the registrant's financial position or financial performance. The foregoing required disclosure is not applicable to the Bank.

In some cases, investors may be unable to understand the registrant's reported results of operations without clear explanation of these arrangements and relationships. Items of similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effect of related party transaction on the financial statements. Further details are discussed in narratives and disclosed also in Note 32, pages 145-150.

UNDERTAKING TO PROVIDE COPIES OF THE ANNUAL REPORT AND INTERIM FINANCIAL STATEMENTS

The Bank undertakes to provide without charge to any stockholder who makes a written request for a copy of the Bank's annual report on SEC Form 17-A. Requests may be sent to Mr. Edgar Allan G. Oblena 18th Floor, UnionBank Plaza, Meralco Avenue corner Onyx and Sapphire Streets, Ortigas Center, Pasig City.

The Bank likewise undertakes to provide without charge to any stockholder, during the Annual Stockholder's Meeting, a copy of SEC Form 17Q containing UnionBank's Interim Financial Statements, Management Discussion and Analysis of Financial Condition and Results of Operation.

PART IV - EXHIBITS

Item 13 - Exhibits and Reports on SEC Form 17C

- a) Exhibits – Please refer to the Index to Exhibits on page 107.

The other exhibits, as indicated in the Exhibit Table of Securities Regulation Code Forms are either not applicable to the Bank or require no answer.

- b) Report on SEC Form 17C

Provided below is a summary of reports on SEC Form 17-C (Current Report) disclosed to PSE and PDEX, and filed with the SEC for the period April 2022 to March 2023:

Date of Report	Event Reported
April 1, 2022	Hiring of Ms. Maria Iraida B. Recto, Asset and Liability Portfolio Management Head and First Vice President, effective April 1, 2022
April 1, 2022	Resignation of Mr. Gerb Reign B. Inajada, Vice President, effective April 1, 2022
April 4, 2022	Stock Rights Offering - Offer Price per Rights Share, Entitlement Ratio, and Timetable of Activities
April 7, 2022	Advisory on the posting of the Final Prospectus dated April 4, 2022 to UnionBank's website
April 8, 2022	Approval by the Philippine Competition Commission of the proposed acquisition by UnionBank of assets in Citibank N.A., Philippine Branch, and Citi Square Building Corporation, and shares in Citicorp Financial Services & Insurance Brokerage Philippines, Inc.
April 8, 2022	Amended - Approval by the Philippine Competition Commission of the proposed acquisition by UnionBank of assets in Citibank N.A., Philippine Branch, and Citi Square Building Corporation, and shares in Citicorp Financial Services & Insurance Brokerage Philippines, Inc.
April 11, 2022	Resignation of Ms. Marcy Leonora V. Pilar, Platform Product Manager and Vice President, effective April 14, 2022

Date of Report	Event Reported
April 22, 2022	Results of the Board of Directors' meeting held on April 22, 2022: 1. Retirement of Mr. Angelo Dennis L. Matutina, Executive Vice President, effective May 3, 2022 2. Hiring of Dr. David Roi Hardoon, Chief Data and AI Officer, effective April 22, 2022 3. Promotion of Mr. Bronell C. Gonzales from Senior Manager to Assistant Vice President/ Product Owner, effective May 6, 2022
April 22, 2022	Press Release dated April 22, 2022 re: UBP 1Q2022 Net Income at Php2.6 Bn
April 22, 2022	Material Information/ Transactions re: UnionBank recorded a net income of Php2.6 billion in the first quarter of 2022
April 22, 2022	Consolidated Key Financial Information as of March 31, 2022
April 22, 2022	Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors held on April 22, 2022
April 25, 2022	Hiring of Mr. Robertson B. Tolentino, Quality Management and Training Head and Assistant Vice President, effective April 25, 2022
May 2, 2022	Hiring of the following senior officers effective May 2, 2022: 1. Mr. Samuel Anthony D. Oberes, Salesforce Lead and Assistant Vice President 2. Mr. Dandelo R. Cardona, Regular Infrastructure Operations and Assistant Vice President
May 12, 2022	Stock Rights Offering re: Resulting Increase in the Total Number of Issued and Outstanding Shares
May 16, 2022	Press Release dated May 16, 2022 re: Union Bank of the Philippines Completes Php40 Billion Stock Rights Offering
May 16, 2022	BSP Form 2B – Published Balance Sheets (Parent and Consolidated) as of March 31, 2022
May 23, 2022	Press Release dated May 23, 2022 re: UnionBank announces first-ever digital peso bond offering
May 23, 2022	Material Information/ Transaction re: UnionBank announces first-ever digital peso bond offering
May 25, 2022	Change in the Number of Issued and Outstanding Shares
May 26, 2022	Resignation of the following senior officers effective June 1, 2022: 1. Ms. Agnes Victoria D. Casal, Assistant Vice President 2. Mr. Efren D. Dancel, SME Market Insights Officer and Assistant Vice President
May 26, 2022	Reply to Exchange's correspondence on clarification to news article entitled "BDO, UnionBank faces sanctions over hacked accounts"
May 27, 2022	Results of the Board of Directors' meeting held on May 27, 2022: 1. Extension of the services of the Bank's President and Chief Executive Officer, Edwin R. Bautista, until December 31, 2025 2. Promotion of Executive Officers effective June 1, 2022
May 31, 2022	Hiring of Ms. Shiendy G. Benitez, Deal Manager and First Vice President, effective May 31, 2022
June 1, 2022	Hiring of the following senior officers effective June 1, 2022: 1. Ms. Irma M. Lasquety, CPA, RFP, Trust Operations Head and First Vice President 2. Ms. Riza D. Marasigan, Visa Credit Card Products Head and Assistant Vice President
June 2, 2022	Press Release dated June 2, 2022 re: UnionBank raises Php11 billion in maiden digital peso bonds
June 2, 2022	Material Information/ Transaction re: UnionBank raises Php11 billion in maiden digital peso bonds

Date of Report	Event Reported
June 2, 2022	Amended – Correction on the rank of Ms. Shiendy G. Benitez, Vice President
June 8, 2022	Resignation of Mr. Marwell D. Dalangin, Data Science Solutions Head and Vice President, effective June 11, 2022
June 24, 2022	1. Resignation of Atty. Carmel G. Liria, Assistant Corporate Secretary, effective July 1, 2022 2. Approval by the Board of Directors on the appointment of the following as Assistant Corporate Secretaries, effective immediately: a. Atty. Leila P. Paz-Aguba b. Atty. Cyril F. De Leon c. Atty. Maria Celsa Corina L. Kilayko
June 24, 2022	Approval by the Board of Directors to infuse additional capital of up to Php2.0 billion in equity in UnionDigital Bank Inc.
July 1, 2022	1. Resignation of Atty. Maria Francesca R. Montes, Vice President, Data Protection Officer, and AI and Data Policy Head, effective July 1, 2022 2. Approval by the Board of Directors on the appointment of Mr. Jose Paolo G. Rufo, Chief Information Security Officer, as Data Protection Officer effective July 1, 2022
July 1, 2022	Hiring of the following senior officers effective July 1, 2022: 1. Ms. Raquel N. Sevidal, Credit Review Head and Senior Vice President 2. Ms. Jennifer F. Escasa, Human Resource Operations Head and Vice President 3. Ms. Wenda A. Orejola, Account Officer and Assistant Vice President
July 4, 2022	Hiring of Mr. Edwin B. Caling, Cyber Defense Head and Assistant Vice President, effective July 4, 2022
July 14, 2022	Receipt from the Bangko Sentral ng Pilipinas by UnionDigital Bank Inc. of the Certificate of Authority to Operate a Digital Bank dated July 12, 2022
July 18, 2022	Commencement of Operations of UnionDigital Bank Inc. on July 18, 2022
July 19, 2022	Approval by the Bangko Sentral ng Pilipinas of the acquisition of UnionBank of Citigroup's consumer business in the Philippines, which acquisition is composed of selected consumer assets and liabilities, real estate properties and interests of Citi Square Building Corporation, and 100% of the capital stock in Citicorp Financial Services and Insurance Brokerage, Philippines, Inc.
July 21, 2022	Approval by the Board of Directors on the appointment of Ms. Irma M. Lasquety, First Vice President, as Acting Trust Officer and Member of the Trust Committee, effective immediately, subject to confirmation of the Bangko Sentra ng Pilipinas
July 22, 2022	Resignation of Mr. Paul William M. Gonzales, Head of Corporate Banking Group 9 and Vice President, effective July 26, 2022
July 25, 2022	Hiring of Ms. Margarita F. Ordonez, Senior Product Manager and Assistant Vice President, effective July 25, 2022
July 25, 2022	Clarification of news article posted in philSTAR.com on July 25, 2022
July 25, 2022	UnionBank's 2021 Social Bond Allocation and Impact Report on the application of the gross proceeds of the Social Bond, and the Independent Limited Assurance Report of SyCip Gorres Velayo & Co. on the procedures performed on the Use of Proceeds
July 26, 2023	2021 Social Bond Allocation and Impact Report
July 27, 2022	Resignation of Ms. Daisy L. Alvior, Human Resource Services Head and Assistant Vice President, effective August 1, 2022
July 28, 2022	1. Change in the effective date of appointment of Ms. Margarita F.

Date of Report	Event Reported
	Ordenez, Senior Product Manager and Assistant Vice President, from July 25, 2022 to August 1, 2022 2. Resignation of Mr. Derrick J. Nicdao, Channel Activity Management Head and Vice President, effective August 1, 2022
July 28, 2022	Resignation of Atty. Geosiel A. Cotoco, RegTech, Legal, Policy and Governance Head and First Vice President, effective August 1, 2022
July 29, 2022	Consolidated Key Financial Information as of June 30, 2022
July 29, 2022	Press Release dated July 29, 2022 re: UBP posts Php6.1 billion net income in 1H2022
July 29, 2022	Material Information/ Transaction re: UBP posts Php6.1 billion net income in 1H2022
July 29, 2022	Approval by the Board of Directors on the reclassification of the executive ranks from First Vice President to Senior Vice President 1 and Senior Vice President to Senior Vice President 2, effective immediately
August 1, 2022	Press Release dated August 1, 2022 re: UnionBank completes the acquisition of Citigroup's consumer banking business in the Philippines
August 1, 2022	Material Information/ Transaction re: UnionBank completes the acquisition of Citigroup's consumer banking business in the Philippines
August 1, 2022	Prompt Disclosure of Material Disbursements on the Use of Proceeds of the Stock Rights Offering
August 1, 2022	Hiring of Senior Officers effective August 1, 2022
August 1, 2022	Results of the Special Stockholders' meeting of Citicorp Financial Services and Insurance Brokerage Philippines, Inc. held on August 1, 2022
August 4, 2022	Hiring of Mr. Ramon M. Del Rosario as Head of Network 24/7 Branch Operations and Assistant Vice President, effective August 4, 2022
August 8, 2022	Amended - Hiring of Senior Officers effective August 1, 2022 to reflect the shareholdings of Chan, Therese G. and Pua, Gillian Justine S.
August 9, 2022	BSP Form 2B - Published Balance Sheets (Parent and Consolidated) as of June 30, 2022
August 10, 2022	Resignation of the following senior officers: 1. Mr. Gerardo E. Maula, Technical Services and Operations Head and Assistant Vice President, effective August 10, 2022 2. Ms. Aurielle Kyle M. Nuqui, Wholesale Corporate Credit Risk Team Head and Assistant Vice President, effective August 13, 2022 3. Mr. Gallardo Jesus A. Lopez, Account Management and Governance Head and Vice President, effective August 15, 2022 4. Mr. Margie D. Raymundo, Data Science Team Lead and Assistant Vice President, effective August 15, 2022
August 10, 2022	Notice of Participation of UnionBank in The Philippine Stock Exchange, Inc.'s STAR (Strengthening Access and Reach): Investor Day II on August 16, 2022
August 16, 2022	Hiring of Ms. Louanne T. Oñas, Compliance Officer for Operations and Vice President, effective August 16, 2022
August 17, 2022	Resignation of Mr. Allan Gerard C. Daluz, Senior Relationship Manager - Corporate Banking and Vice President, effective August 20, 2022
August 25, 2022	Resignation of the following senior officers: 1. Mr. Joselito G. Ong, AML Operations Head and Assistant Vice President, effective August 29, 2022 2. Ms. Mary Antonette G. Evalle, Project Management Lead and Senior Vice President 1, effective September 1, 2022
August 26, 2022	Results of the Board of Directors' meeting held on August 26, 2022:

Date of Report	Event Reported
	1. Acceptance of the resignation of Mr. Ron Hose as Independent Director of the Bank and as Chairman of the Operations Risk Management Committee and as member of the Risk Management, Market Risk, Corporate Governance, and Information Technology & Cybersecurity Committees, effective immediately. 2. Appointment of Atty. Faye Cience C. Bohol as Assistant Corporate Secretary, effective immediately.
September 5, 2022	Hiring of Mr. Morris B. Baronia, Technical Services and Operations Head and Assistant Vice President, effective September 5, 2022
September 6, 2022	Appointment of Independent Director Josiah L. Go as Member and Chairman of the Operations Risk Management Committee, effective immediately
September 8, 2022	Resignation of Mr. Ramon Miguel B. Abaño, Customer Insights Manager and Assistant Vice President, effective September 12, 2022
September 12, 2022	Hiring of Mr. Heindrick Franell G. Cu, Data Management Operations Manager and Vice President, effective September 12, 2022
September 16, 2022	Hiring of Mr. Michael Vincent F. Condez, Head of Service Assurance and Vice President, effective September 16, 2022
September 21, 2022	Resignation of the following senior officers: 1. Ms. Liane Nerina D. Reyes, Consumer Product Sales Sr Anal and Assistant Vice President, effective September 23, 2022 2. Ms. Jennifer L. Caparas, Compl Bus Control Sr Analyst and Assistant Vice President, effective September 26, 2022
September 28, 2022	Resignation of Mr. Francis Xavier C. Razon, Intermediate Process Engineer and Assistant Vice President, effective September 30, 2022
September 28, 2022	Approval by the Board of Directors on the following: 1. Appointment of Mr. Johnson L. Sia as Treasurer and Head of Global Markets and Executive Vice President, effective October 1, 2022 2. Appointment of Mr. Jose Emmanuel U. Hilado, Senior Executive Vice President, as Chief Financial Officer, effective October 1, 2022 until December 31, 2022. Mr. Hilado will join Aboitiz Equity Ventures, Inc. as its Chief Financial Officer, effective January 1, 2023 3. Appointment of Mr. Manuel R. Lozano as Executive Vice President and Chief Financial Officer, effective January 1, 2023
October 3, 2022	1. Hiring of the following officers effective October 3, 2022: a. Mr. Ariel Giovanni S. Gemanil, Voice Operations Head and Vice President b. Ms. Sherryl B. Uy, Senior Relationship Manager and Vice President c. Mr. Christian T. Banzuela, SAP Financial Systems Head and Assistant Vice President d. Mr. Rommel P. De Asis, Consumer Product Sales Senior Analyst and Assistant Vice President e. Ms. Noelyn Joyce R. Morales, Platform Lead and Assistant Vice President 2. Change in rank of senior officers effective October 3, 2022
October 5, 2022	Resignation of Mr. Dominique A. Dabad, Business Analytics Manager and Assistant Vice President, effective October 8, 2022
October 10, 2022	Hiring of the following senior officers effective October 10, 2022: 1. Ms. Kaila T. Hizon, Digital Operations and Channel Management Head and Vice President 2. Ms. Sharlyn Veronica M. Alo-Lambot, AML Operations Team Head and Assistant Vice President
October 17, 2022	Quarterly Progress Report on the Application of Proceeds of the

Date of Report	Event Reported
	Stock Rights Offering for the quarter-ended September 30, 2022
October 17, 2022	Hiring of the following senior officers effective October 17, 2022: 1. Mr. Morris M. Abesamis, Technical Lead – TSYS and Assistant Vice President 2. Ms. Anna Margarita A. Gapac, Product Development Head and Assistant Vice President
October 19, 2022	Resignation of Ms. Jayshree P. Luthra, Consumer Product Sales Group M and Senior Vice President 1, effective October 19, 2022
October 19, 2022	Demise of Mr. Ronaldo Francisco B. Peralta, Executive Vice President and Chief Risk Officer, on October 19, 2022
October 24, 2022	Hiring of Ms. Donna Camille T. Nacario, E-Business Manager and Assistant Vice President, effective October 24, 2022
October 25, 2022	Resignation of the following senior officers: 1. Mr. Rogelio C. Bagsic, Jr., Network Engineering and Operations Head and Assistant Vice President, effective October 27, 2022 2. Ms. Roanna Joy Y. Chua, SME Partnerships and Relationships Manager and Vice President, effective October 28, 2022 3. Atty. Ernesto C. Herrera III, Anti-Financial Crimes Governance Head and Vice President, effective November 2, 2022 4. Ms. Kristine Rose G. Gamba, Sec & Derivatives Mgr and Assistant Vice President, effective November 2, 2022
October 28, 2022	Consolidated Key Financial Information as of September 30, 2022
October 28, 2022	Press Release dated October 28, 2022 re: UnionBank 9M2022 Net Income at Php10.1 Billion
October 28, 2022	Material Information/ Transaction re: UnionBank 9M2022 Net Income at Php10.1 Billion
October 28, 2022	Results of the Board of Directors' meeting held on October 28, 2022: 1. Capital raising activities of up to Php20 Billion, which may take the form of (1) a stock rights offering ("SRO") to all existing shareholders and/or (2) a private placement, subject to market conditions 2. Appointment of Mr. Erwin Wiriadi as the Bank's Acting Chief Risk Officer, effective immediately, subject to confirmation of the Bangko Sentral ng Pilipinas
October 28, 2022	Amended – Resignation of Senior Officers dated October 25, 2022 re: Change in the effective date of resignation of Ms. Kristine Rose G. Gamba, Sec & Derivatives Manager and Assistant Vice President, from November 2, 2022 to November 6, 2022
November 2, 2022	Hiring of Ms. Kristine P. Valsadera, Customer Insights Manager and Assistant Vice President, effective November 2, 2022
November 3, 2022	Hiring of the following senior officers effective November 3, 2022: 1. Mr. Konstantin O. Beloglazov, Portfolio Lending Head and Senior Vice President 2 2. Mr. Gautam Sharma, Retail Bank Sales Network Head and Senior Vice President 2
November 7, 2022	Hiring of Mr. Jose Antonio Jobim B. Garcia, Relationship Manager and Assistant Vice President, effective November 7, 2022
November 9, 2022	Hiring of Ms. Katrina Tanya P. Soncuya, Consumer Product Sr. Manager and Vice President, effective November 9, 2022
November 14, 2022	Resignation of the following senior officers: 1. Mr. Ernesto C. Ong, Jr., Collections Sr. Manager and Vice President, effective November 17, 2022 2. Ms. Wendy A. Orejola, Account Officer – Commercial Banking Center and Assistant Vice President, effective November 18, 2022

Date of Report	Event Reported
November 15, 2022	Clarification on the hiring of senior officers on August 1, 2022
November 16, 2022	Hiring of the following senior officers effective November 16, 2022: 1. Mr. Jaypee E. Halagao, Business Analytics Sr. Manager and Vice President 2. Ms. Reena April M. Lumba, Compliance AML Execution Sr. Manager – C13 and Vice President 3. Mr. Abhinav Mahajan, Card Installment and Insurance Head and Vice President 4. Mr. Jonathan Luis M. Bagadiong, Product Development Head - C12 and Assistant Vice President 5. Mr. Alvin D. Maraña, Marketing Sr. Officer – C12 and Assistant Vice President 6. Mr. Jolly A. Punongbayan, IT Business Sr. Analyst – C12 and Assistant Vice President 7. Ms. Rodylen C. Sacala, Customer Service Manager – C12 and Assistant Vice President
November 18, 2022	Clarification on the effective date of resignation of Mr. Jose Emmanuel U. Hilado as Treasurer and Head of Global Markets on September 30, 2022. Mr. Hilado was appointed as Chief Financial Officer of the Bank effective October 1, 2022 until December 31, 2022, and will join Aboitiz Equity Ventures, Inc. as its Chief Financial Officer effective January 1, 2023.
November 21, 2022	Hiring of Mr. Val Ian Caleb A. Leus, Credit Portfolio Senior Analyst and Assistant Vice President, effective November 21, 2022
November 24, 2022	Resignation of the following officers effective November 30, 2022: 1. Ms. Fritz Christen P. Beldad, Senior Corporate Solutions Manager and Assistant Vice President 2. Ms. Desiree B. Fernandez, Compliance Business Control Senior Analyst and Assistant Vice President
November 25, 2022	Press Release dated November 25, 2022 re: UnionBank raised USD358 million in syndicated loan facility
November 25, 2022	Material Information/ Transaction re: re: UnionBank raised USD358 million in syndicated loan facility
November 25, 2022	Results of the Board of Directors' meeting held on November 25, 2022: 1. Changes to the membership of the Corporate Governance Committee, effective immediately 2. Change in rank of Mr. Gilbert A. Camitoc, IT Business Senior Analyst, from Assistant Vice President to Vice President, effective immediately
November 28, 2022	Hiring of Ms. Maria Jerusha J. Ambrosio, Senior Product Manager and Vice President, effective November 28, 2022
December 1, 2022	1. Hiring of the following senior officers effective December 1, 2022: a. Ms. Grace Ann S. Bueno, Data Science Team Leader and Vice President b. Ms. Mildred B. Castillo, Marketing Senior Analyst and Assistant Vice President 2. Resignation of Mr. Ramon Vicente V. De Vera II, Senior Vice President 2, effective December 1, 2022
December 2, 2022	Hiring of Mr. Gerard Chester J. Enriquez, Paylite Product Manager and Assistant Vice President, effective December 2, 2022
December 5, 2022	Hiring of the following senior officers effective December 5, 2022: 1. Ms. Jillian G. Cantada, Major Categories Head and Vice President 2. Ms. Valyne A. Calma, Product Manager and Assistant Vice

Date of Report	Event Reported
	President
December 12, 2022	BSP Form 2B – Published Balance Sheets (Parent and Consolidated) as of September 30, 2022
December 14, 2022	Resignation of the following officers: 1. Ms. Dulcenea L. Ortega, Customer Engagement Group Head and Senior Vice President 1, effective December 17, 2022 2. Ms. Maria Naomi A. Misa, Citigold Relationship Banker and Assistant Vice President, effective December 19, 2022 3. Ms. Karina R. Pilares, SME Product Head and Vice President, effective December 20, 2022
December 16, 2022	Results of the Board of Directors' meeting held on December 16, 2022: 1. Appointment of Mr. Erwin Wiriadi as Chief Risk Officer, effective December 16, 2022, subject to confirmation of the Bangko Sentral ng Pilipinas 2. Hiring of Ms. Isabella Francesca R. Bondoc, Business and Product Development Head and Assistant Vice President, effective December 16, 2022
December 19, 2022	Amended – Resignation of Senior Officers dated December 14, 2022 re: Change in the effective date of resignation of Ms. Karina R. Pilares, SME Product Head and Vice President
December 27, 2022	UnionBank set a target of up to Php12 billion for its Stock Rights Offering
December 28, 2022	Resignation of the following officers: 1. Mr. Roy Joseph R. Roberto, Digital Channels and Engagement Officer (Transformation Initiatives) and Assistant Vice President, effective December 31, 2022 2. Ms. Princees A. Medrano, Product Management Senior Analyst and Assistant Vice President, effective January 1, 2023 3. Mr. Godofredo L. Martinez, Deputy Remedial Management Head and Assistant Vice President, effective January 3, 2023
December 29, 2022	Resignation of Ms. Jacqueline Paula C. Salazar, Senior Product Manager – EON Business and Vice President, effective December 31, 2022
December 29, 2022	Approval by The Philippine Stock Exchange per its Notice of Approval issued on December 16, 2022 of the application of UnionBank to list additional shares to cover its Stock Rights Offering with a par value of Php10.00 to all stockholders of UnionBank as of the record date of January 12, 2023, and also the proposed timetable of the Offer activities.
January 3, 2023	Hiring of the following senior officers effective January 3, 2023: 1. Ms. Sheila P. Umali, Head of Enterprise Customer Engagement Group and Senior Vice President 1 2. Mr. Carlo Ramon R. Jayme, Senior Relationship Manager and Vice President 3. Mr. David R. Medel, Head of IT Strategy and Governance and Vice President 4. Ms. Mary Joy C. Mendez, Account Management Head and Vice President
January 4, 2023	Stock Rights Offering - Offer Price per Rights Share, Entitlement Ratio, Number of Shares to be Issued, and timetable of activities
January 6, 2023	Advisory on the posting of the Final Prospectus dated January 4, 2023 to UnionBank's website
January 9, 2023	Hiring of Mr. Paolo Gabriel A. Macabuag, Head of Data Governance Delivery and Assistant Vice President, effective January 9, 2023

Date of Report	Event Reported
January 11, 2023	Resignation of the following officers: 1. Ms. Rica Estela M. Leyritana, Senior Corporate Solutions Manager and Assistant Vice President, effective January 13, 2023 2. Ms. Dorene Marie N. Ramos, Market Segments and Services Specialist and Assistant Vice President, effective January 13, 2023 3. Mr. Rommel T. Macapagal, CoBrand Cards and Agency Banking Head and Vice President, effective January 16, 2023
January 17, 2023	Appointment of Director Samel A. Aboitiz as Member of the Audit Committee vice Director Manuel R. Lozano, effective immediately
January 18, 2023	Resignation of Ms. Gabrielle M. De Juras, Planning Division Head and Assistant Vice President, effective January 21, 2023
January 25, 2023	Resignation of Mr. Edwin B. Caling, Cyber Defense Head and Assistant Vice President, effective January 30, 2023
January 27, 2023	Consolidated Key Financial Information as of December 31, 2022
January 27, 2023	Results of the Board of Directors' meeting held on January 27, 2023: 1. Acceptance of the resignations of Mr. Michael G. Regino and Atty. Ricardo L. Moldez as nominee directors of the Social Security System (SSS) in the Bank and as members of the various board committees, effective immediately. 2. Election of Mr. Rolando L. Macasaet and Mr. Robert Joseph M. De Claro as nominee directors of SSS in the Bank, effective immediately, to serve the unexpired terms of office of Mr. Michael G. Regino and Atty. Ricardo L. Moldez, respectively. 3. Appointment of Mr. Macasaet and Mr. De Claro to various board committees, effective immediately.
January 27, 2023	Press Release dated January 27, 2023 re: UnionBank FY2022 Net Income at Php12.7 billion
January 27, 2023	Material Information/ Transaction re: UnionBank FY2022 Net Income at Php12.7 billion
January 30, 2023	Resignation of Mr. Rommel P. De Asis, Consumer Product Sales Senior Analyst and Assistant Vice President, effective February 1, 2023
February 1, 2023	Declaration of Cash Dividend of Php2.00 per share in favor of all stockholders of UnionBank as of record date of February 15, 2023, and payment date set on February 27, 2023
February 1, 2023	Stock Rights Offering re: Resulting Increase in the Total Number of Issued and Outstanding Shares
February 3, 2023	BSP Form 2B - Published Balance Sheets (Parent and Consolidated) as of December 31, 2022
February 6, 2023	Press Release dated February 6, 2023 re: UnionBank completed its Php12 billion Stock Rights Offering
February 6, 2023	Material Information/ Transaction re: UnionBank completed its Php12 billion Stock Rights Offering
February 6, 2023	Resignation of Ms. Jeannette M. Manlapig, Business Analytics Manager and Assistant Vice President, effective February 8, 2023
February 7, 2023	Resignation of Mr. Jose Antonio Jobim B. Garcia, Relationship Manager - Corporate Banking and Assistant Vice President, effective February 9, 2023
February 8, 2023	Change in the Number of Issued and Outstanding Shares
February 13, 2023	Approval by the Board of Directors of the secondment of Mr. Henry Rhoel R. Aguda, Senior Executive Vice President and Chief Technology and Operations Officer and Chief Transformation Officer, as President and Chief Executive Officer of subsidiary UnionDigital Bank Inc.
February 14, 2023	Resignation of Ms. Mary Ann P. Benedicto, Onboarding Project Lead and Vice President, effective February 16, 2023

Date of Report	Event Reported
February 16, 2023	Hiring of the following senior officers effective February 16, 2023: 1. Mr. Nathaniel M. Dy-Liacco, General and Targeted Usage Head and Vice President 2. Mr. Nikhil Kumar, Product Development and Rewards Program Head and Assistant Vice President
February 22, 2023	Hiring of Ms. Catherine O. Mistula, Re-Engineering Process Manager and Assistant Vice President, effective February 22, 2023
February 24, 2023	Results of the Board of Directors' meeting held on February 24, 2023: 1. Setting of March 10, 2023 as the Record date for stockholders entitled to vote at the Annual Stockholder's meeting on April 28, 2023 at 1:00 p.m. to be conducted virtually via https://asm.unionbankph.com. Closing of books will be done from April 8, 2023 to April 27, 2023. 2. Approved and endorsed for stockholders' approval the increase in authorized capital stock from Php35,307,852,380.00 to Php60,307,852,380.00. 3. Approved and endorsed for stockholders' approval the amendment of Article 7 of the Articles of Incorporation reflecting the increase in authorized capital stock. 4. Approved and endorsed for stockholders' approval the declaration of stock dividend equivalent to 27% of the Bank's outstanding capital stock. 5. Approved and endorsed for stockholders' approval the payment in cash for fractional shares resulting from the stock dividend declaration.
February 27, 2023	1. Hiring of Ms. Marlyn M. Garrido, Control Head and Assistant Vice President, effective February 27, 2023 2. Resignation of Ms. Jennifer L. Pitao, Business Analytics Manager and Assistant Vice President, effective March 1, 2023
February 27, 2023	Approval by the Board of Directors of the Audited Financial Statements of the Bank and Subsidiaries as of and for the year ended December 31, 2022
February 28, 2023	UnionBank Revised Sustainable Finance Framework
February 28, 2023	UnionBank Notice of Analysts' Briefings for 2023
March 1, 2023	Hiring of Ms. Arnica Mae C. Go, Financial Planning & Analysis Analyst and Assistant Vice President, effective March 1, 2023
March 8, 2023	Changes in Officers: 1. Hiring of Ms. Dia Lareina Pauline G. Wong, Program Manager and Assistant Vice President, effective March 8, 2023 2. Resignation of Mr. Ivan Lester M. Ambrosio, Product Governance Manager and Assistant Vice President, effective March 10, 2023
March 10, 2023	Share Buy-Back Transaction
March 13, 2023	Hiring of Ms. Christia Marie Monica Y. Quintana, Paylite Product Head and Assistant Vice President, effective March 13, 2023
March 14, 2023	Resignation of Ms. Julianne Kirsten O. Khoo, Citigold Relationship Banker and Assistant Vice President, effective March 16, 2023
March 16, 2023	Changes in Officers: 1. Hiring of senior officers effective March 16, 2023: a. Mr. J. Vincent R. Daffon, Market Strategy and Investment Head and Vice President b. Ms. Patricia Joyce G. Gamboa, Senior Corporate Solutions Manager and Assistant Vice President 2. Resignation of Ms. Louanne T. Oñas, Compliance Officer and Vice President, effective March 20, 2023

Date of Report	Event Reported
March 16, 2023	Clarification of news article published on Inquirer.net on March 16, 2023
March 24, 2023	Approval on the Increase of PHP Bonds Program

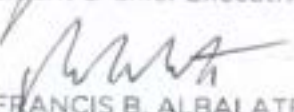
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on APR 17 2023

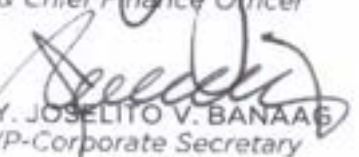
By:


ERRAMON I. ABOITIZ
Chairman of the Board


EDWIN R. BAUTISTA
President & Chief Executive Officer


FRANCIS B. ALBALATE
SVP-Financial Controller/
Principal Accounting Officer


MANUEL R. LOZANO
EVP & Chief Finance Officer

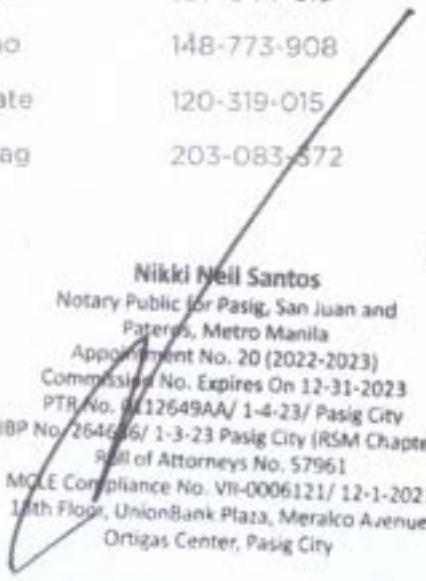

ATTY. JOSELITO V. BANAAG
SVP-Corporate Secretary

APR 17 2023

SUBSCRIBED AND SWORN to before me this ____ of April 2023 at Pasig City, the following affiants exhibiting to me their competent evidence of identity pursuant to 2004 Rules on Notarial Practice.

Name	TIN No.
Erramon I. Aboitiz	103-715-862
Edwin R. Bautista	107-644-613
Manuel R. Lozano	148-773-908
Francis B. Albalate	120-319-015
Joselito V. Banaag	203-083-572

Doc No. 282
Page No. 58
Book No. XI
Series of 2023


Nikki Neil Santos
Notary Public for Pasig, San Juan and
Pateros, Metro Manila
Appointment No. 20 (2022-2023)
Commission No. Expires On 12-31-2023
PTR No. 12649AA/ 1-4-23/ Pasig City
IBP No. 264636/ 1-3-23 Pasig City (RSM Chapter)
Roll of Attorneys No. 57961
MCLE Compliance No. VII-0006121/ 12-1-2021
10th Floor, UnionBank Plaza, Meralco Avenue
Ortigas Center, Pasig City

Notary Public

Index to Exhibits
Form 17A Item 14

Subsidiaries of the Registrant

Additional Exhibits

Annex 1 - List of ATM Terminal as of December 31, 2022

Annex 2 - List of Bank Owned Branches as of December 31, 2022

Annex 3 - List of Leased Branches as of December 31, 2022

Subsidiaries of the Registrant

UnionBank of the Philippines subsidiaries and affiliates include:

	<u>Percentage of Ownership</u>
Subsidiaries:	
City Savings Bank, Inc. (CSB)	99.79%
PetNet Inc. (PETNET)	51.00%
First-Agro Industrial Rural Bank, Inc. (FAIR Bank)	100.00%
UBP Investments Corporation (UIC)	100.00%
First Union Plans, Inc (FUPI)	100.00%
First Union Direct Corporation (FUDC)	100.00%
First Union Insurance and Financial Agencies, Inc. (FUIFAI)	100.00%
UBP Securities, Inc. (UBPSI)	100.00%
UnionBank Currency Brokers Corp (UCBC)	100.00%
UnionData Corporation (UDC)	100.00%
Interventure Capital Corporation (IVCC)	60.00%
UBX Philippines Corporation (UBX)	100.00%
UBX Private Ltd. (UBX SG)	100.00%
UBX Remit Pte. Ltd. (UBX Remit)	100.00%
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan)	70.00%
Progressive Bank, Inc. (PBI)	100.00%
Union Digital Bank (UnionDigital)	100.00%
Citicorp Financial Services and Insurance Brokerage Philippines, Inc. (CFSI)	100.00%

**UNION BANK OF THE PHILIPPINES
LIST OF ATM TERMINALS
As of December 31, 2022**

Union Bank of the Philippines

	Branch Name	Address
1	C5-QC/Libis	15/F Pantry area Zeta Tower Robinson's Bridgetowne along Eulogio Rodriguez Jr. Ave, Bagumbayan, Quezon City
2	GSIS	GSIS Financial Complex, Roxas Blvd., Pasay City
3	GSIS	GSIS Financial Complex, Roxas Blvd., Pasay City
4	Ayala Alabang	Gate 5, La Salle Zobel, University Avenue, Ayala-Alabang Village., Muntinlupa City
5	Tektite	4166 GP Ramon Magsaysay Blvd., Sta Mesa, Manila
6	Tektite	VIP Arcade, Ltd. Alabang - Zapote Rd., Las Piñas
7	Ayala SSS	Ground Floor, SM Makati CyberZone, Sen. Gil Puyat Ave., Makati City
8	Ayala SSS	Startek Ortigas Tiendesitas Ugong Pasig City
9	Newport City	Startek Ortigas Tiendesitas Ugong Pasig City
10	Ayala SSS	Bldg. E, Ortigas Home Depot # 1 Doña Julia Vargas Avenue, Barangay Ugong Pasig City, 1604 Philippines
11	Vertex One-San Lazaro	Ground Flr Vestibule building, UST Hospital, Lacson Avenue, Sampaloc Manila
12	UnionBank Plaza	12/F Philplans Corporate Center, Triangle Drive cor. Bonifacio Triangle, Bonifacio Global City, Taguig, Philippines
13	UnionBank Plaza	7th Floor Harvester Corporate Center 158 P. Tuazon Boulevard corner 7th and 8th Ave., Cubao, Quezon City
14	ICTSI Port Area	Level 2 Casino Area Hallway (beside BDO ATM) Solaire Resort and Casino Hotel Macapagal Ave Bagong Naya Pasay
15	ICTSI Port Area	Level 2 Casino Area Hallway (beside BDO ATM) Solaire Resort and Casino Hotel Macapagal Ave Bagong Naya Pasay
16	32nd Avenue BGC	8th floor NAC building 32nd street BGC near at the football field
17	Timog	EXTREME BINGO 94 timog avenue, Quezon City
18	Triangle Drive BGC	728 A. Bonifacio Ave. Balintawak QC
19	C5-QC/Libis	Eton CyberPod, Corinthians Business Center, Along Ortigas Avenue (infront of Robinsons Galleria)
20	Emerald	6th Floor (Pantry area) SM City, BF Parañaque Sucat Road corner President's Avenue, Parañaque City
21	Emerald	5/F Shaw IT Center 360 Shaw Blvd., cor. 9 de Pebrero St., Brgy. Addition Hills, Mandaluyong City
22	Boni High Street Branch	Medical Center Taguig Levi B. Mariano Ave, Taguig, Metro Manila
23	Vertex One-San Lazaro	Winford Hotel & Casino Brgy. 350, Santa Cruz, Manila, Metro Manila
24	UnionBank Plaza	9F, Shaw IT Center 360 Shaw Blvd corner 9 de Pebrero Street, Barangay Addition Hills San Felipe Neri, Mandaluyong City
25	BGC 38th St. / Uptown	No. 888 Cayetano Ave. C5 Ext. Diversion Rd. Brgy, Palongon Tipas Taguig

	Branch Name	Address
26	UnionBank Plaza	Plaza Headoffice Meralco Ave cor Onyx Street Pasig
27	Renaissance Towers	26/F Alliance Global Tower, 36th Street cor 11th Avenue Uptown Bonfacio Global City Taguig (Near Great Hall)
28	Newport City	G/F Casino floor, Hilton Grand Wing, Newport Boulevard, Newport City, Pasay 1309
29	Malinta	AGC Flat Glass Philippines, Inc. compound 730 M.H. del Pilar St, Pasig, Metro Manila
30	Emerald	ARMSCOR Avenue Brgy Fortune Marikina City
31	Greenfield District	Teleperformance Vertis North 18F Tower A Vertis North, Mindanao Ave , Q.C.
32	Greenhills	1008 Epifanio de los Santos Ave, San Juan, Metro Manila
33	Commonwealth	Corazon Tierro-Javier Building, 24 West Avenue, Barangay Bungad, Quezon City
34	Ayala SSS	4/F technohub Bldg Ortigas Home Depot # 1 Dona Julia Vargas Avenue Bgy. Ugong Pasig City
35	32nd Avenue BGC	8th floor NAC building 32nd street BGC near at the football field
36	UnionBank Plaza	The Plaza Building, Jose Abad Santos Avenue, Berthaphil II, Clarkfield, Pampanga
37	UnionBank Plaza	Site 4 Clark Center 6 Jose Abad Santos Highway Clark Field Pampanga
38	UnionBank Plaza	Tarlac IT Park II, Ninoy Aquino Highway, San Isidro, Tarlac City
39	San Fernando, Pampanga	Pampanga I Electric Coop Inc, Sto Domingo Mexico Pampanga
40	Baguio	Philex Mining Corp, Padcal, Tuba, Benquet
41	Baguio	Philex Mining Corp, Padcal, Tuba, Benquet
42	C5-QC/Libis	Level 2 Robinsons Place Tarlac
43	UnionBank Plaza	Tarlac IT Park II, Ninoy Aquino Highway, San Isidro, Tarlac City
44	Subic	Subic Bay Metropolitan Authority Argonaut Hwy, Olongapo, Zambales
45	Cebu - Banilad	Santo Domingo II,, Capas, Tarlac
46	Subic	Bldg. 8008 Leyte Wharf, Cubi Point, SBMA, Subic, Zambales 2209
47	Baesa	Roman Superhighway, Samal, Bataan
48	UnionBank Plaza	Warehouse Phase 1 and Phase 2, lot 562-B-3, Governor's Dr., Poblacion,Carmona, Cavite
49	UnionBank Plaza	Camarines Sur IT Center, IT Park, Provincial Capitol Complex, Cadlan, Pili 4418 Camarines Sur
50	UnionBank Plaza	Ground Flr.Building ,Embarcadero de Legazpi,Legazpi port Site,Victory Village, Legaspi City
51	Julia Vargas	San Lazaro Leasure Park, Governor Drive., Carmona, Cavite
52	UnionBank Plaza	Camarines Sur IT Center, IT Park, Provincial Capitol Complex, Cadlan, Pili 4418 Camarines Sur
53	Dasmariñas Cavite	De La Salle University Dasmariñas Administration Bldg (Cashier's Area), West Ave., Dasmariñas City, Cavite
54	Julia Vargas	San Lazaro Leasure Park, Governor Drive., Carmona, Cavite
55	Dasmariñas Cavite	G/F DLSUMC New Building, Governor D. Mangubat Avenue City of Dasmariñas, Cavite
56	Tagaytay	Twin Lakes Tagaytay Vineyard Resort Community, Tagaytay-Nasugbu Highway, Alfonso, Cavite (near Canyon Cove)

	Branch Name	Address
57	Cebu - Mandaue	Mactan Economic Zone II, Basak, Lapu-Lapu City
58	Cebu - Mandaue	Lexmark Building, Cardinal Rosales Ave, Cebu City
59	Cebu - Insular Life	Aboitiz & Co. Building Archbishop Reyes Avenue Banilad, Cebu City
60	Cebu - Insular Life	Cardinal Rosales Avenue., Cor. Samar Loop Cebu Business Park., Cebu City
61	Cebu - Insular Life	LinkSy I.T. Park, North National Highway Bantayan, Dumaguete City 6200, Philippines.
62	Cebu - Insular Life	LinkSy I.T. Park, North National Highway Bantayan, Dumaguete City 6200, Philippines.
63	UnionBank Plaza	Locsin Street, Molo, Iloilo City, Iloilo
64	Cebu - Fuente	Cebu Velez General Hospital F. Ramos St, Cebu City, Cebu
65	Cebu - Maxilom	Visayan Electric Company (VECO) J. Panis St., Banilad, Cebu City
66	#N/A	Lapu-Lapu Airport Rd, Lapu-Lapu City, 6016 Cebu, T2 Arrival
67	#N/A	Lapu-Lapu Airport Rd, Lapu-Lapu City, 6016 Cebu, T2 Departure
68	Cebu - Banilad	G/F, Banilad Town Center, Gov. M. Cuenco Ave., Banilad, Cebu City
69	C5-QC/Libis	HGS SM Strata 19F SM Strata Benigno Aquino Avenue Mandurriao, Iloilo City 5000 Philippines
70	UnionBank Plaza	R. Magsaysay Ave. cor. E. Jacinto St., Davao City
71	Emerald	Ground Floor, Fountain Court, SM Lanang Premier JP Laurel Avenue, Brgy. San Antonio Davao City
72	Cebu - Asiatown IT Park	163 - 165 C. Bangoy Sr. St. Davao City, 8000
73	Cebu - Insular Life	Kiwalan Cove, Dalipuga, Iligan City, Lanao del Norte
74	Davao - Magsaysay	Rondez Engineering Center, JP Laurel Ave., Bajada, Davao City
75	Davao - Magsaysay	Ayala Business Center, Matina Town Square
76	Newport City	Newport Blvd, Newport City 1309 Pasay City
77	Ayala SSS	G/F Filinvest Corporate City, Alabang 1781, Alabang, Muntinlupa, 1781
78	Lima	Administration Office Special Economic Zone, Malvar, Batangas, 4233
79	Clark/Phil Excel Branch	MA Roxas Highway, Clark Freeport Zone 2023
80	Clark/Phil Excel Branch	MA Roxas Highway, Clark Freeport Zone 2023
81	Clark/Phil Excel Branch	5398 Manuel A. Roxas Highway, Clark Freeport Zone, Pampanga, Philippines 2023
82	Clark/Phil Excel Branch	MA Roxas Highway, Clark Freeport Zone 2023
83	Clark/Phil Excel Branch	MA Roxas Highway, Clark Freeport Zone 2023
84	Ayala Alabang Country Club	G/F Alabang Country Club, Acacia Drive, Ayala Alabang Village, Muntinlupa City
85	Alabang Town Center	Makati Supermart Alabang, Alabang Town Center, Muntinlupa City
86	Baesa	Dra. C.Pascual Bldg., 142 Quirino Highway, Baesa, Quezon City
87	Dr. A. Santos	G/F, MTF Bldg., Kabesang Segundo corner Dr. A. Santos, San Isidro, Sucat Road, Paranaque City
88	Greenbelt	Twin Cities Condominium, 110 Legaspi St., Legaspi Village, Makati City

	Branch Name	Address
89	Julia Vargas	Centerpoint Condominium, Doña Julia Vargas Ave. cor. Garnet St. Ortigas Center, Pasig City
90	Julia Vargas	Centerpoint Condominium, Doña Julia Vargas Ave. cor. Garnet St. Ortigas Center, Pasig City
91	Richville	Upper G/F Richville Corporate Tower, Alabang-Zapote Rd., Madrigal Bus. Park, Muntinlupa City
92	Shaw Pasig	Chipeco Bldg., Shaw Blvd. corner Meralco Ave., Pasig City
93	Valero	Ground Floor, Le Grand Condominium, 130 Valero St., Makati City
94	Acropolis	171 Bridgeview Bldg., E. Rodriguez Jr. Ave, Bagumbayan, Quezon City
95	Ali Mall	Ali Mall Financial Center, Level 2, Ali Mall, Araneta Center, Cubao, Quezon City
96	E. Rodriguez	G/F Megacenter Bldg., E. Rodriguez Ave., Quezon City
97	Kalookan	357 Rizal Ave. Ext. Grace Park, Kalookan City
98	Medical City	Medical City Hospital Compound, Lourdes St. cor. San Miguel Ave., Mandaluyong City
99	Muntinlupa	12 Jason's Bldg., National Road Putatan, Muntinlupa
100	Pasay	2528 ERL Building, Taft Ave., Pasay City
101	Timog	Cabrera Building II. 64 Timog Ave, Quezon City
102	Vito Cruz	G/F Kingswood Arcade Vito Cruz Ext. cor Pasong Tamo, Makati City
103	Ayala SSS	SSS Bldg., Ayala Avenue, Makati City
104	Salcedo	G/F Golden Rock Bldg., 168 Salcedo St., Legaspi Vill., Makati City
105	Annapolis	G/F, Unit 133, Promenade Missouri, Greenhills Shopping Center, Missouri cor. Annapolis Sts., Greenhills, San Juan
106	Perea	G/F Greenbelt Mansion Bldg., 106 Perea St., Legaspi Village, Makati City
107	Ayala SSS	SSS Bldg., Ayala Avenue, Makati City
108	Insular Ayala Paseo	Insular Building Ayala Avenue., corner Paseo de Roxas Makati City
109	Insular Ayala Paseo	Insular Building Ayala Avenue., corner Paseo de Roxas Makati City
110	Insular Ayala Paseo	Insular Building Ayala Avenue., corner Paseo de Roxas Makati City
111	Insular Ayala Paseo	Insular Building Ayala Avenue., corner Paseo de Roxas Makati City
112	Insular Ayala Paseo	Insular Building Ayala Avenue., corner Paseo de Roxas Makati City
113	T. Alonzo	625 T. Alonzo St., Sta Cruz, Manila
114	Aurora Blvd	677 Aurora Blvd., near cor. Broadway St., Bgy. Mariana, New Manila, Quezon City
115	Ayala Madrigal	G/F, Don Vicente Madrigal Building, 6793 Ayala Avenue, Makati City
116	Ayala Madrigal	G/F, Don Vicente Madrigal Building, 6793 Ayala Avenue, Makati City
117	Ayala Madrigal	G/F, Don Vicente Madrigal Building, 6793 Ayala Avenue, Makati City

	Branch Name	Address
118	Ayala Madrigal	G/F, Don Vicente Madrigal Building, 6793 Ayala Avenue, Makati City
119	Ayala Rufino	Rufino Bldg. Ayala Ave. corner Herrera St., Makati City
120	Ayala Rufino	Rufino Bldg. Ayala Ave. corner Herrera St., Makati City
121	Sto.Domingo	Ground Floor Unit-103 Elements Building 560 Quezon Avenue Brgy. Tatalon Quezon City
122	BF Homes	55 President Avenue, BF Homes, Parañaque City
123	BF Homes	55 President Avenue, BF Homes, Parañaque City
124	BF Homes	55 President Avenue, BF Homes, Parañaque City
125	Bicutan	28 Doña Soledad Ave., Better Living, Parañaque City
126	Boni	Boni Avenue cor. Ligaya St., Mandaluyong City
127	Cubao	7th Avenue cor P. Tuazon, Cubao, Quezon City
128	Del Monte	G/F 345 Del Monte Avenue corner Banawe Street, Brgy. Manresa, Quezon City
129	EDSA Kalookan	512 EDSA corner Urbano Plata Street, Kalookan City
130	Intramuros	G/F BF Condo Bldg. A. Soriano Sr. Ave. Intramuros, Manila
131	JP Rizal	731 J.P. Rizal St., Makati City
132	Kamias	Gr. Floor, TDS Bldg., No. 72 Kamias Road, Quezon City
133	Katipunan	335 Agcor Bldg., Katipunan Ave., Brgy. Loyola Heights, Quezon City
134	Katipunan	335 Agcor Bldg., Katipunan Ave., Brgy. Loyola Heights, Quezon City
135	Las Pinas Pamplona	Alabang Zapote Rd. cor. Crispina Ave., Pamplona, Las Piñas City
136	Makati Ave.	7824 Durban St. corner Makati Avenue, Makati City
137	Malabon	Gov. Pascual Avenue cor. River St., Malabon City, Metro Manila
138	Malate	G/F Marioco Bldg. 1945 M. Adriatico St. Malate, Manila
139	Ortigas Center	21 San Miguel Ave., Ortigas Center, Pasig City
140	Ortigas Center	21 San Miguel Ave., Ortigas Center, Pasig City
141	Pasay Road	Gemland Commercial Bldg., San Lorenzo Village, Makati City 1200
142	Pasong Tamo JTKC	G/F, JTKC Center 2155 Pasong Tamo street., Makati City
143	Rada	Prince Bldg., 117 Rada St, Legaspi Village, Makati City
144	Roosevelt	244 Roosevelt Avenue, San Francisco del Monte, Quezon City
145	Shaw Mandaluyong	PICPA Bldg., 700 Shaw Blvd., Mandaluyong City
146	Soler	Escolta corner Yuchengco Sts., Binondo
147	South Triangle	Quezon Ave. cor. Sct. Albano St., Quezon City
148	South Triangle	Quezon Ave. cor. Sct. Albano St., Quezon City
149	Taft	2625 G/F Kassel Condominium, Taft Avenue near cor.P. Ocampo St., Malate, Manila
150	Tektite	G/F PSE Center, Ortigas Complex, Pasig City
151	Tomas Morato	Tomas Morato cor. Sct. Lozano, Quezon City
152	UnionBank Plaza	UBP Plaza Meralco Avenue., Ortigas Center, Pasig City
153	Valenzuela	Km 12 McArthur Hi-way, Marulas, Valenzuela City
154	West Service Road	Rodeo Bldg. Km 18 West Service Road South Luzon Expressway, Parañaque City
155	West Avenue Baler	91-A Barangay Bungad, West Avenue, Quezon City
156	Escolta	G/F Regina Building, Escolta, Manila

	Branch Name	Address
157	Escolta	G/F Regina Building, Escolta, Manila
158	Marikina	WRC2 Bldg., No. 47 Gil Fernando Avenue (formerly A. Tuazon St), Midtown Subd. II Brgy. San Roque, Marikina City
159	Navotas	807-817 M.Naval St., Navotas City
160	Novaliches	854 Quirino Highway, Gulod, Novaliches, Quezon City
161	Ayala Alabang	G/F Nol Bldg. Commerce Ave., Madrigal Business Park, Alabang, Muntinlupa City
162	Emerald	G/F Wynsum Corp. Plaza, Ortigas Center, Pasig City
163	Greenhills	Ortigas Ave near cor Wilson St., San Juan City
164	Greenhills	Ortigas Ave near cor Wilson St., San Juan City
165	C5-QC/Libis	184-B E. Rodriguez Jr. Avenue., Bagumbayan, Quezon City
166	Pasong Tamo Ext.	G/F BCS Building, 2297 Pasong Tamo Extension, Makati City
167	Pasong Tamo Ext.	G/F BCS Building, 2297 Pasong Tamo Extension, Makati City
168	Pasong Tamo Ext.	G/F BCS Building, 2297 Pasong Tamo Extension, Makati City
169	Mayon / Retiro	G/F, ACI Bldg., 178 Mayon Street, SMH, Brgy Maharlika, Quezon City
170	Shaw Blvd	131-133 Shaw Boulevard, Pasig City
171	Sto.Cristo	LG01 and LG02 Burke Plaza, Sto Cristo St., Binondo, Manila
172	Wack-Wack	6 Shaw Blvd. corner Laurel St., Mandaluyong City
173	Paseo de Magallanes	Ground Floor, Maga Center Building, Paseo de Magallanes, Makati City
174	Mckinley Hill	Units 1A & 1B Two World Square Upper McKinley Road McKinley Hill Drive Fort Bonifacio, Taguig City
175	Mckinley Hill	Units 1A & 1B Two World Square Upper McKinley Road McKinley Hill Drive Fort Bonifacio, Taguig City
176	Libertad Mandaluyong	Unit A2 Cluster El Dorado, California Garden Square, Libertad Street, Mandaluyong City
177	EDSA Pioneer	Upper Ground Floor 07 Robinsons Cybergate Plaza, Pioneer St., Mandaluyong City
178	Newport City	G/F Star Cruises Building, Newport City, Andrews Avenue, Pasay City
179	5th Avenue/one global	Unit 3 Ground Floor, One Global Place, 5th Avenue corner 25th Street, BGC, Taguig City
180	St. Francis Shangri-La Place	The St. Francis Shangri-La Place, Tower 1 G/F Retail Internal Road corner St. Francis Street, Mandaluyong City
181	Eastwood City	G/F LGR1-6, Le Grand Tower 1, Palm Tree Avenue, Eastwood City, Brgy. Bagumbayan, Quezon City
182	Vertex One-San Lazaro	G/F Space 12 & 13 Vertex One Building, San Lazaro, Manila
183	Aurora Balet Drive	G/F Marsk Building, Aurora Boulevard corner Balet Drive, Quezon City
184	2nd Ave.-BGC	G/F Blue Sapphire Building, 2nd Avenue corner 30th Street, Bonifacio Global City, Taguig
185	ICTSI Port Area	G/F, ICTSI Admin Bldg. Manila International Container Terminal, MICT South Road, Port Area, Manila
186	Renaissance Towers	G/F Renaissance Center, Meralco Ave., Pasig City
187	Lourdes Hospital	G/F, Main Bldg., Our Lady of Lourdes Hospital, 46 P. Sanchez St., Sta. Mesa, Manila

	Branch Name	Address
188	Cityplace Square	3/F Lucky Chinatown-Cityplace Square, Calle Felipe corner La Chambre St., Binondo, Manila
189	32nd Avenue BGC	G/F The Trade & Financial Tower, 7th ave. cor. 32nd St., Fort Bonifacio, Taguig
190	Antel Suites Makati Ave.	Ground Floor, Best Western Antel Hotel 7829, Makati Avenue cor. Salamanca St., Makati City
191	Mayhaligue	Ground Floor, One Masangkay Place, No. 1420 Masangkay near cor. Mayhaligue St., Sta. Cruz, Manila
192	Masangkay	911-913 Masangkay St., Binondo, Manila
193	Cardinal Santos	Ground Floor Cardinal Santos Medical Center, 10 Wilson St., Greenhills West San Juan City
194	Ayala Multinational Bancorp	G/F Multinational Bancorporation Center, Ayala Ave., Makati City
195	UnionBank Plaza	UBP Plaza Meralco Avenue., Ortigas Center, Pasig City
196	Dela Rosa	G/F Insular Health Care Building, 167 Dela Rosa corner Legazpi St., Legazpi Village, Makati City
197	Boni High Street Branch	W Global Center cor 30th and 9th Ave. BGC, Taguig City
198	Triangle Drive BGC	Shop 3, G/F Philplans Building Corporate Center, 1012 North Triangle Drive, BGC, Taguig
199	ADB Avenue	Ground floor Unit 101 AIC Burgundy Empire Tower, ADB Ave., Ortigas Pasig City
200	GMA Timog	Cabrera Bldg. 1, 103 Timog Avenue, Quezon City
201	Frontera Verde	G/F Transcom Bldg., Frontera Verde, E. Rodriguez Jr. Avenue., Brgy. Ugong Pasig City
202	SSS East Avenue	G/F SSS Main Bldg., East Ave., Quezon City
203	SSS East Avenue	G/F SSS Main Bldg., East Ave., Quezon City
204	Emerald	G/F Wynsum Corp. Plaza, Ortigas Center, Pasig City
205	GSIS	GSIS Main Office Financial Center, Pasay City
206	BGC 34th St. / Panorama	G/F, Shop 2, Panorama Bldg., 34TH St. Corner Lane A, Bonifacio Global City, Taguig
207	BGC Mckinley Road	G/F, Unit 1, Fairways Towers, 5th Avenue, Bonifacio Global City, Taguig
208	BGC 38th St. / Uptown	G/F, Orion Building, 11th Ave corner 38th St., Bonifacio Global City, Taguig City
209	BGC 7th Avenue	G/F, Twenty-Four Seven Mckinley Building, 7th Ave. cor. 24th St., Bonifacio Global City, Brgy Fort Bonifacio, Taguig City
210	BGC Uptown Place Mall	Unit B106 Lower Ground Floor Uptown Place Mall 9th Ave Cor. 36th St Bonifacio Global City, Brgy Fort Bonifacio, Taguig City
211	The Luxe Residences	G/F, Shop 3, The Luxe Residences, 28th St. corner 4th Avenue, Bonifacio Global City, Taguig City
212	Pascor Drive	G/F, SkyFreight Center, Ninoy Aquino Avenue, corner Pascor Drive, Paranaque City
213	3rd Ave BGC	G/F, The Net Square Building, 3rd Avenue corner 28th Street, Bonifacio Global City, Taguig City
214	BGC McKinley West	G/F Robinson Cyber Sigma Bldg. Lawton Ave. Bonifacio South Taguig City
215	Commonwealth Luzon Ave.	UGF, Kayumanggi Center Bldg., Commonwealth Avenue corner Luzon Avenue, Brgy Matandang Balara, Quezon City

	Branch Name	Address
216	COMMONWEALTH	UGF, Kayumanggi Center Bldg., Commonwealth Avenue corner Luzon Avenue, Brgy Matandang Balara, Quezon City
217	Commonwealth Luzon Ave.	UGF, Kayumanggi Center Bldg., Commonwealth Avenue corner Luzon Avenue, Brgy Matandang Balara, Quezon City
218	Kalookan	357 Rizal Ave. Ext. Grace Park, Kalookan City
219	Kalookan	357 Rizal Ave. Ext. Grace Park, Kalookan City
220	UnionBank Plaza	UBP Plaza Meralco Avenue., Ortigas Center, Pasig City
221	Paseo De Roxas	Ground Floor Tower II Paseo De Roxas Building 111 Paseo De Roxas Corner Legazpi Street Legaspi Village Makati City
222	Paseo De Roxas	Ground Floor Tower II Paseo De Roxas Building 111 Paseo De Roxas Corner Legazpi Street Legaspi Village Makati City
223	32nd Avenue BGC	G/F The Trade & Financial Tower, 7th ave. cor. 32nd St., Fort Bonifacio, Taguig
224	Sto.Domingo	Ground Floor Unit-103 Elements Building 560 Quezon Avenue Brgy. Tatalon Quezon City
225	Sto.Domingo	Ground Floor Unit-103 Elements Building 560 Quezon Avenue Brgy. Tatalon Quezon City
226	Commonwealth	12-13 Upper, G/F, Diliman Commercial Center; Commonwealth Ave., Diliman Quezon City
227	Commonwealth	12-13 Upper, G/F, Diliman Commercial Center; Commonwealth Ave., Diliman Quezon City
228	Kalookan	357 Rizal Ave. Ext. Grace Park, Kalookan City
229	Dasmariñas GACU	G.A.Cu-Unjieng Bldg., Q. Paredes St. corner Dasmariñas St., Binondo, Manila
230	Dasmariñas GACU	G.A.Cu-Unjieng Bldg., Q. Paredes St. corner Dasmariñas St., Binondo, Manila
231	Dasmariñas GACU	G.A.Cu-Unjieng Bldg., Q. Paredes St. corner Dasmariñas St., Binondo, Manila
232	UnionBank Plaza	UBP Plaza Meralco Avenue., Ortigas Center, Pasig City
233	UnionBank Plaza	UBP Plaza Meralco Avenue., Ortigas Center, Pasig City
234	32nd Avenue BGC	G/F The Trade & Financial Tower, 7th ave. cor. 32nd St., Fort Bonifacio, Taguig
235	Macapagal Ave.	G/F Unit 106 Y Tower Blk 04, Lot 01, corner Coral Way St., Macapagal Blvd., MOA Complex Pasay City
236	Macapagal Ave.	G/F Unit 106 Y Tower Blk 04, Lot 01, corner Coral Way St., Macapagal Blvd., MOA Complex Pasay City
237	UN Avenue	U.N. ave., Cor. M.H. Del Pilar and M. Guerrero Streets, Ermita Manila
238	UN Avenue	U.N. ave., Cor. M.H. Del Pilar and M. Guerrero Streets, Ermita Manila
239	Pandacan	1763 Paz M. Guazon St., Paco, Manila
240	Pandacan	1763 Paz M. Guazon St., Paco, Manila
241	HV Dela Costa/Tordesillas	G/F Global Enterprise Bldg. No. 138 HV dela Costa Salcedo Village, Makati City
242	HV Dela Costa/Tordesillas	G/F Global Enterprise Bldg. No. 138 HV dela Costa Salcedo Village, Makati City
243	HV Dela Costa/Tordesillas	G/F Global Enterprise Bldg. No. 138 HV dela Costa Salcedo Village, Makati City

	Branch Name	Address
244	Pandacan	1763 Paz M. Guazon St., Paco, Manila
245	Santiago, Isabela	Maharlika Highway, Santiago City, Isabela
246	Laoag-Ilocos Norte	G/F 365 Plaza Bldg. Brgy., 1, San Nicolas, Ilocos Norte.
247	Vigan - Ilocos Sur	Jose Singson St., Vigan City, Ilocos Sur
248	Angeles	G/F, Building 1, Unit 1 & 2, Central Town Mall, 263 Fil Am Friendship Highway, Brgy Cutcut, Angeles City, Pampanga
249	San Fernando, Pampanga	SAN FERNANDO
250	Baguio	PF Floor, Cedar Peak Building, Corner General Luna Road and Mabini Street, Baguio City 2600
251	Baliuag	G/F, 3006 St Augustine Square, Dona Remedios Trinidad Highway, Pinagbarilan Baliuag, Bulacan
252	Meycauayan	Gr. Floor, Marian Bldg., McArthur Hi-way, Calvario, Meycauayan City, Bulacan
253	Cabanatuan	P. Burgos Street, Cabanatuan City
254	Dagupan	Insular Life Building, Arellano St., Dagupan City
255	Dagupan	Insular Life Building, Arellano St., Dagupan City
256	Dagupan	Insular Life Building, Arellano St., Dagupan City
257	Tarlac	Jaral Bldg. McArthur Ave. cor. Juan Luna St., Tarlac City
258	Tarlac	Jaral Bldg. McArthur Ave. cor. Juan Luna St., Tarlac City
259	Tarlac	Jaral Bldg. McArthur Ave. cor. Juan Luna St., Tarlac City
260	Tarlac	Jaral Bldg. McArthur Ave. cor. Juan Luna St., Tarlac City
261	Subic	19B Manila Avenue cor. Canal Street, Subic Bay Freeport Zone
262	San Fernando La Union	Ground Floor of Shania Tower, Quezon Avenue, San Fernando City, La Union
263	Cauayan, Isabela	G/F ITC Bldg., National Highway, Cauayan City, Isabela
264	Clark/Phil Excel Branch	M. Roxas Highway, Philexcel Business Park Clark Freeport zone, Pampanga
265	Clark/Phil Excel Branch	M. Roxas Highway, Philexcel Business Park Clark Freeport zone, Pampanga
266	Baguio	PF Floor, Cedar Peak Building, Corner General Luna Road and Mabini Street, Baguio City 2600
267	Olongapo	87 Magsaysay Drive Olongapo City
268	Vigan - Ilocos Sur	Jose Singson St., Vigan City, Ilocos Sur
269	Laoag-Ilocos Norte	G/F 365 Plaza Bldg. Brgy., 1, San Nicolas, Ilocos Norte.
270	Meycauayan	Gr. Floor, Marian Bldg., McArthur Hi-way, Calvario, Meycauayan City, Bulacan
271	Cabanatuan	P. Burgos Street, Cabanatuan City
272	Santiago, Isabela	Maharlika Highway, Santiago City, Isabela
273	Cauayan, Isabela	G/F ITC Bldg., National Highway, Cauayan City, Isabela
274	Subic	19B Manila Avenue cor. Canal Street, Subic Bay Freeport Zone
275	San Fernando La Union	Ground Floor of Shania Tower, Quezon Avenue, San Fernando City, La Union
276	Tuguegarao	G/F 2 Storey Bldg., Bagay Rd., Andrews St., Andrews Vill., Caritan Centro, Tuguegarao City, Cagayan
277	Tuguegarao	G/F 2 Storey Bldg., Bagay Rd., Andrews St., Andrews Vill., Caritan Centro, Tuguegarao City, Cagayan
278	Tuguegarao	G/F 2 Storey Bldg., Bagay Rd., Andrews St., Andrews Vill., Caritan Centro, Tuguegarao City, Cagayan

	Branch Name	Address
279	Pampanga	GF Mel-Vi Bldg., Olongapo-Gapan Road, Dolores, City of San Fernando, Pampanga
280	Pampanga	GF Mel-Vi Bldg., Olongapo-Gapan Road, Dolores, City of San Fernando, Pampanga
281	Pampanga	GF Mel-Vi Bldg., Olongapo-Gapan Road, Dolores, City of San Fernando, Pampanga
282	Naga	G/F Prime Days Hotel Bldg., Panganiban Drive, Naga City
283	Sta. Rosa	Rizal Blvd., Corner Zavalla Street, Brgy Malusak, Sta Rosa City, Laguna
284	Batangas	G/F, Insular Life Bldg., Highway Hills, Hilltop, Batangas City
285	Legaspi	G/F, Unit 1, SMC Bldg., Landco Business Park, Brgy Capantawan, Legazpi City
286	Naga	G/F Prime Days Hotel Bldg., Panganiban Drive, Naga City
287	Calamba Parian	Anderson Bldg. 1, Barangay Parian, Calamba City, Laguna
288	Lipa	B. Morada Avenue, Lipa City
289	Lucena	G/F One People Square, M.L. Tagarao corner Granja Street, Lucena City
290	San Pedro	National Highway, Brgy. Landayan, San Pedro, Laguna
291	Dasmariñas Cavite	Congressional Road corner Gov. D Mangubat Ave. Aguinaldo Hi-way, Dasmariñas City, Cavite
292	Imus	G/F Melta Building, Aguinaldo Highway, corner Sampaguita Village, Imus, Cavite
293	Bacoor	Addio building, aguinaldo H-way talaba bacoor., Cavite
294	Cainta	F. Felix Ave. corner Karangalan Drive, Cainta, Rizal
295	Puerto Princesa	Rizal Avenue, Brgy. Maningning, Puerto Princesa City, Palawan
296	Puerto Princesa	Rizal Avenue, Brgy. Maningning, Puerto Princesa City, Palawan
297	Paseo de Santa Rosa	G/F The Medical City Southluzon, United Blvd, Greenfield Brgy Don Jose, Sta Rosa Laguna
298	Tagaytay	G/F Tagaytay Prime Residences, Tagytay-Calamba Road, Tagaytay Prime Rotonda, Barangay San Jose, Tagaytay City
299	Cainta	F. Felix Ave. corner Karangalan Drive, Cainta, Rizal
300	Imus	G/F Melta Building, Aguinaldo Highway, corner Sampaguita Village, Imus, Cavite
301	Bacoor	Addio building, aguinaldo H-way talaba bacoor., Cavite
302	Sta. Rosa	Rizal Blvd., Corner Zavalla Street, Brgy Malusak, Sta Rosa City, Laguna
303	Legaspi	G/F, Unit 1, SMC Bldg., Landco Business Park, Brgy Capantawan, Legazpi City
304	Lipa	B. Morada Avenue, Lipa City
305	Lucena	G/F One People Square, M.L. Tagarao corner Granja Street, Lucena City
306	Lima	Units 04 - 05, Block C, The Outlets at Lipa, LIMA Technology Center, Lipa, Batangas
307	Lima	Units 04 - 05, Block C, The Outlets at Lipa, LIMA Technology Center, Lipa, Batangas
308	Lima	Units 04 - 05, Block C, The Outlets at Lipa, LIMA Technology Center, Lipa, Batangas

	Branch Name	Address
309	Lima	Units 04 - 05, Block C, The Outlets at Lipa, LIMA Technology Center, Lipa, Batangas
310	Biñan	National Highway, Brgy. Maduya, Carmona, Cavite
311	Biñan	National Highway, Brgy. Maduya, Carmona, Cavite
312	Biñan	National Highway, Brgy. Maduya, Carmona, Cavite
313	Cebu - Borromeo	Door 8 Plaza Borromeo Bldg., Borromeo Street, Kalubihan, Cebu City
314	Cebu - Mandaue	Kentredder Bldg., A. Cortes St., Mandaue City, Cebu
315	Tagbilaran	J.S. Torralba St. corner CPG Avenue, Tagbilaran City, Bohol
316	Cebu - Lapu-lapu/MEPZ	Lot 2, Block 1, Phase 1, MEPZ II, SEPZ, Lapu-Lapu City, Cebu
317	Cebu - Lapu-lapu/MEPZ	Lot 2, Block 1, Phase 1, MEPZ II, SEPZ, Lapu-Lapu City, Cebu
318	Cebu - SM	G/F, Times Square 2 Bldg, Mantawe Avenue, Brgy Tipolo, North Reclamation Area, Mandaue City, Cebu
319	Bacolod Lacson	G/F PhilAm Bldg., Lacson cor. Galo St., Bacolod City
320	Cebu - Banilad	G/F, Banilad Town Center, Gov. M. Cuenco Ave., Banilad, Cebu City
321	Cebu - Maxilom	G/F Ong Tiak Bldg., Gen Maxilom Ave., Cebu City
322	Cebu - Fuente	G/F Rajah Park Hotel, Fuente Osmeña Circle, Cebu City
323	Iloilo Gen.Luna/Ledesma	Ledesma Street corner Liberation Road, Iloilo City
324	Iloilo Gen.Luna/Ledesma	Ledesma Street corner Liberation Road, Iloilo City
325	Tacloban	Josmar Bldg., M.H. del Pilar St. corner Zamora St., Tacloban City
326	Tacloban	Josmar Bldg., M.H. del Pilar St. corner Zamora St., Tacloban City
327	Bacolod North Mandalagan	Cor. Villa Valderrama, Lacson St., Mandalagan, Bacolod City
328	Bacolod North Mandalagan	Cor. Villa Valderrama, Lacson St., Mandalagan, Bacolod City
329	Cebu - Mandaue North Road	Gr. Floor, Khuz'ns Bldg., North Hi-way, Estancia, Mandaue City
330	Dumaguete	UnionBank Building, Ramon Pastor Sr. Street corner San Juan Street Dumaguete City 6200, Negros Oriental
331	Dumaguete	UnionBank Building, Ramon Pastor Sr. Street corner San Juan Street Dumaguete City 6200, Negros Oriental
332	Cebu - Mactan Newtown	G/F, Retail 2 & 3, Plaza Magellan Tower 1, Mactan Newtown, Lapu Lapu City
333	Cebu - AS Fortuna	GF The Space, A.S. Fortuna Corner P. Remedies st., Brgy Banilad, Mandaue City
334	Cebu - Subangdaku	G/F, AD Gothong IT Center, Subangdaku, Mandaue City
335	Cebu - North Drive	G/F, North Drive, Ouano Avenue, North Reclamation Area, Mandaue City
336	Cebu - Minglanilla	G/F, FCT Commercial Bldg., Poblacion Ward-II, Minglanilla, Cebu
337	Cebu Business Park Sumilon Road	G/F, Buildcomm Center, Sumilon Road, Cebu Business Park, Cebu City
338	Cebu - Banilad	G/F, Banilad Town Center, Gov. M. Cuenco Ave., Banilad, Cebu City
339	Cebu - Banilad	G/F, Banilad Town Center, Gov. M. Cuenco Ave., Banilad, Cebu City
340	Cebu - Asiatown IT Park	G/F TGU Tower, Asiatown I.T. Park, Lahug, Cebu
341	Cebu - Insular Life	G/F Insular Bldg., Mindanao Ave., cor Biliran Road, Cebu Business Park, Cebu City
342	Cebu - Insular Life	G/F Insular Bldg., Mindanao Ave., cor Biliran Road, Cebu Business Park, Cebu City

	Branch Name	Address
343	Cebu - Insular Life	G/F Insular Bldg., Mindanao Ave., cor Biliran Road, Cebu Business Park, Cebu City
344	Cebu - Insular Life	G/F Insular Bldg., Mindanao Ave., cor Biliran Road, Cebu Business Park, Cebu City
345	Cebu - Plaridel	No. 104 Plaridel St., Brgy. Sto. Niño, Cebu City
346	Iloilo Iznart	Villanueva Bldg., Iznart St., Iloilo City
347	Iloilo Iznart	Villanueva Bldg., Iznart St., Iloilo City
348	Iloilo Iznart	Villanueva Bldg., Iznart St., Iloilo City
349	Cebu - Lapu-lapu/Pusok	M.L. Quezon National Highway Pusok, Lapu-Lapu City 6015
350	Cagayan de Oro - Lapasan	Lapasan National Highway, Cagayan de Oro City
351	Cagayan de Oro - Lapasan	Lapasan National Highway, Cagayan de Oro City
352	Cagayan de Oro - Lapasan	Lapasan National Highway, Cagayan de Oro City
353	Davao - Cabaguio/Victoria	G/F, DMIRIE Bldg., JP Cabaguio Avenue, Brgy. Paciano Bangoy, Davao City
354	Davao - Cabaguio/Victoria	G/F, DMIRIE Bldg., JP Cabaguio Avenue, Brgy. Paciano Bangoy, Davao City
355	General Santos - South	G/F Laiz Building, Pioneer Avenue, General Santos City
356	Iligan	Manuel L. Quezon Ave, Iligan City, 9200 Lanao del Norte
357	Pagadian	Rizal Ave, City of Pagadian, Zamboanga Del Sur, Philippines
358	Pagadian	Rizal Ave, City of Pagadian, Zamboanga Del Sur, Philippines
359	Davao - Monteverde	G/F Mintrade Bldg. Monteverde Ave. cor. Sales St., Davao City
360	Davao - Quirino	Quirino Avenue cor San Pedro St., Davao City
361	Davao - Recto/Rizal	G/F Quibod Commercial Center, Rizal Avenue, Davao City
362	General Santos - South	G/F Laiz Building, Pioneer Avenue, General Santos City
363	Iligan	Manuel L. Quezon Ave, Iligan City, 9200 Lanao del Norte
364	Zamboanga - Jaldon	G/F ZAEC Bldg., Mayor Jaldon cor. Gov. Alavarez, Zamboanga City
365	Zamboanga - Jaldon	G/F ZAEC Bldg., Mayor Jaldon cor. Gov. Alavarez, Zamboanga City
366	Butuan	G/F CAP Bldg. J. Rosales Avenue corner JC Aquino St., Butuan City
367	Butuan	G/F CAP Bldg. J. Rosales Avenue corner JC Aquino St., Butuan City
368	Davao - Magsaysay	R. Magsaysay Ave. cor. E. Jacinto St., Davao City
369	Davao - Magsaysay	R. Magsaysay Ave. cor. E. Jacinto St., Davao City
370	Davao - Magsaysay	R. Magsaysay Ave. cor. E. Jacinto St., Davao City
371	Davao - Magsaysay	R. Magsaysay Ave. cor. E. Jacinto St., Davao City
372	San Agustin Dela Costa	G/F Liberty Center 102 HV Dela Costa corner San Agustin Streets, Salcedo Village, Makati City
373	Double Dragon Meridian	G/F Double Dragon Center West Tower, Macapagal Avenue corner EDSA Extension, Bay Area, Pasay City
374	Double Dragon Meridian	G/F Double Dragon Center West Tower, Macapagal Avenue corner EDSA Extension, Bay Area, Pasay City
375	UnionBank Plaza	UBP Plaza Meralco Avenue., Ortigas Center, Pasig City
376	Baguio	PF Floor, Cedar Peak Building, Corner General Luna Road and Mabini Street, Baguio City 2600
377	JP Rizal	731 J.P. Rizal St., Makati City
378	Cebu - Mandaue	Kentredder Bldg., A. Cortes St., Mandaue City, Cebu

	Branch Name	Address
379	Commonwealth	12-13 Upper, G/F, Diliman Commercial Center; Commonwealth Ave., Diliman Quezon City
380	Cebu - Asiatown IT Park	G/F TGU Tower, Asiatown I.T. Park, Lahug, Cebu
381	San Agustin Dela Costa	G/F Liberty Center 102 HV Dela Costa corner San Agustin Streets, Salcedo Village, Makati City
382	Ayala Madrigal	G/F, Don Vicente Madrigal Building, 6793 Ayala Avenue, Makati City
383	Tagbilaran	J.S. Torralba St. corner CPG Avenue, Tagbilaran City, Bohol
384	Bacolod Lacson	G/F PhilAm Bldg., Lacson cor. Galo St., Bacolod City
385	Greenbelt	Twin Cities Condominium, 110 Legaspi St., Legaspi Village, Makati City
386	Novaliches	854 Quirino Highway, Gulod, Novaliches, Quezon City
387	San Fernando, Pampanga	3M Bldg., MacArthur Highway, San Agustin, San Fernando, Pampanga
388	Shaw Pasig	Chipeco Bldg., Shaw Blvd. corner Meralco Ave., Pasig City
389	San Pedro	National Highway, Brgy. Landayan, San Pedro, Laguna
390	UnionBank Plaza	Lot 1A, Lot 1B and Lot 2 Prince Balagtas Avenue, Clark Freeport Zone
391	Congressional	G/F, Unit 101, WMG Bldg., 47 Visayas Ave., Brgy Culiat
392	Congressional	G/F, Unit 101, WMG Bldg., 47 Visayas Ave., Brgy Culiat
393	Congressional	G/F, Unit 101, WMG Bldg., 47 Visayas Ave., Brgy Culiat
394	UnionBank Plaza	UNITED AUCTIONEERS INC. BLDG.1455 ARGONAUT HIGHWAY SUBICBAY FREEPORTZONE, OLONGAPO
395	Medical Center Parañaque	G/F, Medical Center Paranaque, Dr. A Santos Avenue, Brgy San Antonio, Paranaque
396	Ali Mall	AFPSLA Building, EDSA corner Colonel Bonny Serrano, Camp Aguinaldo, Quezon City, Metro Manila
397	Soler	Escolta corner Yuchengco Sts., Binondo
398	General Santos - South	G/F Laiz Building, Pioneer Avenue, General Santos City
399	Newport City	Resorts World Manila, Newport Boulevard, Newport City Pasay 1309, Metro Manila
400	Cebu - North Drive	35 Eduardo Aboitiz St. Tinago, Cebu City, 6000
401	Bacoor	St. Dominic Medical Center, Aguinaldo Highway, Talaba, Bacoor Cavite
402	Pasay Road	Don Bosco Technical Institute (Makati), Chino Roces Ave., Barangay Pio del Pilar, Makati City
403	Cebu - Maxilom	San Fernando, Cebu
404	World Center	12F Alliance Global Tower 36th St corner 11th Ave., Uptown Bonifacio, Taguig City
405	World Center	9/F Eastwood Global Plaza, Bagumbayan Eastwood City
406	Cebu Exchange Tower	Cebu Exchange Arthaland Retail 1D and 1E Cebu Exchange, Salinas Dr. Lahug, Cebu City
407	Cebu Exchange Tower	Cebu Exchange Arthaland Retail 1D and 1E Cebu Exchange, Salinas Dr. Lahug, Cebu City
408	Cebu Exchange Tower	Cebu Exchange Arthaland Retail 1D and 1E Cebu Exchange, Salinas Dr. Lahug, Cebu City
409	Rada	Calatagan South Beach Leisure Toursim Estate Brgy. Santa Ana, Batangas City

	Branch Name	Address
410	Baguio	University of Baguio General Luna Road, Baguio City
411	Newport City	Newport blvd, Andrew Ave. Pasay City 1309
412	Malinta	No. 295, Mirjan Building, Maysan Road, Paso de Blas, Valenzuela City
413	Malinta	No. 295, Mirjan Building, Maysan Road, Paso de Blas, Valenzuela City
414	Angeles	BLOCK 8 LOT 3 MARINA STREET CORNER JOSEFA STREET JOSEFA SUBD. MALABANIAS ANGELES CITY 2009
415	Baliuag	Masagana St. Pinagbarilan, Baliuag Bulacan
416	Baguio	University of Baguio General Luna Road, Baguio City
417	Baguio	University of Baguio General Luna Road, Baguio City
418	C5-QC/Libis	15 Zeta Tower E Rodriguez Jr., Ave. cor Ortigas Ave., bridgestowne, West Ugong Norte, QC.
419	Triangle Drive BGC	ACEA Subic Beach Resort, The Dungaree Beach, San Bernardino Road, Subic Bay Freeport Zone
420	Pasong Tamo JTKC	Sitio Narra, Barangay Akle, San Ildefonso, Bulacan
421	Cagayan de Oro - Lapasan	BCC COMMERCIAL BUILDING- DAMILAG HI-WAY MANOLO FORTICH, BUKIDNON
422	San Pedro	Ynion Drive, Magsaysay Road, San Antonio, San Pedro, Laguna
423	San Pedro	Ynion Drive, Magsaysay Road, San Antonio, San Pedro, Laguna
424	Cebu - Lapu-lapu/MEPZ	3rd St. Cor. 3rd Ave. Mepz-1, MEPZ 1, Lapu-Lapu City, 6015 Cebu
425	San Pedro	National Highway, Brgy. Landayan, San Pedro, Laguna
426	Lipa	JP Laurel Highway, Mataas na Lupa Lipa City Batangas
427	UnionBank Plaza	9th Avenue corner 38th Street 25th Floor, Uptown Bonifacio, Taguig City, Philippines 1635
428	UnionBank Plaza	9th Avenue corner 38th Street 25th Floor, Uptown Bonifacio, Taguig City, Philippines 1635
429	UnionBank Plaza	7th Floor E-bloc Tower, Jose Ma. Del Mar Avenue, Asiatown IT Park, Apas, Cebu City, Philippines 6000
430	The Luxe Residences	Camaya Coast Station 3, Cabog-cabog, Balanga City, Bataan. Nearest landmark Cabog-cabog Elementary
431	Lourdes Hospital	Our Lady of Lourdes Hospital 46P Sanchez St. Sta. Mesa Manila
432	C5-QC/Libis	2F Ayala Technohub Bldg., Smallville Business Center, Brgy San Rafael, Boardwalk Avenue, Mandurriao, Iloilo City 5000
433	6754 Ayala Avenue	G/F PNB Makati Center, 6754 Ayala Avenue, Brgy. San Lorenzo, Makati City
434	6754 Ayala Avenue	G/F PNB Makati Center, 6754 Ayala Avenue, Brgy. San Lorenzo, Makati City
435	Baguio	PF Floor, Cedar Peak Building, Corner General Luna Road and Mabini Street, Baguio City 2600
436	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
437	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
438	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
439	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City

	Branch Name	Address
440	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
441	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
442	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
443	Greenhills	G/F 22 Fort & Ester Building Missouri Street Northeast Greenhills San Juan City
444	Greenhills	G/F 22 Fort & Ester Building Missouri Street Northeast Greenhills San Juan City
445	Greenhills	G/F 22 Fort & Ester Building Missouri Street Northeast Greenhills San Juan City
446	ADB	GF Malayan Plaza, ADV Avenue, Ortigas, Pasig City, Metro Manila
447	Greenhills	G/F 22 Fort & Ester Building Missouri Street Northeast Greenhills San Juan City
448	Greenhills	G/F 22 Fort & Ester Building Missouri Street Northeast Greenhills San Juan City
449	Cebu	G/F Ayala Life-FGU Center Mindanao Avenue corner Biliran Road Cebu Business Park Cebu City
450	Cebu	G/F Ayala Life-FGU Center Mindanao Avenue corner Biliran Road Cebu Business Park Cebu City
451	Cebu	G/F Ayala Life-FGU Center Mindanao Avenue corner Biliran Road Cebu Business Park Cebu City
452	Cebu	G/F Ayala Life-FGU Center Mindanao Avenue corner Biliran Road Cebu Business Park Cebu City
453	Cebu	G/F Ayala Life-FGU Center Mindanao Avenue corner Biliran Road Cebu Business Park Cebu City
454	Cebu	G/F Ayala Life-FGU Center Mindanao Avenue corner Biliran Road Cebu Business Park Cebu City
455	Binondo	2nd Floor Pacific Center Quintin Paredes corner Sabino Padilla Streets Binondo, Manila
456	Binondo	2nd Floor Pacific Center Quintin Paredes corner Sabino Padilla Streets Binondo, Manila
457	Alabang Insular	Ground Floor, Insular Life Corporate Centre Insular Drive, Filinvest Corporate City Alabang, Muntinlupa City
458	Alabang Insular	Ground Floor, Insular Life Corporate Centre Insular Drive, Filinvest Corporate City Alabang, Muntinlupa City
459	Alabang Insular	Ground Floor, Insular Life Corporate Centre Insular Drive, Filinvest Corporate City Alabang, Muntinlupa City
460	Alabang Molito	Puregold Supermarket Molito Complex Alabang Zapote Road cor. Madrigal Avenue Muntinlupa City

	Branch Name	Address
461	Alabang Insular	Ground Floor, Insular Life Corporate Centre Insular Drive, Filinvest Corporate City Alabang, Muntinlupa City
462	Libis	Ground Floor Citibank Square 1 Eastwood Aveue Eastwood City Barangay Bagumbayan Quezon City
463	Libis	Ground Floor Citibank Square 1 Eastwood Aveue Eastwood City Barangay Bagumbayan Quezon City
464	Libis	Ground Floor Citibank Square 1 Eastwood Aveue Eastwood City Barangay Bagumbayan Quezon City
465	Libis	Ground Floor Citibank Square 1 Eastwood Aveue Eastwood City Barangay Bagumbayan Quezon City
466	EDSA Shangri-la	Lower Ground Floor Shangri-La Plaza EDSA corner Shaw Boulevard Mandaluyong City
467	Manila Peninsula	Lower Ground Floor Manila Peninsula Hotel Makati City
468	ADB	GF Malayan Plaza, ADV Avenue, Ortigas, Pasig City, Metro Manila
469	NAIA T3	Ground Floor NAIA Terminal 3 Andrews Avenue Pasay City
470	Citi Plaza	Ground Floor Citi Plaza 34th Street Taguig City
471	Greenbelt 5	Ground Floor Greenbelt 5 Ayala Center Makati City
472	Manila Polo Club	Manila Polo Club McKinley Road Makati City
473	Citi Plaza	Ground Floor Citi Plaza 34th Street Taguig City
474	BGC Central Square Mall	Basement 1, Central Square BGC High Street Taguig City
475	Citi Plaza	17th Floor Citi Plaza 34th Street Taguig City
476	Citi Plaza	17th Floor Citi Plaza 34th Street Taguig City
477	US Embassy	2nd Floor US Embassy Roxas Boulevard Pasay City
478	Sofitel	Lower Ground Floor Sofitel Philippine Plaza CCP Complex Roxas Boulevard Pasay City
479	Ayala Malls Manila Bay	Ground Floor Ayala Malls Manila Bay Diosdado Macapagal Blvd corner Aseana Ave Paranaque City
480	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
481	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
482	Makati	G/F Citibank Center 8741 Paseo de Roxas corner Villar Streets Makati City
483	Greenhills	G/F 22 Fort & Ester Building Missouri Street Northeast Greenhills San Juan City
484	Greenhills	G/F 22 Fort & Ester Building Missouri Street Northeast Greenhills San Juan City
485	Cebu	G/F Ayala Life-FGU Center Mindanao Avenue corner Biliran Road Cebu Business Park Cebu City
486	Cebu	G/F Ayala Life-FGU Center Mindanao Avenue corner Biliran Road Cebu Business Park Cebu City
487	Binondo	2nd Floor Pacific Center Quintin Paredes corner Sabino Padilla Streets Binondo, Manila
488	Binondo	2nd Floor Pacific Center Quintin Paredes corner Sabino Padilla Streets Binondo, Manila
489	Alabang Insular	Ground Floor, Insular Life Corporate Centre Insular Drive, Filinvest Corporate City Alabang, Muntinlupa City

	Branch Name	Address
490	Alabang Insular	Ground Floor, Insular Life Corporate Centre Insular Drive, Filinvest Corporate City Alabang, Muntinlupa City
491	Libis	Ground Floor Citibank Square 1 Eastwood Aveue Eastwood City Barangay Bagumbayan Quezon City
492	Libis	Ground Floor Citibank Square 1 Eastwood Aveue Eastwood City Barangay Bagumbayan Quezon City
493	Citi Plaza	17th Floor Citi Plaza 34th Street Taguig City

City Savings Bank

	Branch Name	Address
1	Sto. Nino Branch	City Savings Financial Plaza Corner Osmena Blvd & P. Burgos St., Cebu City
2	Iloilo Branch	143 Esperanza Bldg., General Luna St., Iloilo City
3	Roxas Branch	McKinley St., Roxas City 5800
4	Tacloban Branch	YPL Bldg., 3 Salazar St., 6500 Tacloban City, Leyte
5	Bacolod Branch	Units 4-6, 722 Metropolis Towers, Brgy. Mandalagan, Bacolod City
6	Tagum Branch	G/F PLJ Bldg. Apokon Road, Tagum City, Davao del Norte
7	Zamboanga Branch	RHW Bldg. Brgy. Calenar, Mayor Jaldon St., Zamboanga
8	Dumaguete Branch	G/F Eros Bldg., Cor. Dr. V. Locsin and Real Sts., 6200 Dumaguete City
9	Calamba Branch	Unit #1 EF GF Margimel Bldg., National Highway Brgy. Halang, Calamba City, Laguna
10	Leganés Branch	Pestano Bldg., Gustilo St., Poblacion, Leganes, Iloilo
11	Balamban Branch	Binghay St., Balamban
12	Balamban Branch	Binghay St., Balamban
13	Ormoc Branch	Aviles St., Ormoc City, Leyte
14	Borongan Branch	JRC Bldg., Brgy. Songco, Borongan, Eastern Samar
15	Kalibo Branch	GE Building, 406 Quezon Avenue, Kalibo, Aklan
16	Pampanga Branch	Unit 102-103 Sburbia Commercial Center, Mc Arthur Highway, Maimpis, San Fernando City, Pampanga
17	Cagayan de Oro Branch	TS Fashion Bldg., Corrales Avenue, Cagayan De Oro City
18	La Union Branch	Kenny Plaza, Quezon Avenue, Brgy. Catbangan, San Fernando City, La Union
19	Legazpi Branch	Tower Mall 4, Landco Business Park, Brgy. Bitano, Legazpi City, Albay
20	Lipa Branch	Ink Centre, Gen. Luna St., Sabang, Lipa City
21	Lucena Branch	ML Tagarao Street, Brgy. 5, Lucena City
22	Caloocan Branch	Diane Bldg., 746 Rizal Ave. Ext., Grace Park, Caloocan City
23	Tagbilaran Branch	CPG Ave., Tagbilaran City, Bohol
24	Tuguegarao Branch	Mabini St. Ugac Norte Tuguegarao City
25	Davao Branch	Doors 1-4 Phil. Red Cross Bldg., Roxas Avenue, Davao City
26	Butuan Branch	Ismael Elloso St. corner JC Aquino Ave. & Imadejas Subdivision Butuan City Agusan del Norte
27	Calapan Branch	Unit 5 & 6, Puregold Calapan, Brgy. Camilmil, Calapan City, Oriental Mindoro
28	Taguig Branch	#48 Gen. Alfredo Santos Avenue, Lower Bicutan, Taguig City

	Branch Name	Address
29	Las Pinas Branch	Alabang-Zapote Road corner Crispina Avenue, Pamplona, Las Piñas City
30	General Santos Branch	Santiago Blvd., General Santos City SOCCSKSARGEN
31	Mandaue Branch	City Bridge Plaza, A.C. Cortes Ave., Mandaue City, Cebu
32	Carcar Branch	Awayan Carcar Cebu fronting Caltex Station and Norkis
33	Tanjay Branch	Sweet Lady Bldg., Legazpi St., Brgy. Poblacion 8 Tanjay City Negros Oriental
34	Catarman Branch	1305 Camara Bldg., Brgy Mabololo Catarman Northern Samar
35	San Jose Mindoro Branch	Lebrilla Ang Building, Burgos Corner Rizal Street, Barangay Poblacion 1, San Jose Occidental Mindoro
36	Dipolog Branch	Sergio Osmena Street, Central Barangay, Dipolog City
37	Sta Cruz Branch	P. Guevarra Street, Poblacion, Barangay IV, Sta. Cruz, Laguna
38	Alaminos Branch	Quezon Avenue, Poblacion Alaminos City, Pangasinan
39	Lemery Branch	NVS Bldg, Barangay Malinis, Lemery, Batangas
40	Laoag Branch	Brgy. 51- A Nangalisan, Laoag City, Ilocos Norte
41	Bogo Branch	P. Rodriguez St., Bogo, Cebu
42	Naga Branch	Door #44-45 CBD II Terminal, Triangulo, Naga City, Camarines Sur
43	Marikina Branch	#3 G. Fernando Avenue, San Roque, Marikina City
44	Antique Branch	C.R. Building, T.A. Fornier St., San Jose, Antique
45	Sogod Branch	Corner Concepcion and Mangkaw Streets, Barangay Zone 1 Sogod, Southern Leyte
46	Taytay Branch	National Road, Ilog Pugad, Barangay San Juan, Taytay, Rizal
47	Pagadian Branch	F&N Building, San Francisco District, Pagadian City, Zamboanga del Sur
48	Gumaca Branch	A Bonifacio Street, Barangay Tabing Dagat, Gumaca, Quezon
49	Calbayog Branch	Salcor Bldg., Rosales Blvd., Calbayog City, Samar
50	Kabankalan Branch	L&M Bldg., Corner Guanzon & Azcona Sts., Kabankalan City
51	San Carlos Branch	Doors 2-4 Heritage Bldg. 1, F.C. Ledesma Ave., San Carlos City
52	Digos Branch	Rizal Avenue, Digos City, Davao Del Sur
53	Ubay Branch	Ground Floor Rogelio Inn Building, Colonel Marciano Garces Street, Poblacion, Ubay, Bohol
54	Infanta Branch	General Luna Street, Poblacion 39, Infanta Quezon Province
55	Kidapawan Branch	Ground Floor - Aspillla Bldg. Quirino Drive, North Cotabato, Kidapawan City
56	Bacoor Branch	G/F San Miguel Bldg., Aguinaldo Highway, Panapaan I, Bacoor City Cavite
57	North Caloocan Branch	Door 1-4 R-V Sabangan Building, 500 Susano Road, Hillcrest Village, Camarin, Caloocan City
58	Solano Branch	Ground Floor Ongtao Building, J.P. Rizal Avenue corner Burgos Street, Solano, Nueva Vizcaya
59	Sorsogon Branch	AD Reyes Building 1461 Magsaysay Street, Barangay Salog, Sorsogon City
60	Palawan Branch	Unit 1-A Ground Floor Unionbank Building, Rizal Avenue Corner Dacanay Street, Barangay Colero, Puerto Princesa City, Palawan
61	Surigao Branch	Ground Floor Parkway Mall Km 3, Barangay Luna, National Highway, Surigao City

	Branch Name	Address
62	Koronadal Branch	Villa Amor Hotel, Door 14, General Santos Drive corner Arellano Street, Koronadal City, General Santos
63	Olongapo Branch	G/F PNRC Building, Magsaysay Drive, Olongapo City, Zambales
64	Dasmaringas Branch	Lot 5 & 6, Block 94, Governor's Drive, Metrogate Subdivision, Dasmaringas City, Cavite
65	Baguio Branch	Ground Floor Insular Life Building, Abanao Extension, Corner Legarda Street, Baguio City, Benguet
66	Mati Branch	Rizal Street, Mati City, Davao Oriental
67	Anonas Branch	Belmon Place, 5 Anonas, Project 3, Quezon City
68	Head Office (Ortigas)	G/F, UnionBank Plaza, Meralco Ave. cor. Sapphire and Onyx Streets, Ortigas Center, Pasig City
69	Bayambang Branch	Corner Juan Luna St. Rizal Avenue, Poblacion Sur, Bayambang, Pangasinan
70	Sta. Ana Branch	National Highway Centro, Sta Ana, Cagayan
71	Alicia Branch	National Highway Barangay Magsaysay Alicia Isabela
72	Cauayan Branch	Don Canciller Ave., Cor. Rizal Ave., Alingog Center, Cauayan City
73	Echague Branch	Garfunkel Fine Properties, National Highway, San Fabian, Echague, Isabela
74	Tondo Branch	Ushio Plaza V Honorio Lopez Boulevard, Tondo, Manila
75	Valenzuela Branch	389 Mc Arthur Highway, Malinta, Valenzuela City
76	Navotas Branch	M. Naval Street, Navotas City
77	Sampaloc Branch	1803 Algecira St. Cor. G. Tuazon St. Sampaloc Manila
78	Angeles Branch	Diamond Spring Hotel, 192 McArthur Highway, Barangay Balibago, Angeles City Pampanga
79	Bantay	Zone 2 National Highway Corner Real St., Brgy. 1 Bantay, Ilocos Sur
80	Ilagan	National Highway, Baligatan, Ilagan City, Isabela
81	Tarlac	Plaza de Oro Arcade, MacArthur Highway, Sto. Cristo, Tarlac City
82	Cabanatuan	701 Paco Roman St., Dimasalang, Cabanatuan City, Nueva Ecija
83	Baliuag	Unit 5 & 6 R-Building DRT Hi-way, Pinagbarilan, Baliuag, Bulacan
84	Naguilian	Magsaysay District, Naguilian, Isabela
85	Balanga	Don Manuel Banzon Avenue, Dona Francisca, Balanga City, Bataan
86	Urdaneta	Honaco Commercial Bldg., National Highway, Urdaneta City, Pangasinan
87	Marilao	Ground Floor RL Building, McArthur Highway Abangan Norte Marilao, Bulacan
88	Dagupan	Rudel Bldg., Perez Boulevard, Corner Guilig St., Dagupan City, Pangasinan
89	San Jose, Nueva Ecija	Mario Salvador Building, Maharlika Highway, Barangay Malasin, San Jose City, Nueva Ecija
90	SJDM, Bulacan	GSS Building, Brgy. Sto. Cristo, Quirino Highway, San Jose Del Monte, Bulacan
91	Baler	Etcubanez Bldg., M.L. Quezon Highway, Brgy. Suklayin, Baler, Aurora

92	San Miguel	R. Bldg., Daang Maharlika Highway, Sta Rita Matanda, San Miguel, Bulacan

**UNION BANK OF THE PHILIPPINES
LIST OF BANK OWNED BRANCHES
As of December 31, 2022**

Union Bank of the Philippines

Branch Name	Address
OLONGAPO BRANCH	87 Magsaysay Drive, East Tapinac, Olongapo City, Zambales
CAGAYAN DE ORO BRANCH	Lapasan National Highway, Brgy 25, Cagayan De Oro City
ILIGAN BRANCH	Manuel L. Quezon Avenue, Poblacion, Iligan City
ILOILO CITY BRANCH	General Luna St., Brgy. Villa Anita, Iloilo City
RICHVILLE BRANCH	UGI and UG 4 Condo Units Alabang Zapote Road Madrigal Business Park Alabang, Muntinlupa City
EMERALD BRANCH	G/F Wynsum Corp. Plaza, 22 Emerald Avenue, Ortigas Center, Pasig City
CABANATUAN BRANCH	P. Burgos St., Poblacion, Cabanatuan City
DAVAO-MAGSAYSAY BRANCH	156 Ramon Magsaysay Avenue corner Jacinto St., Brgy 29C, Davao City
DUMAGUETE BRANCH	Unionbank Bldg., Real corner San Juan Sts., Brgy 7, Dumaguete City
PUERTO PRINCESA	G/F, UnionBank Bldg., 293 J. Rizal Avenue, Brgy. Maningning, Puerto Princesa City, Palawan
DASMARINAS	G/F UnionBank Centre Manila Bldg., Quintin Paredes corner Dasmaringas St, Binondo, Manila
ANTEL RESIDENCES (Unit owned G-3) Floor area 40.71	G/F Antel Residences, 7829 Salamanca Street., Brgy Poblacion, Makati City
UNIONBANK PLAZA	G/F, UnionBank Plaza Bldg., Meralco Avenue corner Onyx St, Brgy San Antonio, Pasig City
CEBU EXCHANGE TOWER	G/F Unit D & E Ceu Exchange Tower, Salinas Drive, Lahug, Cebu city

City Savings Bank

Branch Name	Address
City Savings Financial Plaza	Barangay Santo Nino, Cebu City
Tagbilaran Branch	Barangay Poblacion II, Tagbilaran City, Bohol
Aurora Branch	Santiago-Tuguegarao Road and Pasuquin Street, Brgy. San Jose, Aurora, Isabela
Cabatuan Branch	Santiago-Tuguegarao Road, Brgy. Centro, Cabatuan, Isabela
Cauayan Branch	Alingog Center, Rizal Ave cor. Canciller Ave., Cauayan City Isabela
Diffun Branch	Cordon-Diffun-Madella-Aurora Road, Brgy. A. Bonifacio, Diffun, Quirino
Laoag Branch	Barangay Nangalisan, Laoag, Ilocos Norte - 338 sqm (T-021-2012000001)
Naguilian Branch	Magsaysay District, Naguilian, Isabela, Philippines
Roxas, Isabela Branch	Don Mariano Marcos Avenue, Brgy. Bantug, Roxas, Isabela

Branch Name	Address
San Mateo Branch	Alicia-San Mateo Road, J. Cadelifia Street and La Salette Street, Brgy. 1, San Mateo, Isabela.
Sta. Ana Branch	Dugo-San Vicente Road and Arellano Street, Brgy. Centro, Sta. Ana, Cagayan

FAIR Bank

Branch Name	Address
Daanbantayan Branch	Poblacion, Daanbantayan, Cebu
Bogo Branch	Dela Vina cor. J. Lequin Sts. Gairan, Bogo City, Cebu

Bangko Kabayan

Branch Name	Address
Executive Office And Ibaan Branch	Santiago St. Poblacion Ibaan Batangas
San Pascual Branch	San Antonio San Pascual Batangas
Cuenca Branch	National Road Poblacion Cuenca Batangas
Rosario Branch	Barangay C Poblacion Rosario Batangas
Mabini Branch	F. Castillo Bldv. Poblacion Mabini Batangas
San Juan Branch	General Luna St. Poblacion San Juan Batangas
Nasugbu Branch	P. Rinoza St. Poblacion Nasugbu Batangas
Calaca Branch	Marasigan St. Poblacion Calaca Batangas
Pagsanjan Branch	Gen. Taino St. Poblacion 1 Pagsanjan Laguna
Nagcarlan Branch	Rizal Avenue Poblacion 2 Nagcarlan Laguna

Progressive Bank

Branch Name	Address
Head Office and Kabulig Center	Del Rosario St. Balasan Iloilo

**UNION BANK OF THE PHILIPPINES
LIST OF LEASED BRANCHES
As of December 31, 2022**

Union Bank of the Philippines

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
2ND AVENUE - GLOBAL CITY	Unit GF-A, GF Blue Sapphire Building, 2nd Avenue corner 30th Street, Bonifacio Global City, Taguig City	376,921.10	October 31, 2025	every 5 years
32ND AVE. - BGC	G/F The Trade & Financial Tower, 7th ave. cor. 32nd St., Fort Bonifacio, Taguig City	846,802.69	September 30, 2024	every 5 years
5TH AVENUE - GLOBAL CITY	Unit 103 GF One Global Place, along 5th Avenue, Bonifacio Global City, Taguig City	362,281.50	April 30, 2025	every 5 years
ACROPOLIS	171 Bridgeview Bldg., E. Rodriguez Jr. Ave, Bagumbayan, Quezon City	126,715.62	April 30, 2025	every 5 years
ADB AVENUE	G/F Burgundy Empire Tower ADB Ave. cor Sap[hire and Garnet Roads, Ortigas Center, Pasig City	308,426.19	October 31, 2023	every 5 years
ALABANG COUNTRY CLUB	G/F, Alabang Country Club, Acacia Drive, Ayala Alabang Village, Brgy. Ayala Alabang, Muntinlupa City	46,305.00	February 29, 2025	every 5 years
ALABANG TOWN (Kiosk)	Makati Supermart Alabang, Alabang Town Center, Muntinlupa City	270,706.84	September 30, 2023	every 2 years
ALI MALL	Ali Mall Financial Center, Level 2, Ali Mall, Araneta Center, Cubao, Quezon City	207,207.35	September 30, 2023	every 5 years
ANGELES	G/F, Bldg 1, Units 1 & 2, Central Town Mall, 263 Fil-Am Friendship Highway, Brgy Cutcut, Angeles City	123,135.65	November 06, 2026	every 5 years
ANNAPOLIS	G/F, Unit 133, Promenade Missouri, Greenhills Shopping Center, Missouri cor. Annapolis St. Greenhills, San Juan	253,469.52	September 30, 2026	every 5 years
ANTEL RESIDENCES	Unit G2 of Antel Residences, Makati Avenue, Makati City	141,822.48	September 30, 2026	every 5 years
AURORA - BALETE DRIVE	Marsk Realty Building, aurora Boulevard corner Balet Drive, Quezon City	108,642.23	September 14, 2025	every 5 years
AURORA BLVD.	677 Aurora Blvd., near cor. Broadway St., Bgy. Mariana, New Manila, Quezon City	93,806.69	March 14, 2025	every 5 years
AYALA - RUFINO	Rufino Bldg. Ayala Ave. corner V Rufino St., Makati city	320,137.20	June 30, 2027	every 5 years
AYALA ALABANG	G/F NOL Building, Commerce cor. Acacia, Alabang, Muntinlupa	679,753.19	June 30, 2024	every 5 years
AYALA AVE	G/F Madrigal Building, 6793 Ayala Avenue, Makati City	797,288.37	November 15, 2025	every 5 years

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
AYALA SSS	SSS (Makati) Building Ayala Avenue corner V.A. Rufino St, Makati city	893,468.82	December 31, 2023	every 1 years
BACOLOD CITY - LACSON	GF Philam Bldg., Lacson Street cor. Galo, Bacolod City	130,057.30	November 14, 2024	every 5 years
BACORR	Addio Bldg., Aguinaldo Highway, Talaba, Bacoor, Cavite	112,992.11	March 31, 2026	every 5 years
BAESA	Dra. C.Pascual Bldg., 142 Quirino Highway, Baesa, Quezon City	93,492.00	July 31, 2026	every 5 years
BAGUIO CITY	Unit PF-7 & PF-7A, Plaza Floor, Cedar Peak Bldg., General Luna corner Mabini Street, Brgy Kabayanihan, Baguio City	178,993.02	March 31, 2026	every 5 years
BALIWAG	Unit 3 & 4, 3006 Augustine Square, 17 Pinagbarilan St., Dona Remedios Trinidad Highway, Baliuag, Bulacan	60,628.68	April 30, 2026	every 5 years
BATANGAS CITY	G/F, Insular Life Bldg., Highway Hills, Brgy Hilltop, Batangas City	98,018.57	September 30, 2024	every 3 years
BF HOMES	55 President Avenue, BF Homes, Parañaque City	280,716.37	August 31, 2023	every 5 years
BGC 34TH STREET (Panorama)	G/F Panorama Building, 34th Street corner Lane A, Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City	533,299.32	February 28, 2025	every 5 years
BGC 38TH STREET	G/F Orion Bldg., 11th Avenue corner 38th Street., Bonifacio Global City Brgy. Fort Bonifacio, Taguig City	639,598.06	March 31, 2025	every 5 years
BGC 3RD AVENUE	G/F, The Net Square Bldg., 3rd Avenue corner 28th Street, Bonifacio Global City, Taguig City	384,735.75	May 15, 2026	every 5 years
BGC 7TH AVENUE	G/F, Twenty-Four Seven McKinley Building, 7th Ave., cor. 24th St., Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City	486,273.77	June 24, 2025	every 5 years
BGC MCKINLEY ROAD	G/F, Unit 2, Fairways Tower, 5th Avenue, Bonifacio Global City, Brgy Fort Bonifacio, Taguig City	222,486.71	January 31, 2025	every 5 years
BGC THE LUXE RESIDENCES	G/F, Shop 3, The Luxe Residences, 28th St corner 4th Avenue, Bonifacio Global City, Taguig City	748,659.24	January 31, 2025	every 5 years
BGC TRIANGLE DRIVE	Shop 3, Philplans Building Corporate Center, 1012 North Triangle Drive, Bonifacio Global City, Taguig City	449,275.42	August 31, 2023	every 5 years
BGC UPTOWN PLACE MALL	Lower G/F Uptown Place Mall, 9th Avenue corner 36th Street., Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City	421,265.49	October 31, 2027	every 5 years
BICUTAN	28 Doña Soledad Ave., Better Living Subd., Bicutan, Parañaque City	161,832.14	December 31, 2027	every 5 years
BIÑAN-CARMONA	Golden Mile Business Park, National Highway, Brgy. Brgy. Maduya, Carmona, Cavite	158,608.45	June 30, 2025	every 5 years

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
BONI AVENUE	Boni Avenue cor. Ligaya St., Mandaluyong City	162,585.18	December 05, 2026	every 5 years
BONIFACIO HIGH STREET	W Global Center located at the corner of 30th Street and 9th Avenue, Brgy. Fort Bonifacio, Taguig City	525,605.03	January 31, 2028	every 5 years
BUTUAN	GF CAP Bldg. J.C. Aquino Ave corner J. Rosales St., Brgy Tandang Sora, Butuan City	56,607.86	July 31, 2024	every 5 years
CAINTA	F.Felix Ave. corner Karangalan Drive, Cainta, Rizal	237,600.00	March 31, 2026	every 5 years
CALAMBA - PARIAN	National Highway, Bo. Parian, Calamba, Laguna	199,175.58	May 31, 2027	every 5 years
CALAMBA REAL	Marcelita Bldg., National Highway, Brgy Real, Calamba Laguna	99,225.00	June 30, 2024	every 5 years
CARDINAL SANTOS	G/F Cardinal Santos Medical Center, Wilson Street, Greenhills West, San Juan	190,153.38	December 31, 2023	every 1 years
CAUAYAN - ISABELA	G/F Trade Center Building, along National Highway, Cauayan City	111,538.57	November 14, 2023	every 5 years
CEBU - ASIATOWN IT PARK	Unit GF-01, TG Tower, Asiatown I.T. Park, Barangay Apas, Cebu City	265,612.47	January 31, 2024	every 5 years
CEBU - BANILAD	G/F, Banilad Town Center, Gov M. Cuenco Avenue, Banilad, Cebu City	132,033.86	July 31, 2023	every 5 years
CEBU - BORROMEO	Plaza Borromeo, Borromeo St., Cebu City	78,880.00	June 30, 2027	every 5 years
CEBU - FUENTE	Fuente Osmeña, Cebu City	213,848.71	March 31, 2025	every 5 years
CEBU - LIPATA	G/F, Doors 5, 6, 7, Pham Central Bldg., South National Highway, corner San Roque Road, Lipata, Minglanilla, Cebu	46,949.00	August 31, 2022	every 5 years
CEBU - MINGLANILLA	G/F, FCT Commercial Bldg., Poblacion Ward II, Minglanilla, Cebu	65,235.00	May 31, 2027	every 5 years
CEBU - PLARIDEL	No. 104 Plaridel St., Brgy. Sto. Niño, Cebu City	210,000.00	January 31, 2028	every 5 years
CEBU - SUBANGDAKU	G/F, Units 3 and 4, A.D. Gothong I.T. Center, Lopez Jaena St., Brgy. Subangdaku, Mandaue City Cebu	133,761.05	June 30, 2027	every 5 years
CEBU A.S. FORTUNA	G/F, The Space, A.S. Fortuna corner P. Remedios Street, Brgy Banilad, Mandaue City Cebu	114,865.34	February 15, 2027	every 5 years
CEBU BUSINESS PARK (INSULAR)	G/F Insular Life Cebu Business Center, Mindanao Avenue corner Biliran Road, CBP-IT Park, cebu City	543,949.33	February 14, 2026	every 5 years
CEBU- BUSINESS SUMILON ROAD	G/F, Buildcomm Center, Sumilon Road, Cebu Business Park, Cebu City	172,541.11	August 31, 2027	every 5 years
CEBU CENTER / MAXILOM	Gen. Maxilom Avenue, Cebu City	624,000.00	September 14, 2026	every 5 years
CEBU LAPU LAPU	Lot 2, Block 1, Phase 1, MEPZ II, SEPZ, Lapu-Lapu City, Cebu	48,744.92	May 31, 2026	every 25 years
CEBU MACTAN NEWTOWN	G/F Retail 2 & 3, Plaza Magellan Tower 1, Mactan Newtown, Lapu Lapu City Cebu	193,242.27	January 31, 2027	every 5 years

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
CEBU MANDAUE	Kentredder Bldg., A. Cortes St., Mandaue City, Cebu	134,505.00	February 28, 2025	every 5 years
CEBU NORTH DRIVE	G/F, North Drive Center, Ouano Avenue, North Reclamation Area, Mandaue City, Cebu	156,680.76	June 30, 2027	every 5 years
CEBU TIME SQUARE	G/F, Time Square 2 Bldg., Mantawe Avenue, North Reclamation Area, Brgy Tipolo, Mandaue City, Cebu	141,678.00	October 31, 2026	every 5 years
CITYPLACE SQUARE	3rd Floor, Lucky Chinatown-Cityplace Square, Calle Felipe cor. La Chambre Street, Brgy. 293, Zone 28, Binondo, Manila	264,943.62	July 31, 2024	every 3 years
CLARK	M. Roxas Highway, Philexcel Business Park, clark Freeport Zone, Pampanga	94,778.18	April 14, 2028	every 5 years
COMMONWEALTH	G/F Diliman Commercial Center, Commonwealth Avenue Quezon City	107,443.40	February 28, 2025	every 5 years
COMMONWEALTH-LUZON AVE.	Kayumanggi Center, Commonwealth Avenue corner Luzon Avenue, Brgy. Matandang Balara, Quezon City	121,003.12	January 15, 2028	every 5 years
CUBAO (P. Tuazon)	7th Avenue cor P. Tuazon, Cubao, Quezon City	248,283.43	January 31, 2025	every 5 years
DAGUPAN	Perez Blvd. Brgy. Pogo Chico, Dagupan City	165,000.00	August 31, 2027	every 5 years
DASMARIÑAS CAVITE	Aguinaldo Hi-way cor. Congressional Avenue, Dasmariñas, Cavite	144,725.62	July 31, 2024	every 5 years
DAVAO - CABAGUIO	G/F, DMIRIE Bldg., JP Cabaguio Avenue, Brgy. Paciano Bangoy, Davao City	120,335.12	March 31, 2027	every 5 years
DAVAO - MONTEVERDE	Monteverde Avenue cor. Sales St., Davao City	201,982.93	June 30, 2026	every 5 years
DAVAO - QUIRINO	Quirino Avenue cor San Pedro St., Davao City	162,939.60	September 30, 2024	every 5 years
DAVAO - RIZAL	G/F Quibod Commercial Complex, Rizal Avenue, Davao City	111,172.05	November 30, 2025	every 5 years
DEL MONTE AVENUE	345 Del Monte Avenue corner Banawe St., Brgy Manresa, Quezon City	273,000.00	March 31, 2026	every 5 years
DELA ROSA	G/F, Insular Health Care Bldg., 167 Dela Rosa corner Legazpi Street, Legaspi Village, Makati City	315,272.83	May 31, 2023	every 1 years
DOUBLE DRAGON MERIDIAN	G/F, Double Dragon Center West Tower, Macapagal Avenue corner EDSA Extension, Bay Area, Pasay City	420,096.32	December 16, 2024	every 5 years
DR. A. SANTOS	GF Lianas Supermarket, Dr. A. Santos Avenue corner Canaynay Road, Sucat, Parañaque City	145,000.00	April 30, 2027	every 5 years
E. RODRIGUEZ	1st floor - West, Katipunan Bldg., 95 E. Rodriguez Ave., Brgy Tatalon, Quezon City	52,093.13	May 31, 2024	every 5 years
EASTWOOD CITY (Le Grand)	G/F Unit LGR1-6, Le Grand Tower 1, Palm Tree Ave., Eastwood City, Brgy. Bagumbayan, Quezon City	233,131.33	January 31, 2025	every 5 years

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
EDSA - KALOOKAN	EDSA cor. Urbano Plata St., Kalookan City	355,364.12	March 15, 2025	every 5 years
EDSA PIONEER	Upper GF Robinsons Cybergate Plaza, Robinsons Pioneer Complex, Mandaluyong EDSA	178,168.15	April 24, 2025	every 5 years
EMERALD	G/F Wynsum Corp. Plaza, Ortigas Center, Pasig City	35,886.38	June 30, 2023	every 5 years
ESCOLTA	G/F Regina Building, Escolta, Manila	272,558.03	May 31, 2025	every 5 years
FRONTERA VERDE	G/F, Transcom Bldg., Frontera Verde, E. Rodriguez Jr. Avenue., Brgy Ugong, Pasig City	280,718.91	December 31, 2026	every 4 years
GEN. SANTOS	G/F, SunCity Suites, Digos Makar National Hwy., Brgy. Lagao, General Santos City	100,800.00	July 31, 2025	every 5 years
GMA TIMOG	G/F, Unit 101, Cabrera Bldg 1, 130 Timog Ave., Brgy Sacred Heart, Quezon City	361,679.91	January 23, 2024	every 5 years
GREENBELT	Aboitiz Bldg., 110 Legaspi St., Legaspi Village, Makati city	378,197.21	December 31, 2023	every 5 years
GREENHILLS	Ortigas Ave. near cor. Wilson St., San Juan	490,017.60	April 30, 2024	every 5 years
GSIS	GSIS Main Office Financial Center, Pasay City	200,607.89	May 31, 2028	every 5 years
H.V. DELA COSTA	Unit 101, Gr FI Singapore Airlines House, H. V. dela Costa St., Salcedo Vill., Makati City	314,440.36	January 01, 2024	every 5 years
ICTSI - PORT AREA	Garden Area, Manila International Container Terminal, MICT South Access Road, Port Area, Manila	30,180.00	March 31, 2022	every 3 years
ILOILO - IZNART NORTH	Villanueva Bldg., Iznart St., Iloilo City	104,186.25	August 31, 2023	every 5 years
IMUS	G/F Melta Building, Aguinaldo Hi-way cor. Sampaguita Village, Imus, Cavite	132,000.00	December 31, 2023	every 5 years
INSULAR AYALA-PASEO	G/F, Insular Life Bldg., Ayala Avenue corner Paseo De Roxas, Makati City	1,365,623.88	November 30, 2027	every 5 years
INTRAMUROS	Gr. Floor, BF Condominium Bldg., A. Soriano Jr., Avenue, Intramuros, Manila	300,144.14	July 31, 2025	every 9 years
J. P. RIZAL	731 J.P.Rizal Street., Makati City	91,892.27	November 30, 2027	every 5 years
JULIA VARGAS	Centerpoint Condominium, Dona Julia Vargas Ave. cor. Garnet St. Ortigas Center, Pasig city	170,030.07	February 28, 2026	every 5 years
KALOOKAN	357 Rizal Ave. Ext. Grace Park, Kalookan City	273,488.91	March 31, 2028	every 5 years
KAMIAS	Gr. Floor, TDS Bldg., No. 72 Kamias Road, Quezon City	91,208.64	November 30, 2026	every 5 years
KATIPUNAN	335 Katipunan Avenue, Loyola Heights, Quezon City	232,029.13	January 15, 2024	every 5 years
LAOAG - SAN NICOLAS	G/F, 365 Plaza Building, Brgy 1, San Nicolas, Ilocos Norte	91,314.04	December 31, 2023	every 5 years
LAPU - LAPU NATIONAL HIGHWAY	M. L. Quezon National Highway, Pusok, Lapu-Lapu City Cebu	77,390.51	February 28, 2026	every 5 years
LAS PIÑAS - PAMPLONA	Alabang-Zapote Rd. cor. Crispina Avenue, Las Piñas City	322,546.36	May 31, 2026	every 5 years

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
LEGAZPI CITY	G/F, Unit 1, SMC Bldg., Landco Business Park, Brgy. Capatawan, Legazpi City	101,130.12	November 15, 2026	every 5 years
LIBERTAD MANDALUYONG	GF Cluster El Dorado, California Garden Square, Libertad, Mandaluyong City	176,109.71	October 31, 2024	every 3 years
LIBIS C5 QC	184-B E. Rodriguez Jr. Ave., Bagumbayan, Quezon City	206,481.79	December 31, 2023	every 1 years
LIMA	Unit GC-R04 and GC-R05, The Outlets, LIMA Technological Center, Special Economic Zone, Malvar, Lipa City	145,022.05	June 30, 2023	every 5 years
LIPA CITY	B. Morada Avenue, Lipa City, Batangas	159,535.20	April 30, 2027	every 2 years
LOURDES HOSPITAL	G/F Medical Arts Building, Our Lady of Lourdes Hospital, No. 46, P. Sanchez St., Sta Mesa, Manila	85,085.44	March 31, 2023	every 5 years
LUCENA (One People Square)	One People Square Business Center M.L. Tagarao cor. Granja Street, Lucena City	254,686.26	March 22, 2027	every 5 years
MACAPAGAL AVENUE	G/F, Y Tower, Macapagal Avenue corner Coral Way Drive, MOA Complex Pasay City	407,486.32	January 02, 2024	every 5 years
MAGALLANES	GF Maga Center, Paseo De Magallanes, Magallanes, Makati City	69,000.00	December 15, 2024	every 5 years
MAKATI AVENUE	Makati Avenue corner Durban St., Makati City	612,932.94	December 31, 2025	every 4 years
MALABON	Gov. Pascual Avenue cor. River St., Malabon	100,975.46	September 05, 2023	every 5 years
MALATE	G/F Marioco Building, 1945 M. Adriatico St., Malate, Manila	267,079.77	October 15, 2024	every 5 years
MALINTA	No. 295, Maysan Road, Paso de Blas, Valenzuela City	161,051.00	July 16, 2023	every 5 years
MANDALUYONG	G/F PICPA Bldg., 700 Shaw Blvd, Mandaluyong city	303,657.16	January 31, 2026	every 5 years
MANDAUE NORTH	Gr. Floor, Khuz'ns Bldg., North Hi-way, Estancia, Mandaue City Cebu	116,142.30	December 31, 2023	every 5 years
MARIKINA	WRC 2 Bldg. # 47 Gil Fernando Ave. former A. Tuazon St. Midtown Subdivision II Brgy. San Roque Marikina City	89,356.51	March 18, 2023	every 5 years
MASANGKAY	911-913 Masangkay St., Binondo, Manila	173,643.75	September 15, 2025	every 5 years
MAYHALIGUE	Gr. Floor, One Masangkay Place, No. 1420 Masangkay near cor. Mayhaligue St., Sta. Cruz Manila	234,381.48	June 30, 2027	every 5 years
MAYON	G/F, ACI Bldg., 178 Mayon Street, Sta Mesa Heights Brgy. Maharlika, Quezon City	94,500.00	January 31, 2027	every 5 years
MCKINLEY HILL	Unit 1A and 1B Two World Square, McKinley Hill, Taguig City	607,601.50	October 31, 2027	every 4 years
MCKINLEY WEST	Lower G/F, Robinsons Cyber Sigma Building, Lawton Avenue, Bonifacio South, Taguig City	114,229.50	July 07, 2027	every 5 years

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
MEDICAL CITY	The Medical Arts Tower, Medical City Hospital, Ortigas Avenue, Pasig city	169,487.88	May 31, 2024	every 5 years
MEDICAL CENTER PARANAQUE	G/F, Medical Center Paranaqu, Dr. A. Santos Avenue, Brgy. San Antonio, Sucat, Paranaque City	184,200.00	February 28, 2025	every 5 years
MEYCAUAYAN	Gr. Floor, Marian Bldg., McArthur Hi-way, Calvario, Meycauyan, Bulacan	177,875.30	December 31, 2027	every 5 years
MULTINATIONAL BANCORP	Ground Floor Multinational Bancorporation Center, Ayala Avenue, Makati City	195,842.37	December 15, 2024	every 4 years
MUÑOZ	Muñoz Market, EDSA, Quezon City	3,878.42	March 20, 2022	every 50 years
MUNTINLUPA	12 National Road, Putatan, Muntinlupa city	120,608.61	September 30, 2026	every 5 years
NAGA CITY	G/F Prime Days Hotel Bldg. Panganiban Drive, Naga City	190,499.07	April 30, 2024	every 5 years
NAVOTAS	807-817 M. Naval St., Navotas, Metro Manila	155,132.83	May 31, 2026	every 5 years
NEWPORT CITY	GF Star Cruises Centre, Newport City, Andrew Avenue, Pasay City	790,567.15	January 31, 2024	every 5 years
NOVALICHES	854 Quirino Hiway, Gulod, Novaliches, Quezon City	246,712.58	July 31, 2024	every 5 years
ORTIGAS (SAN MIGUEL)	21 San Miguel Ave., Ortigas Center, Pasig City	263,497.49	May 31, 2023	every 5 years
PAGADIAN CITY	Rizal Ave., Pagadian City	125,048.32	December 31, 2024	every 5 years
PAMPANGA	GF Mel-Vi Bldg., Olongapo-Gapan Road, Dolores, City of San Fernando, Pampanga	187,103.55	May 31, 2028	every 5 years
OTIS	1763 Paz M. Guazon St., Paco, Manila	233,710.04	May 31, 2026	every 5 years
PASAY (TAFT)	along Taft Avenue, Pasay City	134,698.22	November 30, 2025	every 5 years
PASAY ROAD	No. 912 Pasay Road, San Lorenzo Village, Makati City	294,176.82	April 14, 2023	every 5 years
PASCOR DRIVE	G/F SkyFreight Center, Ninoy Aquino Avenue corner Pascor Drive, Brgy Sto Nino, Parañaque City	116,588.32	December 31, 2025	every 5 years
PASEO DE ROXAS	G/F 111 Paseo De Roxas Bldg. 111 Paseo De Roxas, Legazpi Village, Makati City	241,537.48	May 31, 2023	every 5 years
PASEO DE STA. ROSA	G/F Southern Luzon Medical Center, Sta. Rosa City, Laguna	97,544.37	December 31, 2027	every 5 years
SHAW BLVD.	131-133 Shaw Boulevard, Pasig City	225,540.94	January 31, 2026	every 5 years
PASONG TAMO - JTKC	G/F JTKC Building, Pasong Tamo, Makati City	497,588.55	July 31, 2026	every 3 years
PASONG TAMO EXTENSION	G/F Priscilla 100 Bldg., 2297 Pasong Tamo Ext., Makati City	429,319.54	October 01, 2023	every 5 years
RADA	Prince Bldg., 117 Rada St, Legaspi Village, Makati City	300,791.50	May 31, 2027	every 5 years
RENAISSANCE	G/F Renaissance Center, Meralco Ave., Pasig City	324,292.18	February 29, 2024	every 5 years

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
ROOSEVELT	244 Roosevelt Avenue, San Francisco del Monte, Quezon City	194,842.97	June 30, 2025	every 5 years
SALCEDO	Golden Rock Bldg., 168 Salcedo St., Legaspi Village, Makati City	218,117.18	February 28, 2026	every 5 years
SAN AGUSTIN DELA COSTA	G/F, Liberty Center, 102 HV Dela Costa corner San Agustin Streets, Salcedo Village, Makati City	498,506.40	May 31, 2024	every 5 years
SAN FERNANDO - PAMPANGA	3M Bldg., MacArthur Highway, San Agustin, San Fernando, Pampanga	42,000.00	May 31, 2023	every 5 years
SAN FERNANDO LA UNION	G/F, Nisce Business Center, Quezon Avenue, City of San Fernando, La Union	81,068.48	November 30, 2023	every 5 years
SAN PEDRO	National Highway, near cor. Cataquiz Avenue, Brgy. Landayan, San Pedro, Laguna	81,068.48	December 31, 2023	every 3 years
SANTIAGO	along Maharlika Highway, Santiago, Isabela	85,000.00	July 31, 2027	every 5 years
SHAW PASIG	Chipeco Bldg., Shaw Blvd corner Meralco Ave. Pasig City	178,679.42	December 31, 2023	every 5 years
SOUTH TRIANGLE	Quezon Ave. cor. Sct. Albano St., Quezon City	444,915.63	December 31, 2025	every 5 years
SSS EAST AVENUE	G/F, SSS Main Building, East Avenue, Quezon City	124,250.50	May 13, 2024	every 5 years
ST. FRANCIS SHANGRI-LA PLACE	Unit T1G1 G/F Tower 1, St. Francis Shangri-La Place, Shaw Boulevard cor. St. Francis St. Mandaluyong City	317,036.64	October 15, 2023	every 3 years
ST. LUKES' HOSPITAL - E. RODRIGUEZ	G/F St. Luke's Medical City Center located at 279 E. Rodriguez, Sr. Boulevard, Quezon City.	28,757.84	July 07, 2022	every 3 years
STA. ROSA	Poblacion St., Barangay II, Sta. Rosa, Laguna	124,279.18	October 31, 2023	every 5 years
STO DOMINGO	Ground Floor, Elements Building, 560 Quezon Avenue, Quezon City	220,419.90	September 30, 2023	every 5 years
STO. CRISTO	Units LG 01, 02, 06 Burke Plaza, Sto Cristo cor San Fernando Sts , Binondo Manila	232,604.03	February 28, 2026	every 5 years
SUBIC**	Manila Ave. Cor Dewey Ave. Canal Road, Subic Bay Freeport Zone, Zambales City	6,500,000.00	July 31, 2054	every 51 years
T. ALONZO	625 T. Alonzo St., Sta. Cruz, Manila	244,234.23	November 14, 2025	every 5 years
TACLOBAN CITY	G/F, Tacloban Plaza Bldg., Justice Romualdez St., Tacloban City	145,800.00	September 15, 2025	every 1 years
TAFT AVENUE	GO1 & LG1, The Kassel Condominium, No. 2625 Taft Avenue near cor. Vito Cruz St., Malate, Manila	119,603.54	September 30, 2023	every 5 years
TAGAYTAY	G/F, Tagaytay Prime Residences, Tagaytay-Calamba Road, Tagaytay Prime Rotunda, Brgy San Jose, Tagaytay City	125,583.72	December 16, 2023	every 3 years
TAGBILARAN	CPG Avenue, Tagbilaran, Bohol City	112,600.18	September 30, 2024	every 5 years

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
TARLAC	Jaral Bldg. McArthur Ave. cor. Juan Luna St., Tarlac, Tarlac	171,303.95	February 28, 2027	every 5 years
TEKTITE	G/F PSE Center, Ortigas Complex, Pasig City	1,033,675.77	September 30, 2025	every 4 years
TIMOG	Cabrera Building II. 64 Timog Ave, Quezon City	433,694.89	February 23, 2028	every 5 years
TOMAS MORATO	T. Morato cor. Sct. Lozano, Quezon City	249,713.42	November 30, 2024	every 5 years
TUGUEGARAO	G/F Bagay Road corner Andrews Street, Caritan Centro, Tuguegarao City, Cagayan	86,821.88	January 31, 2024	every 5 years
UN AVENUE	M.H. del Pilar corner M. Guerrero Streets, U.N. Avenue, Ermita, Manila	289,670.19	December 31, 2023	every 5 years
VALENZUELA - FATIMA	Km 12 McArthur Hi-way, Marulas, Valenzuela	202,253.88	May 14, 2027	every 5 years
VALERO	Le Grand Condominium, 130 Valero St., Salcedo Village, Makati City	337,365.00	July 31, 2023	every 3 years
VERTEX ONE - SAN LAZARO	Space 12 & 13, Vertex One building, San Lazaro, Manila	216,821.04	December 31, 2023	every 6 years
VIGAN	Jose Singson St., Vigan, Ilocos Sur	97,767.11	December 31, 2026	every 5 years
VISAYAS CONGRESSIONAL	G/F, WMG Bldg., 47 Visayas Avenue corner Congressional Ext., Brgy. Culiati, Quezon City	200,116.98	December 31, 2025	every 5 years
VITO CRUZ	Kingswood Arcade, Vito Cruz St. corner Pasong Tamo St., Makati City	102,482.78	January 30, 2026	every 5 years
WACK - WACK	6 Shaw Blvd. corner Laurel St., Mandaluyong City	227,535.81	December 31, 2024	every 5 years
WEST AVENUE	27-A West Ave., Quezon City	136,533.07	March 31, 2022	every 5 years
WEST AVENUE - BALER	#91 West Ave. Brgy Bungad, Quezon City	163,184.96	May 31, 2028	every 5 years
WEST SERVICE ROAD	Rodeo Bldg., Km. 18 West Service Road, South Luzon Expressway, Parañaque City	126,048.06	June 30, 2027	every 5 years
YUCHENGCO	G/F , Units 2 & 3 , Escolta Parking Bldg., Escolta corner Yuchengco Sts., Binondo Manila	239,023.43	August 31, 2025	every 5 years
ZAMBOANGA CITY	G/F ZAEC Bldg. Mayor Jaldon Street cor. Governor Alvarez St. Zamboanga City	129,985.55	September 29, 2024	every 5 years

City Savings Bank

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Abulug Branch	Java Commercial Center. National Road. Libertad. Abulug. Cagayan	Php 35,714.29	January 03, 2028	5
Alaminos Branch	21 Quezon Ave., Poblacion, Alaminos City Pangasinan	Php 71, 250.00	July 22, 2025	5
Alicia Branch	FMNDC Property, NICK HOTEL Bldg, Maharlika Highway San Antonino, Alicia, Isabela	Php 49,532.71	January 01, 2028	5

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Angeles Branch	Diamond Spring Hotel 192 McArthur Highway Brgy. Balibago, Angeles City, Pampanga	Php 91, 472.16	April 06, 2025	10
Anonas Branch	No. 5 Anonas St., Project 3, Quezon City	Php71,532.54	July 22, 2025	5
Antipolo Branch	Unit 105 Rikland Centre, Marcos Highway, Antipolo City	Php 92, 020.00	June 30, 2023	5
Antique Branch	C. R. Building, T.A Fornier St., Barangay 6, San Jose De Buenavista, Antique	Php 63,669.38	November 30, 2023	5
Aparri Branch	Jose Ting Building, Maharlika Hi-way, Macanaya, Aparri, Cagayan	Php 40,354.26	March 31, 2025	3
Bacolod Branch	G/F 722 Metropolis Tower, Lacson St., Mandalagan, Bacolod City, Negros Occidental	Php 136, 827.15	April 30, 2027	5
Bacoor Branch	San Miguel Building, Brgy. Panapaan I, Bacoor City, Cavite	Php 79,007.91	May 31, 2024	5
Baguio Branch	G/F Insular life Bldg. Abanao ext. corner Legarda St. 2600 Baguio City PH-BEN Philippines	117,972.00	September 30, 2023	5
Balamban Branch	St Francis of Assissi Parish Ground of the Roman Catholic Church of Balamban, Cebu Lot # 1549	Php 3, 750.00	March 31, 2023	25
Balanga Branch	Arzadon Bldg, Don Manuel Banzon Ave, Dona Francisca, Balanga City Bataan	Php 100,292.50	May 14, 2028	8
Baler Branch	Etcubanez Building, Ground Floor Purok 7, Quezon Street, Brgy. Suklayin Baler Aurora	Php 35, 000.00	December 03, 2024	5
Baliuag Branch	R Building located at DRT Hi-way, PinagDarilan, Baliwag, Bulacan	Php 78, 400.00	April 09, 2023	5
Bangued Branch	Snooks Commercial Bldg. National Highway Torrijos St. Zone 5, Bangued, Abra	Php 10, 000.00	July 17, 2023	5
Bantay Branch	Real St Corner National Highway, Barangay II, Zone 2 Bantay, Ilocos Sur	Php 72,857.44	November 30, 2027	4
Batangas Branch	Junction Commercial Complex, Zone 12, Padre Burgos St., Batangas City, Batangas	Php 102,720.00	April 26, 2025	5
Bayambang Branch	EPAY Bldg. Juan Luna St. Poblacion Sur, Bayambang, Pangasinan	Php 75, 000.00	October 30, 2027	5
Bayawan Branch	MRG Commercial Bldg.,Poblacion Bayawan City, Negros Oriental	Php 26,000.00	February 28, 2025	5
Bogo Branch	Sim Bldg., P. Rodriguex St., Brgy. La Purisima Concepcion, Bogo City, Cebu 6010	Php 30,000	July 31, 2026	5
Bontoc Branch Lite	Lower Caluttit, Bontoc, Mt. Province	Php 11, 000.00	July 17, 2023	5
Borongan Branch	JRC Bldg., Songco, Borongan, Eastern Samar	Php62,055.63	October 31, 2025	5
Butuan Branch	Ismael Illosa St., corner JC Aquino Avenue, Imadejas Subdivision Butuan City	Php 66,852.85	April 30, 2024	5

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Cabanatuan Branch	Y SIN GAN Building, 701 Paco Roman Street, Brgy. Dimasalang, Cabanatuan City, Nueva Ecija 3100	Php 87,980.82	December 04, 2027	5
Cabarroguis Branch Lite	Purok 1, Gundaway, Cabarroguis, Quirino	13,200.00	July 17, 2023	3
Cadiz Branch Lite	Laura Hotel, Villena St., Zone 2, Cadiz, Negros, Occidental	Php 14, 156.10	September 30, 2023	5
Cagayan Branch	TS Fashion Building, Corrales Ave. (between J. Ramonal & R. Chaves Sts., Cagayan de Oro City	Php 94,679.00	June 30, 2024	5
Calamba Branch	Unit# 1EF, Ground Floor, Margimel Building, National Highway Brgy. Halang Calamba City, Laguna	Php 121,980.00	January 31, 2025	5
Calapan Branch	Units 5 & 6 Pure Gold Building, J.P. Rizal Street, Barangay Camilmil, Calapan City, Oriental Mindoro	Php 95,440.82	October 31, 2024	5
Calbayog Branch	Salcor Bldg., Rosales Blvd., Calbayog City, Western Samar	Php68,223.27	March 31, 2023	5
Caloocan Branch	46 Dianne Bldg Rizal Avenue Ext. Caloocan City	Php 800.00	October 31, 2022	5
Candon Branch Lite	2nd Floor Valdez Bldg.- National Hiway, Brgy. San Nicolas, Candon City Ilocos Sur	Php 10,826.32	March 18, 2026	3
Carcar Branch	WPT BLDG., Barangay Awayan, Poblacion III, Carcar City, Cebu	Php 102,687.42	July 15, 2023	2
Catarman Branch	Camar Bldg., 1305 Bonifacio cor. Garcia St. Brgy. Mabolo, Catarman, Northern Samar	Php65,754.37	May 31, 2023	5
Catbalogan Branch Lite	138 Del Rosario Street Brgy. 07, Catbalogan City	Php 20,000	January 16, 2028	5
Daet Branch	Ground Floor Central Plaza Mall, Central Plaza Complex, Barangay Lag-on, Daet, Camarines Norte	Php90,882.16	May 01, 2025	5
Dagupan Branch	G/F Rudel Bldg., Perez Boulevard, Corner Guilig Street, Pogo Chico, Dagupan City, 2400 Pangasinan	Php 62,842.50	May 31, 2026	5
Danao Branch Lite	Ground Floor, GA Complex II, Juan Luna St., Danao City, Cebu	Php 15, 000.00	November 17, 2024	3
Dasmarinas Branch	Lot 5 & 6, Block 94, Governor's Drive, Metrogate Subdivision, Dasmarinas City, Cavite	Php50,160.00	December 31, 2023	4
Davao Branch	Philippine Red Cross Millenium Building, Manuel Roxas Avenue, Davao City	Php 165,478.98	October 31, 2027	5
Digos Branch	Unit No. 6, 7 & 8 USPD Bldg., Rizal Avenue, Zone III, Digos City, Davao Del Sur	Php89,581.58	April 30, 2023	5
Dinagat Branch Lite	DM AVENUE, Purok 1, Brgy. San Juan, San Jose, Province of Dinagat Islands	Php15,000.58	March 01, 2025	5
Dinalupihan Branch Lite	#1 Ropali Bldg. Burgos St., Burgos Dinalupihan, Bataan	Php45,000.00	May 01, 2025	4

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Dipolog Branch	Bulosan Building, Sergio Osmena St., Central Barangay, Dipolog City, Zamboanga Del Norte	Php40,000.00	July 23, 2025	5
Dumaguete Branch	G/F EROS Bldg., Dr. V. Locsin St. corner Real St., Dumaguete City	Php117,810.00	December 31, 2024	5
Echague Branch	Garfunkel Fine Properties Bldg. National Highway, San Fabian, Echague, Isabela, Philippines	Php78,498.60	February 28, 2023	5
Espana Branch	G. Tuazon corner Algeciras St. Sampaloc Manila City	Php 90, 000.00	January 27, 2025	5
Estancia Branch Lite	National Highway, RBG Building, Brgy Tabu-an, Estancia	Php 16, 500.00	July 31, 2024	3
General Santos Branch	CitySavings Bank, Dimdi Bldg. Santiago Blvd. Dadiangas South, General Santos City 9500	Php91,858.97	December 24, 2024	5
Glan Branch Lite	Space 3 Anares Building, Hombrebueno Street, Poblacion, Glan, Sarangani Province	Php 8,421.05	September 06, 2024	3
Goa Branch Lite	#102 Rizal St. Goa, Camarines Sur	Php 11,136.53	April 27, 2025	3
Guimaras Branch Lite	E. Cantua Bldg., San Miguel, Jordan, Guimaras	Php 6,963.16	September 14, 2024	3
Gumaca Branch	19 A. Bonifacio St. Brgy. Tabing Dagat Gumaca, Quezon	Php 10, 000.00	August 22, 2024	10
Iba Branch Lite	2nd Floor Rhoi Bldg., Posadas St. Palanginan, Iba Zambales	Php 18,418.00	March 31, 2023	6 months
Ilagan Branch	4J Commercial Center, Baligatan Ilagan City Isabela	Php 36,842.11	February 01, 2028	5
Iligan Branch Lite	Barangay Mahayahay, Roxas Avenue, Iligan City	Php 16,578.95	October 17, 2024	3
Iloilo Branch	143 Esperanza Building, General Luna Street, Iloilo City	Php102,560.95	March 31, 2024	5
Imelda Branch Lite	Purok Sampaguita Poblacion, Imelda Zamboanga Sibugay	Php 12, 000.00	March 01, 2023	3
Infanta Branch	General Luna Street, Poblacion 39, Infanta Quezon Province	Php 15, 000.00	July 31, 2025	10
Ipil Branch Lite	CL Bldg Purok Masigla, Poblacion Ipil Zamboanga Sibugay	Php24,000.00	August 15, 2023	5
Iriga Branch	Ground Floor, Hi-way 1 Zone 5, San Miguel Iriga City	Php 75,000.00	June 12, 2025	5
Irosin Branch Lite	JRC Bldg., Fr. Zamora St., Brgy San Julian, Irosin, Sorsogon	Php15,000.00	March 02, 2025	5
Isulan Branch Lite	Unit 4, 2nd Floor, RDPI Building, National Highway Kalawag 2, Isulan, Sultan Kudarat	Php 16,500.00	August 15, 2024	3
Kabankalan Branch	C.A.M Building, Guanzon Street, Brgy. 1 Kabankalan City, Negros Occidental	Php26,587.59	March 31, 2023	5
Kalibo Branch	G/F Cruzadel Bldg, Archbishop Reyes St. Poblacion, Kalibo, Aklan	Php40,000.00	March 31, 2023	5
Kidapawan Branch	G/F Aspilla Bldg., Quirino Drive, North Cotabato, Kidapawan City	Php 90,000.00	June 26, 2023	1
Koronadal Branch	Villa Amor Hotel, General Santos Drive corner Arellano Street, Koronadal City, South Cotabato	Php 82,396.93	July 22, 2025	5
La Union Branch	1st Floor Kenny Plaza, Quezon Avenue, San Fernando City, La Union	Php 84,210.52	March 01, 2027	5

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Lagawe Branch Lite	No. 7 Rizal Ave. Poblacion East, Lagawe, Ifuago	Php10,260.00	July 17, 2023	5
Las Pinas Branch	Alabang Zapote Rd cor Crispina Avenue, Las Pinas City	Php 13,1122.90	May 31, 2026	5
Leganes Branch	Pesta帽o Commercial Bldg., Doors 4 5 & 6, Poblacion, Leganes, Iloilo 5000	Php 58,985.82	December 31, 2026	5
Legazpi Branch	Tower Mall Building 4, Landco Business Park, Legazpi City	Php125,635.68	January 31, 2024	5
Lemery Branch	Brgy. Malinis, Lemery. Batangas	Php66,500.00	September 27, 2024	5
Lipa Branch	1 NK Centre Gen. Luna St. Brgy. Sabang, Lipa City, Batangas	Php 94,168.73	October 02, 2027	5
Lucena Branch	Ground Floor ML Tagaro Street, Barangay 5, Lucena City, Quezon	Php110,615. 32	May 20, 2023	3
Luna Branch Lite	2'^^ Fir. Awali Square Building, San Isidro, Luna Apayao	Php 7, 500.00	July 17, 2023	5
Maasin Branch Lite	#267 Kangleon St., Maasin City	Php 9,000.00	March 31, 2025	5
Malita Branch Lite	Lustre Building, Manuel Peralta St., Malita, Davao Occidental	Php 11,052.63	August 14, 2026	3
Mandaue Branch	Doors 3 and 4, Citybridge Plaza, A.C. Cortez cor. P. Burgos St., Mandaue, Cebu	Php141,488.52	March 31, 2026	5
Mangagoy, Bislig Branch Lite	SAINT VINCENT DE PAUL DIOCESAN COLLEGE, INC, John Bosco ST.,Mangagoy, Bislig City	Php 8,559.16	April 19, 2025	3
Marikina Branch	#3 G. Fernando Avenue, San Roque, Marikina City	Php114,785.40	June 04, 2024	5
Marilao Branch	Ground Floor Unit 1, 2 & 3 RL Building Mc Arthur Highway, Abangan Norte, Marilao, Bulacan	Php55,000.00	November 16, 2024	5
Marinduque Branch Lite	P. Madrigal St., Brgy., Malusak, Boac, Marinduque	Php 15,000.00	March 01, 2025	5
Masbate Branch	Upper Ground Floor (UGF 05 & 06) GAISANO CAPITAL MASBATE, Quezon St., Crossing Masbate City	Php64,897.61	July 21, 2025	5
Mati Branch	#56 Rizal Street, Mati City, Davao Oriental	Php52,890.73	February 28, 2023	5
Meycauayan Branch Lite	Mc Arthur Highway Brgy. Calvario, Meycauayan City, Bulacan	Php 11,344.72	April 16, 2026	5
Midsayap Branch Lite	Rizal St.,Corner Magallanes St., Poblacion 3, Midsayap, North Cotabato	Php 15, 000.00	March 02, 2023	3
Nabunturan Branch Lite	Door #3 Tsukiko Bldg. LB Flores St. Purok 13 Poblacion Nabunturan, Compostela Valley Province	Php 12, 000.00	May 04, 2023	5
Naga Branch	Door #44-45 CBD II Terminal, Triangulo, Naga City, Camarines Sur	Php59,455.62	April 23, 2023	5
Naguilian Branch	National Highway, Magsaysay, Naguilian Isabela, 3302	Php20,134.80	February 28, 2023	5
Nasugbu, Batangas Branch Lite	HBt Building JP Laurel St., Brgy. 9, Nasugbu, Batangas	Php 16,842.11	March 02, 2025	1
Naval Branch	208 P. Inocentes, Naval, Biliran	Php13,000.00	September 01, 2025	5
Navotas Branch	807-817 Mariano Naval St., Sipac Almacen, Navotas City	Php 61,699.27	May 31, 2026	5

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
North Caloocan Branch	R-V Sabangan Building (Door 1-4) 500 Susano Road, Hillcrest Village Camarin, Caloocan City	Php45,920.00	March 30, 2024	5
Olongapo Branch	GF Philippine National Red Cross Bldg. Magsaysay Drive Olongapo City	Php105,600.00	June 30, 2023	5
Ormoc Branch	STP Bldg, Aviles St., Ormoc City	Php120,937.38	December 31, 2024	5
Ozamis Branch Lite	Zamora St. Brgy 50th District Ozamiz City Misamis Occidental	Php15,000.00	March 01, 2025	5
Pagadian Branch	FN BLDG ARIOSIA STREET SAN FRANCISCO DISTRICT PAGADIAN CITY	Php77,500.00	April 30, 2025	5
Palawan Branch	Unit 1-A Ground Floor Unionbank Building, Rizal Avenue Corner Dacanay Street, Barangay Colero, Puerto Princesa City, Palawan	Php63,955.31	February 04, 2025	5
Pampanga Branch	Unit 102 Suburbia Commercial Center, Mc Arthur Highway, Maimpis, San Fernando City, Pampanga	90.591,19	March 31, 2026	5
Ramon Branch	Purok 2 Bugallon Proper, Ramon, Isabela	Php 48 572.99	August 31, 2027	5
Romblon Branch Lite	Brgy. Dapawan, J.P Laurel St., Rose Petal Grand Suite Hotel Building, 2nd floor, Odiongan, Romblon	Php10,000.00	March 02, 2025	5
Roxas, Capiz Branch	Bonifacio (McKinley) St., Roxas City, Capiz	Php33,030.90	May 31, 2024	5
San Carlos, Negros Occidental Branch	Doors 2-4 Heritage Bldg. 1, F.C. Ledesma Ave., San Carlos City, Negros Occidental	Php33,689.29	February 29, 2024	5
San Carlos,Pangasinan	Rizal St., San Carlos City, Pangasinan	Php4,000.00	March 12, 2025	5
San Francisco Branch Lite	GF-01, Gaisano Capital San Francisco, Brgy. 5, National Highway, San Francisco, Agusan Del Sur.	Php25,000.00	September 28, 2025	5
San Jose Nueva Ecija Branch	Mario Salvador Building, Maharlika Highway Brgy. Malasin, San Jose City, Nueva Ecija	Php97,544.37	March 31, 2025	5
San Jose Occidental Mindoro Branch	Lebrilla Ang Building, Burgos Corner Rizal Street, Barangay Poblacion 1, San Jose Occidental Mindoro	Php76,576.89	June 30, 2025	5
San Miguel, Bulacan Branch	R Bldg. Daang Maharlika, Sta Rita Old, San Miguel Bulacan	Php78,400.00	May 05, 2025	5
Santiago Branch	G/F Insular Bldg, Maharlika Highway, Villasis, Santiago City, Isabela 3311	Php50,599.54	April 30, 2024	5
SJDM, Bulacan Branch	Brgy. Kaypian, Quirino Highway, San Jose Del Monte Bulacan	Php64,200.00	April 12, 2025	5
Sogod Branch	Corner Mangkaw and Concepcion Sts. Zone I, Sogod Southern Leyte	Php 35,000.00	July 31, 2025	5
Sindagan	Mabini St. Cor. Fr. Zamora St., Poblacion Sindangan, Zamboanga Del Norte	Php 15,000.00	March 04, 2025	5

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Solano Branch	Ground Floor, Ongtao Building JP Rizal Ave., corner P. Burgos St., Brgy. Quirino, Solano, Nueva Viscaya	Php 65,420.56	July 01, 2024	3
Sorsogon Branch	AD Reyes Building 1461 Magsaysay Street, Barangay Salog, Sorsogon City	Php88,373.75	December 07, 2024	5
Sta. Cruz Laguna Branch	P. Guevarra St. Poblacion Brgy. IV, Sta. Cruz, Laguna	Php80,000.00	October 14, 2024	5
Sta.Rosa Laguna Branch	Balibago Commercial Complex, Sta Rosa, Laguna	58,500.00	October 31, 2024	5
Surigao Branch	Ground Floor Parkway Mall Km 3, Barangay Luna, National Highway, Surigao City	Php84,595.70	June 11, 2024	5
Tabuk Branch Lite	Commercial Space 2, Purok 2, Provincial Rd. Bulanao, Tabuk City, Kalinga Apayao	Php 31,578.95	September 30, 2025	5
Tacloban Branch	YPL Bldg., Door #3 Salazar St., Tacloban City	Php118,771.16	October 31, 2025	5
Tagaytay Branch	Lot 12(Briones Derm Clinique) E. Aguinaldo Highway, Brgy. San Jose, Tagaytay City, Cavite	Php64,200.00	October 13, 2024	5
Taguig Branch	48 Gen Alfredo Santos Ave., Lower Bicutan, Taguig City	Php59,992.50	September 27, 2024	5
Tagum Branch	Ground Floor PLJ Building, Apokon Road, Tagum City, Davao del Norte	Php98,440.96	February 28, 2023	5
Tanay Branch	#23 M.H Del Pilar St., Brgy. Plaza Aldea, Tanay, Rizal	Php 10, 000.00	March 02, 2025	5
Tandag Branch Lite	#11 Purok Saturn, Telaje, Capitol Road, Tandag City, Surigao Del Sur	Php15,000.00	December 06, 2023	5
Tanjay Branch	Door 2-5, Sweet Lady Building, Legaspi St., Barangay Poblacion 8, Tanjay City ,6204 Negros Oriental	Php35,000.00	December 31, 2024	5
Tarlac Branch	Ground Floor, Plaza De Oro Arcade, Mac Arthur Highway corner J. Luna Extension, Sto. Cristo, Tarlac City, Tarlac	Php 87,980.82	December 04, 2027	5
Taytay Branch	Sitio Hog Pugad, National Road, San Juan, Taytay , Rizal	Php 97,092.94	August 31, 2026	5
Tondo Branch	Honorario Lopez Blvd., Brgy. 148, Balut Tondo, Manila	Php92,898.47	June 20, 2025	5
Tubod Branch Lite	2/F A & A Parklane Bldg, Poblacion, Tubod, Lanao Del Norte	Php16,800.00	March 01, 2025	5
Tuguegarao Branch	Mabini St. Ugac Norte Tuguegarao City	Php70,000.00	February 27, 2025	5
Ubay Branch	Ground Floor Rogelio Inn Building, Colonel Marciano Garces Street, Poblacion, Ubay, Bohol	Php 40,000.00	July 31, 2023	5
Urdaneta Branch	Unit 18 & 19 Honaco Commercial Bldg., Nancayasan Urdaneta City, Pangasinan	Php73,813.56	March 31, 2023	5

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Valencia Branch Lite	Unit 2, Velox Energy Gas Station, Sayre Highway, Hagkol Poblacion, Valencia City, Bukidnon	Php 19,679.63	October 04, 2024	3
Valenzuela Branch	389 Mc Arthur Highway, Malinta Valenzuela City	Php107,000.00	April 01, 2025	5
Virac Branch Lite	Unit 21 Ground Floor Virac Town Center, Rizal Avenue, Barangay Gogon Sirangan Virac, Catanduanes	Php 37,828.36	October 31, 2024	3
Zamboanga Branch	RHW Building Mayor Jaldon St., Brgy. Canelar, Zamboanga City	Php75,000.00	December 20, 2025	5

FAIR Bank

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Carcar Branch	San Vicente St., Cogon, Carcar Cebu	P15,000.00 net of tax	June 01, 2023	3 Years
Sibulan Branch	Campaclan, Poblacion, Sibulan, Negros Oriental	P10,000 net of withholding tax, 5% incremental increase per year	June 01, 2023	3 Years
Mandaue Branch	251 SB, Cabahug Street Ibabao Estancia, Mandaue City	P15, 000.00 per month due at the start of every monthly period. First monthly period will start after the 15-day construction period.	Sept. 14, 2021	1 Year
Toledo Branch	Poblacion, Toledo City, Cebu	P15, 000.00 per month	February 03, 2023	3 Years
Tubigon Branch	Poblacion, Tubigon, Bohol	P12,000.00 (with 5% escalation rate annually starting 2nd year) Advance Rental: 2 months rental that can be applied to the first 2 months of the term of contract. Security Deposit : 2 months	December 29, 2021	1 Year
San Carlos	Ilang- Ilang St. San Julio Subd., San Carlos, Negros	P7,500 net of withholding tax	June 01, 2023	3 years
Silay	Zone 1, Antilla Subd, Silay City	P11,000.00	December 31, 2021	6 Months
Danao	Barangay Taboc, Looc, Danao City, Cebu	P28,760.00	May 01, 2024	3 Years
Sta. Fe	Barangay Talisay, Santa Fe, Cebu	P20,000.00 with incremental increase of 5%	Sept. 8, 2023	2 years

Bangko Kabayan

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Batangas Branch	76 E. P. burgos St. Batangas City	109,128.16	March 31, 2026	every 5 years
San Jose	Makalintal Avenue, Brgy. Taysan, San Jose, Batangas	60,717.89	October 02, 2021	Short-term/ Monthly Payment
Calatagan	Poblacion, Calatagan, Batangas	8,933.97	March 01, 2025	every 15 years
Sariaya	Poblacion, Sariaya, Quezon	26,741.14	July 25, 2027	every 15 years
Tiaong	Poblacion I, Tiaong, Quezon	11,576.25	August 17, 2027	every 15 years
Agoncillo	Poblacion, Agoncillo, Batangas	18,582.65	August 17, 2024	every 5 years
Lobo	Lobo, Batangas	9,408.00	June 30, 2023	1 year
Lipa	Laserta Building, Lipa City	66,315.78	November 30, 2025	every 5 years
Talisay	Brgy. Banga, Talisay, Batangas	20,897.94	March 01, 2026	every 10 years
Atimonan	280 P. Enriquez St. corner Rizal St. Atimonan, Quezon	17,173.50	March 31, 2026	every 10 years
Gumaca	Brgy. Tabong Dagat, Gumaca, Quezon	19,845.00	April 08, 2026	every 10 years
Balayan	Brgy. V., Balayan Batangas	34,815.79	January 30, 2028	every 10 years
Tanauan	Unit 102, Emir Commercial Building, President J.P. Laurel Highway, Pob II., Tanauan City, Batangas	76,323.90	March 31, 2028	every 10 years
Lemery	National Highway, Brgy. Palanas, Lemery Batangas	49,193.76	February 28, 2027	every 10 years

Progressive Bank

Branch Name	Address	Monthly Rental	Expiration of Lease	Term of Renewal
Jaro Branch	E. Lopez St. Jaro Iloilo City	130,431.25	April 21, 2023	6 mos
Pototan Lite Office	Brgy. Rumbang Pototan Iloilo	81,231.25	April 22, 2023	6 mos

UNION BANK OF THE PHILIPPINES
Index to Financial Statements and Supplementary Schedules
Form 17-A Item 7
December 31, 2022

Statement of Management's Responsibility for Financial Statements

Independent Auditors' Report
--- SyCip Gorres Velayo & Co.

Statements of Financial Position
As of December 31, 2022, and 2021

Statements of Income
For the years ended December 31, 2022, 2021 and 2020

Statements of Comprehensive Income
For the years ended December 31, 2022, 2021 and 2020

Statements of Changes in Capital Funds
For the years ended December 31, 2022, 2021 and 2020

Statements of Cash Flows
For the years ended December 31, 2022, 2021 and 2020

Notes to Financial Statements

Supplementary Information

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>

Thu 4/13/2023 7:38 PM

To: Menchie M. Tormon <mmtormon@unionbankph.com>

Cc: Arminda M. Cabacoy <aamaquiran@unionbankph.com>

Hi UNION BANK OF THE PHILIPPINES,

Valid files

- EAFS000508271AFSTY122022.pdf
- EAFS000508271ITRTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-PN4SW1PN07LAA9BF5QQ3XR3WN078AJ976L**Submission Date/Time: **Apr 13, 2023 07:18 PM**Company TIN: **000-508-271**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

=====
DISCLAIMER
=====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

For Encrypted Emails click [here](#) for instructions ===== DISCLAIMER ===== This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed. If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error. E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission. For Encrypted Emails click [here](#) for instructions

===== DISCLAIMER ===== This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed. If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error. E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check

this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

For any concerns, you can contact us through our Customer Service Hotline at (+632) 8841-8600 or you may visit www.unionbankph.com. Union Bank of the Philippines is an entity regulated by the Bangko Sentral ng Pilipinas (BSP) with website address <https://www.bsp.gov.ph>.

DISCLAIMER : This message (and any attachment hereto) may contain privileged and/or confidential information and is meant solely for the perusal and use of the intended recipient. If you are not the addressee of this message, you may not copy, disclose, distribute or disseminate this message (and any attachment hereto) to anyone. Instead, please destroy this message (and any attachment hereto), delete the same from your computer, and notify the sender by reply e-mail. Unauthorized access, reproduction, disclosure and circulation of this e-mail and/or any of its attachments or any information contained therein by any unauthorized persons is strictly prohibited and is punishable under R.A. No. 8792, otherwise known as E-Commerce Act, and other related laws. DISCLOSURE: Pursuant to BSP Circular 957 (Examination & Records of BSP Supervised Financial Institution), please be advised that the content of this communication and your reply thereto will form part of the formal documentation of UBP's transactions and maybe disclosed to regulators.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

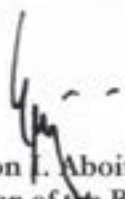
The management of **Union Bank of the Philippines** (the Bank) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

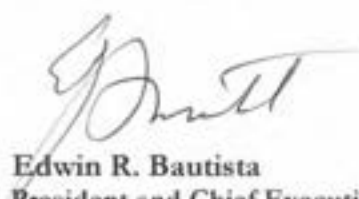
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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

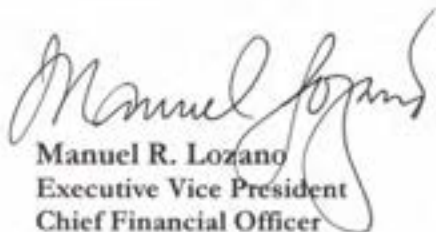
SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing and, in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of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



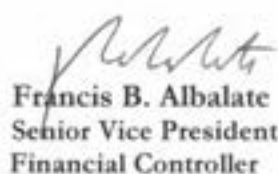
Erramon I. Aboitiz
Chairman of the Board



Edwin R. Bautista
President and Chief Executive Officer



Manuel R. Lozano
Executive Vice President
Chief Financial Officer



Francis B. Albalade
Senior Vice President
Financial Controller

SUBSCRIBED AND SWORN to before me this FEB 27 of 2023, 2023 at Pasig City, the following affiants personally known to me and exhibiting to me their TIN bearing their photographs and genuine signatures as competent evidence of identity in accordance with 2004 Rules on Notarial Practice.

Name	TIN
Erramon I. Aboitiz	103-715-862
Edwin R. Bautista	107-644-613
Manuel R. Lozano	148-773-908
Francis B. Albalate	120-319-015

Notary Public

Doc No. 326
Page No. 67
Book No. VI
Series of 2023


Nikki Neil Santos
Notary Public for Pasig, San Juan and
Patigay, Metro Manila
Appointment No. 20 (2022-2023)
Commission No. Expires On 12-31-2023
PTR No. 011549AA/ 1-4-23/ Pasig City
IBP No. 764636/ 1-3-23 Pasig City (RSM Chapter)
Roll of Attorneys No. 57961
MCL Compliance No. VII-0006121/ 12-1-2021
18th Floor, UnionBank Plaza, Meralco Avenue
Ortigas Center, Pasig City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3	6	7	0	3					

COMPANY NAME

U	N	I	O	N		B	A	N	K		O	F		T	H	E		P	H	I	L	I	P	P	I	N	E	S	

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

U	N	I	O	N	B	A	N	K		P	L	A	Z	A		M	E	R	A	L	C	O		A	V	E	N	U	E
C	O	R		O	N	Y	X		A	N	D		S	A	P	P	H	I	R	E		S	T	R	E	E	T	S	
O	R	T	I	G	A	S		C	E	N	T	E	R	,		P	A	S	I	G		C	I	T	Y				

Form Type

A	A	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

www.unionbankph.com

Company's Telephone Number

8667-6388

Mobile Number

No. of Stockholders

4,961

Annual Meeting (Month / Day)

April 22

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

FRANCIS B. ALBALATE

Email Address

fbalbalate@unionbankph.com

Telephone Number/s

(632) 8667-6388

Mobile Number

CONTACT PERSON'S ADDRESS

UnionBank Plaza Bldg, Meralco Ave. cor. Onyx and Sapphire Streets, Ortigas Center, Pasig 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.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Union Bank of the Philippines
UnionBank Plaza
Meralco Avenue corner Onyx street and Sapphire Road,
Ortigas Center, Pasig City

Report on the Consolidated and Parent Bank Financial Statements

Opinion

We have audited the consolidated financial statements of Union Bank of the Philippines and its subsidiaries (the Group) and the parent bank financial statements of Union Bank of the Philippines (the Parent Bank), which comprise the consolidated and parent bank statements of financial position as at December 31, 2022 and 2021, and the consolidated and parent bank statements of income, consolidated and parent bank statements of comprehensive income, consolidated and parent bank statements of changes in capital funds and consolidated and parent bank statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated and parent bank financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent bank financial statements present fairly, in all material respects, the financial position of the Group and the Parent Bank as at December 31, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Bank Financial Statements* section of our report. We are independent of the Group and the Parent Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent bank financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



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

Applicable to the Audit of the Consolidated and Parent Bank Financial Statements

Allowance for expected credit loss (ECL)

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

Refer to Notes 4 and 20 of the consolidated and parent bank financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's and the Parent Bank's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments* (PFRS 9), to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of the model validation on the risk rating performed by management's specialist.

We (a) assessed the Group's and the Parent Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Bank's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of credit enhancements provided by any party; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Bank's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (g) tested the effective interest rate used in discounting the expected credit loss.



Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated and parent bank financial statements.

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

Accounting for business combination

As disclosed in Note 1, in August 2022, the Group and the Parent Bank acquired the consumer banking business in the Philippines of another bank. As permitted by PFRS 3, *Business Combinations*, the Group and the Parent Bank determined the purchase price allocation on a provisional basis. We considered the accounting for this acquisition as a key audit matter because the amounts involved are material and required significant management judgment and estimates. Specifically, management exercised significant judgments and estimates in the determination of the fair value of loans and receivables using the discounted cash flow methodology and the fair value of properties using valuation techniques that consider recent transaction prices for similar properties and economic conditions prevailing at the time the valuations were made.

The Group's and the Parent Bank's disclosures about the fair value determination of the identifiable assets and liabilities acquired and the details of the business acquisition are included in Notes 1 and 3 to the consolidated and parent bank financial statements.

Audit Response

We obtained the Group's and the Parent Bank's provisional purchase price allocation and the related fair values of identifiable assets and liabilities of the acquired business. We obtained an understanding of the methodology and assumptions used in the determination of the fair value, particularly for the loans and receivables and properties. For loans and receivables, we checked the forecasted cash flows of selected loans against the contractual cash flows and the borrower's current financial condition and ability to pay the loan. We tested the parameters used in the determination of the discount rate against market data and the Group's current incremental lending rate for similar type of loans and receivables. For the properties, we evaluated the competence, capabilities and qualifications of the external appraisers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in obtaining an understanding and evaluating the methodology and assumptions used in the valuation of the properties. We assessed the methodology adopted by referencing with common valuation models. We reviewed the relevant information supporting the sales and listings of comparable properties and the adjustments made to the sales price. We tested the mathematical accuracy of the provisional purchase price allocation and reviewed the presentation and disclosures in the consolidated and parent bank financial statements.



Impairment testing of goodwill

Under PFRS, the Group and the Parent Bank perform testing of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The Group's and the Parent Bank's goodwill attributable to the various cash generating units (CGUs) is considered significant to the consolidated and parent bank financial statements. The Group's and the Parent Bank's impairment assessment requires significant judgement and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically on loan growth rate, deposit growth rate and discount rate. The disclosures in relation to the CGUs to which the goodwill is allocated and the Group's and the Parent Bank's impairment assessment are included in Notes 3 and 18 to the consolidated and parent bank financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in calculating the value-in-use (VIU) of the CGUs. We compared the key assumptions used such as loan growth rate and deposit growth rate against the historical financial performance and the specific plans for the CGUs and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's and the Parent Bank's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20IS (Definitive Information Statement), SEC Form 17A and Annual Report for the year ended December 31, 2022, but does not include the consolidated and parent bank financial statements and our auditor's report thereon. The SEC Form 20IS (Definitive Information Statement), SEC Form 17A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated and parent bank financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent bank financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and parent bank financial statements, management is responsible for assessing the Group's and Parent Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's and Parent Bank's financial reporting process.



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

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

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

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

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



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

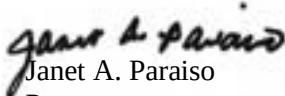
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent bank financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 38 to the financial statements and Revenue Regulations 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the BSP and the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Union Bank of the Philippines. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

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

SEC Partner Accreditation No. 92305-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369768, January 3, 2023, Makati City

February 27, 2023



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group		Parent Bank	
	December 31		December 31	
	2022	2021	2022	2021
RESOURCES				
Cash and Other Cash Items (Note 8)	₱9,891,536	₱8,904,903	₱8,924,249	₱7,988,517
Due from Bangko Sentral ng Pilipinas (Note 8)	94,610,308	103,407,946	66,588,121	67,478,389
Due from Other Banks (Note 9)	46,239,964	54,258,465	42,263,529	51,308,983
Interbank Loans Receivable (Note 10)	—	17,492,657	—	17,492,657
Securities Purchased under Reverse Repurchase Agreements (SPURRA) (Note 10)	23,553,973	23,420,742	14,634,811	15,541,296
Trading and Investment Securities				
At fair value through profit or loss (FVTPL) (Note 11)	8,653,516	5,640,005	8,583,178	5,571,270
At amortized cost (Note 12)	244,627,904	166,362,179	235,400,671	162,139,448
At fair value through other comprehensive income (FVOCI) (Note 13)	79,761,762	65,672,610	79,467,678	65,370,691
Loans and Other Receivables - net (Note 14)	479,657,898	336,353,889	393,765,594	275,576,906
Investment in Subsidiaries and Associates (Note 15)	123,396	142,355	31,758,460	23,082,955
Bank Premises, Furniture, Fixtures and Equipment - net (Note 16)	8,706,619	6,765,771	7,236,034	5,336,326
Investment Properties - net (Note 17)	8,258,873	8,673,344	7,124,049	7,435,877
Goodwill (Note 18)	62,310,287	14,818,932	51,659,262	7,886,898
Other Resources - net (Note 19)	26,341,829	19,181,663	19,635,435	15,308,078
TOTAL RESOURCES	₱1,092,737,865	₱831,095,461	₱967,041,071	₱727,518,291

LIABILITIES AND CAPITAL FUNDS

LIABILITIES

Deposit Liabilities (Note 21)

Demand	₱232,081,793	₱204,560,986	₱233,365,153	₱206,254,190
Savings	195,020,730	136,430,021	188,480,585	132,074,831
Time	281,201,419	226,509,885	199,075,294	151,730,160
Long-term negotiable certificate of deposits	3,000,000	3,000,000	3,000,000	3,000,000
	711,303,942	570,500,892	623,921,032	493,059,181
Bills Payable (Note 22)	132,846,789	51,168,138	99,309,124	28,577,774
Notes and Bonds Payable (Note 23)	51,644,325	69,853,986	51,644,325	69,789,836
Other Liabilities (Note 24)	48,800,486	27,359,217	44,646,216	24,432,809
	944,595,542	718,882,233	819,520,697	615,859,600

CAPITAL FUNDS

Capital funds attributable to the Parent Bank's stockholders (Note 25)

Common stock	21,421,068	12,193,628	21,421,068	12,193,628
Additional paid-in capital	47,949,927	14,214,551	47,949,927	14,214,551
Stock dividend distributable	—	3,048,388	—	3,048,388
Surplus free	90,727,927	82,122,752	91,307,820	82,754,489
Surplus reserves	2,452,975	2,798,673	2,030,080	2,323,934
Net unrealized fair value losses on investment securities at FVOCI (Note 13)	(14,057,609)	(1,448,457)	(14,059,469)	(1,447,065)
Remeasurements of defined benefit plans (Note 29)	(1,227,666)	(1,507,361)	(1,166,234)	(1,449,181)
Other reserves	30,989	13,754	37,182	19,947
Total capital funds attributable to the Parent Bank's stockholders	147,297,611	111,435,928	147,520,374	111,658,691
Non-controlling interests	844,712	777,300	—	—
	148,142,323	112,213,228	147,520,374	111,658,691

TOTAL LIABILITIES AND CAPITAL FUNDS	₱1,092,737,865	₱831,095,461	₱967,041,071	₱727,518,291

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF INCOME

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
INTEREST INCOME ON						
Loans and other receivables (Note 14)	₱36,004,714	₱27,372,449	₱28,406,664	₱23,907,388	₱17,497,261	₱19,802,696
Investment securities at amortized cost and FVOCI (Notes 12 and 13)	12,489,741	7,706,773	8,084,663	12,083,622	7,610,675	7,937,196
Cash and cash equivalents (Notes 8 and 9)	1,000,188	679,740	1,021,974	584,977	332,870	756,035
SPURRA (Note 10)	566,019	300,764	444,275	393,663	204,381	273,324
Interbank loans receivable (Note 10)	260,343	23,256	95,857	259,183	22,170	95,451
Trading securities at FVTPL (Note 11)	203,766	244,587	524,261	203,766	244,587	524,261
	50,524,771	36,327,569	38,577,694	37,432,599	25,911,944	29,388,963
INTEREST EXPENSE ON						
Deposit liabilities (Note 21)	6,021,671	2,967,692	5,616,821	4,196,509	1,805,424	4,256,480
Bills payable and other liabilities (Notes 22, 23, 24 and 29)	5,601,709	3,544,787	4,230,619	4,183,835	2,446,570	3,262,923
	11,623,380	6,512,479	9,847,440	8,380,344	4,251,994	7,519,403
NET INTEREST INCOME	38,901,391	29,815,090	28,730,254	29,052,255	21,659,950	21,869,560
PROVISION FOR CREDIT LOSSES (Note 20)	4,068,449	5,811,398	8,381,856	2,571,143	4,657,731	7,450,171
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	34,832,942	24,003,692	20,348,398	26,481,112	17,002,219	14,419,389
OTHER INCOME						
Service charges, fees and commissions (Note 27)	6,781,671	3,773,311	2,346,639	5,685,762	2,492,356	1,723,620
Gains (losses) on trading and investment securities at FVTPL and FVOCI (Notes 11 and 13)	(181,397)	217,943	3,829,710	(182,303)	217,533	3,831,674
Gains on sale of investment securities at amortized cost (Note 12)	100,223	8,447,595	5,111,793	100,223	8,447,595	5,111,793
Miscellaneous (Note 28)	6,598,584	2,861,815	2,078,996	7,497,855	3,542,828	2,565,048
	13,299,081	15,300,664	13,367,138	13,101,537	14,700,312	13,232,135
TOTAL OPERATING INCOME	48,132,023	39,304,356	33,715,536	39,582,649	31,702,531	27,651,524
OTHER EXPENSES						
Salaries and employee benefits (Note 29)	10,030,713	8,646,702	7,809,204	7,552,736	6,591,420	5,910,981
Taxes and licenses (Note 17)	4,110,188	2,881,458	3,503,233	2,738,837	1,929,202	2,597,693
Depreciation and amortization (Note 16)	1,607,873	1,623,679	1,406,900	1,167,564	1,146,458	1,008,907
Occupancy (Note 16)	1,026,889	890,645	904,750	764,356	674,342	674,692
Miscellaneous (Note 28)	14,751,697	10,277,070	7,749,066	11,901,915	7,147,271	6,126,463
	31,527,360	24,319,554	21,373,153	24,125,408	17,488,693	16,318,736
PROFIT BEFORE TAX	16,604,663	14,984,802	12,342,383	15,457,241	14,213,838	11,332,788
INCOME TAX EXPENSE (Note 30)	3,931,441	2,407,069	781,380	2,927,993	1,688,462	69,365
NET PROFIT	₱12,673,222	₱12,577,733	₱11,561,003	₱12,529,248	₱12,525,376	₱11,263,423
Attributable to:						
Parent Bank's stockholders	₱12,529,248	₱12,525,376	₱11,553,430	₱12,529,248	₱12,525,376	₱11,263,423
Non-controlling interests	143,974	52,357	7,573	—	—	—
	₱12,673,222	₱12,577,733	₱11,561,003	₱12,529,248	₱12,525,376	₱11,263,423
Basic/Diluted Earnings per Share (Note 33)	₱6.55	₱8.22	₱7.58	₱6.55	₱8.22	₱7.39

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
NET PROFIT FOR THE YEAR	₱12,673,222	₱12,577,733	₱11,561,003	₱12,529,248	₱12,525,376	₱11,263,423
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>						
Unrealized mark-to-market gains (losses) on investment securities at FVOCI	(12,510,381)	(845,911)	2,997,404	(12,556,049)	(835,790)	2,989,316
Realized (gains) losses on sale of investment securities at FVOCI recognized in profit or loss (Note 13)	(99,466)	(657,987)	(3,020,457)	(100,162)	(657,987)	(3,020,457)
Cumulative translation adjustment	17,235	32,640	(15,337)	17,235	30,559	(10,612)
Share in unrealized mark-to-market gains (losses) on investment securities at FVOCI of subsidiaries (Note 15)	—	—	—	43,807	(133)	—
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Remeasurement gains (losses) on defined benefit plan (Note 29)	372,764	502,675	(634,623)	336,721	427,890	(588,767)
Income tax benefit (expense) (Note 30)	(93,191)	(193,286)	190,387	(84,180)	(174,589)	176,630
Share in changes in remeasurement gains (losses) of subsidiaries (Note 15)	—	—	—	30,406	38,907	(21,228)
TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR	(12,313,039)	(1,161,869)	(482,626)	(12,312,222)	(1,171,143)	(475,118)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱360,183	₱11,415,864	₱11,078,377	₱217,026	₱11,354,233	₱10,788,305
Attributable to:						
Parent Bank's stockholders	₱217,026	₱11,362,598	₱11,078,413	₱217,026	₱11,354,233	₱10,788,305
Non-controlling interests	143,157	53,266	(36)	—	—	—
	₱360,183	₱11,415,864	₱11,078,377	₱217,026	₱11,354,233	₱10,788,305

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL FUNDS

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts are presented in thousands of Philippine Pesos)

	Group										
	Equity Attributable to Equity Holders of the Parent Bank										
						Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non-controlling Interests	Total Capital Funds
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves						
Balances as at January 1, 2022	₱12,193,628	₱14,214,551	₱3,048,388	₱82,122,752	₱2,798,673	(₱1,448,457)	(₱1,507,361)	₱13,754	₱111,435,928	₱777,300	₱112,213,228
Total comprehensive income (loss) for the year	—	—	—	12,529,248	—	(12,609,152)	279,695	17,235	217,026	143,157	360,183
Issuance of new shares (Note 25)	9,227,440	33,735,376	(3,048,388)	—	—	—	—	—	39,914,428	—	39,914,428
Cash dividends (Note 25)	—	—	—	(4,269,771)	—	—	—	—	(4,269,771)	—	(4,269,771)
Reversal of appropriations during the year – net (Note 25)	—	—	—	345,698	(345,698)	—	—	—	—	—	—
Dividends of subsidiaries to non-controlling interests (NCI)	—	—	—	—	—	—	—	—	—	(75,745)	(75,745)
Balances as at December 31, 2022	₱21,421,068	₱47,949,927	₱—	₱90,727,927	₱2,452,975	(₱14,057,609)	(₱1,227,666)	₱30,989	₱147,297,611	₱844,712	₱148,142,323
Balances as at January 1, 2021	₱12,184,715	₱14,214,983	₱—	₱77,096,218	₱2,645,080	₱55,384	(1,815,784)	(₱18,886)	₱104,361,710	₱790,692	₱105,152,402
Total comprehensive income (loss) for the year	—	—	—	12,525,376	—	(1,503,841)	308,423	32,640	11,362,598	53,266	11,415,864
Issuance of new shares (Note 25)	8,913	54,684	—	—	—	—	—	—	63,597	—	63,597
Stock dividends (Note 25)	—	(55,116)	3,048,388	(3,048,388)	—	—	—	—	(55,116)	—	(55,116)
Cash dividends (Note 25)	—	—	—	(4,267,770)	—	—	—	—	(4,267,770)	—	(4,267,770)
Appropriations during the year (Note 25)	—	—	—	(153,593)	153,593	—	—	—	—	—	—
Dividends of subsidiaries to NCI	—	—	—	—	—	—	—	—	—	(59,300)	(59,300)
Subscription of shares by NCI	—	—	—	—	—	—	—	—	—	10,000	10,000
Acquisition of NCI	—	—	—	(29,091)	—	—	—	—	(29,091)	(17,358)	(46,449)
Balances as at December 31, 2021	₱12,193,628	₱14,214,551	₱3,048,388	₱82,122,752	₱2,798,673	(₱1,448,457)	(₱1,507,361)	₱13,754	₱111,435,928	₱777,300	₱112,213,228
Balances as at January 1, 2020	₱12,176,096	₱14,172,060	₱—	₱67,851,771	₱4,600,747	₱78,437	(₱1,379,157)	(₱3,549)	₱97,496,405	₱520,560	₱98,016,965
Total comprehensive income (loss) for the year	—	—	—	11,553,430	—	(23,053)	(436,627)	(15,337)	11,078,413	(36)	11,078,377
Issuance of new shares (Note 25)	8,619	42,923	—	—	—	—	—	—	51,542	—	51,542
Cash dividends (Note 25)	—	—	—	(4,264,650)	—	—	—	—	(4,264,650)	—	(4,264,650)
Effect of business combination (Note 15)	—	—	—	—	—	—	—	—	—	270,168	270,168
Reversal of appropriations during the year – net (Note 25)	—	—	—	1,955,667	(1,955,667)	—	—	—	—	—	—
Balances as at December 31, 2020	₱12,184,715	₱14,214,983	₱—	₱77,096,218	₱2,645,080	₱55,384	(1,815,784)	(₱18,886)	₱104,361,710	₱790,692	₱105,152,402



Parent Bank									
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total Capital Funds
Balances as at January 1, 2022	₱12,193,628	₱14,214,551	₱3,048,388	₱82,754,489	₱2,323,934	(₱1,447,065)	(₱1,449,181)	₱19,947	₱111,658,691
Total comprehensive income (loss) for the year	—	—	—	12,529,248	—	(12,612,404)	282,947	17,235	217,026
Issuance of new shares (Note 25)	9,227,440	33,735,376	(3,048,388)	—	—	—	—	—	39,914,428
Cash dividends (Note 25)	—	—	—	(4,269,771)	—	—	—	—	(4,269,771)
Appropriations during the year – net (Note 25)	—	—	—	293,854	(293,854)	—	—	—	—
Balances as at December 31, 2022	₱21,421,068	₱47,949,927	₱—	₱91,307,820	₱2,030,080	(₱14,059,469)	(₱1,166,234)	₱37,182	₱147,520,374
Balances as at January 1, 2021	₱12,184,715	₱14,214,983	₱—	₱77,697,363	₱2,171,842	₱46,845	(₱1,741,389)	(₱10,612)	₱104,563,747
Total comprehensive income (loss) for the year	—	—	—	12,525,376	—	(1,493,910)	292,208	30,559	11,354,233
Issuance of new shares (Note 25)	8,913	54,684	—	—	—	—	—	—	63,597
Stock dividends (Note 25)	—	(55,116)	3,048,388	(3,048,388)	—	—	—	—	(55,116)
Cash dividends (Note 25)	—	—	—	(4,267,770)	—	—	—	—	(4,267,770)
Appropriations during the year – net (Note 25)	—	—	—	(152,092)	152,092	—	—	—	—
Balances as at December 31, 2021	₱12,193,628	₱14,214,551	₱3,048,388	₱82,754,489	₱2,323,934	(₱1,447,065)	(₱1,449,181)	₱19,947	₱111,658,691
Balances as at January 1, 2020	₱12,176,096	₱14,172,060	₱—	₱70,201,147	₱2,669,285	₱77,986	(₱1,308,024)	₱—	₱97,988,550
Total comprehensive income (loss) for the year	—	—	—	11,263,423	—	(31,141)	(433,365)	(10,612)	10,788,305
Issuance of new shares (Note 25)	8,619	42,923	—	—	—	—	—	—	51,542
Cash dividends (Note 25)	—	—	—	(4,264,650)	—	—	—	—	(4,264,650)
Reversals of appropriations during the year – net (Note 25)	—	—	—	497,443	(497,443)	—	—	—	—
Balances as at December 31, 2020	₱12,184,715	₱14,214,983	₱—	₱77,697,363	₱2,171,842	₱46,845	(₱1,741,389)	(₱10,612)	₱104,563,747

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022, 2021 and 2020

(Amounts are presented in thousands of Philippine Pesos)

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	₱16,604,663	₱14,984,802	₱12,342,383	₱15,457,241	₱14,213,838	₱11,332,788
Adjustments for:						
Provision for credit losses (Note 20)	4,068,449	5,811,398	8,381,856	2,571,143	4,657,731	7,450,171
Depreciation and amortization (Note 16)	2,228,372	2,221,316	1,928,421	1,632,098	1,557,053	1,447,218
Unrealized foreign exchange losses (gains) - net	1,265,139	(876,088)	45,873	1,187,664	(909,334)	45,882
Losses (gains) on sale of investment properties (Note 17)	(1,224,045)	43,689	(229,148)	(1,193,004)	(207,360)	(195,471)
Amortization of premium and discount of financial assets and liabilities	1,168,740	2,269,357	633,893	1,272,967	2,220,141	635,120
Gains on foreclosure of investment properties (Note 17)	(466,388)	(135,309)	(153,876)	(466,388)	(135,309)	(153,876)
Gains on sale of investment securities at amortized cost (Note 12)	(100,223)	(8,447,595)	(5,111,793)	(100,223)	(8,447,595)	(5,111,793)
Gains on sale of investment securities at FVOCI (Note 13)	(99,466)	(657,987)	(3,020,457)	(100,162)	(657,987)	(3,020,457)
Share in net loss (profit) of subsidiaries and associates (Notes 15 and 28)	29,666	4,135	3,665	(1,712,086)	(1,173,016)	(953,082)
Reversal of impairment on investment properties (Note 17)	(24,695)	(64,649)	—	(24,722)	(64,649)	—
Losses (gains) on disposal of property and equipment (Note 16)	14,849	(18,108)	8,641	429	(1,900)	(6,236)
Impairment of goodwill and investment in subsidiaries (Notes 15 and 18)	—	529,599	223,172	—	—	290,002
Gain on sale of investments in associates (Note 15)	—	(167,332)	—	—	—	—
Changes in operating assets and liabilities:						
Decreases (increases) in:						
Loans and other receivables	(80,626,502)	(19,355,679)	29,147,657	(54,060,475)	(17,497,222)	33,878,915
Trading securities at FVTPL	(3,013,511)	12,670,664	(10,582,248)	(3,011,908)	12,840,034	(10,593,749)
Other resources	(9,594,421)	(6,328,757)	(28,285)	(5,535,753)	(4,114,905)	(1,175,000)
Increases (decreases) in:						
Deposit liabilities	75,537,858	42,715,866	46,590,101	65,596,659	27,830,562	32,349,777
Other liabilities	21,445,696	2,905,804	(6,953,527)	18,489,460	1,533,845	(4,817,926)
Net cash provided by operations	27,214,181	48,105,126	73,226,328	40,002,940	31,643,927	61,402,283
Income taxes paid	(3,519,486)	(2,171,465)	(2,155,071)	(1,920,223)	(1,260,561)	(1,296,905)
Net cash provided by operating activities	23,694,695	45,933,661	71,071,257	38,082,717	30,383,366	60,105,378
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at amortized cost	(118,551,429)	(125,796,399)	(65,958,555)	(113,271,357)	(124,111,014)	(63,475,137)
Investment securities at FVOCI	(111,135,751)	(78,214,061)	(97,655,465)	(111,112,623)	(78,214,061)	(97,655,465)
Bank premises, furniture, fixtures and equipment (Note 16)	(551,592)	(505,605)	(1,026,363)	(308,016)	(317,391)	(867,690)
Investments in subsidiaries and associates (Notes 1 and 15)	(14,400)	(109,608)	—	(7,073,025)	(1,500,000)	—
Proceeds from maturities/sale of:						
Investment securities at amortized cost	42,109,410	122,933,196	71,519,901	41,846,113	122,903,200	71,519,901
Investment securities at FVOCI	87,266,386	46,097,932	72,201,864	87,191,082	46,067,931	72,201,864
Investment properties (Note 17)	620,286	464,361	410,787	575,169	407,214	273,676
Bank premises, furniture, fixtures and equipment (Note 16)	45,761	52,920	12,418	18,285	15,543	18,138
Dividends received from a subsidiary	—	—	—	188,000	1,496,811	—
Investments in associates (Note 15)	—	313,012	—	—	—	—
Acquisition of business, net of cash acquired (Notes 1 and 15)	(48,125,088)	—	54,241	(44,369,378)	—	(702,502)
Dissolution of subsidiaries (Notes 1 and 15)	—	—	—	—	11	—
Net cash used in investing activities	(148,336,417)	(34,764,252)	(20,441,172)	(146,315,750)	(33,251,756)	(18,687,215)

(Forward)



	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2022	2021	2020	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of:						
Bills payable	(P225,725,630)	(P131,247,110)	(P609,512,421)	(P177,520,637)	(P69,805,980)	(P565,341,774)
Notes and bonds payable	(38,183,199)	(3,473,520)	(21,171,857)	(35,112,500)	—	(18,200,000)
Cash dividends (Note 25)	(4,269,771)	(4,267,770)	(4,264,650)	(4,269,771)	(4,267,770)	(4,264,650)
Lease liabilities (Note 24)	(659,030)	(579,064)	(613,498)	(496,312)	(446,112)	(477,197)
Dividends of subsidiaries to NCI	(75,745)	(59,300)	—	—	—	—
Cash for fractional shares related to stock dividends (Note 25)	—	(55,116)	—	—	(55,116)	—
Proceeds from:						
Bills payable	306,504,535	127,075,530	558,732,399	247,352,242	62,765,158	507,779,097
Issuance of new shares, net of issuance costs (Note 25)	39,914,428	63,597	51,542	39,914,428	63,597	51,542
Notes and bonds payable (Note 23)	13,904,476	11,057,895	33,135,900	10,932,289	7,650,000	30,206,900
Subscription of shares by NCI	—	10,000	—	—	—	—
Net cash provided by (used in) financing activities	91,410,064	(1,474,858)	(43,642,585)	80,799,739	(4,096,223)	(50,246,082)
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES	42,726	(44,958)	(145,377)	34,162	(44,958)	(140,652)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,188,932)	9,649,593	6,842,123	(27,399,132)	(7,009,571)	(8,968,571)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR						
Cash and other cash items	8,904,903	8,958,042	8,580,709	7,988,517	7,814,917	7,832,302
Due from Bangko Sentral ng Pilipinas (BSP)	103,407,946	103,869,770	73,749,813	67,478,389	83,867,434	67,798,418
Due from other banks	54,258,465	68,532,218	73,675,709	51,308,983	64,763,768	71,497,226
Interbank loans receivable	17,492,657	—	213,062	17,492,657	—	213,062
Securities purchased under reverse repurchase agreement (SPURRA)	23,420,742	16,475,090	34,773,704	15,541,296	10,373,294	28,446,976
	207,484,713	197,835,120	190,992,997	159,809,842	166,819,413	175,787,984
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	9,891,536	8,904,903	8,958,042	8,924,249	7,988,517	7,814,917
Due from BSP	94,610,308	103,407,946	103,869,770	66,588,121	67,478,389	83,867,434
Due from other banks	46,239,964	54,258,465	68,532,218	42,263,529	51,308,983	64,763,768
Interbank loans receivable	—	17,492,657	—	—	17,492,657	—
SPURRA	23,553,973	23,420,742	16,475,090	14,634,811	15,541,296	10,373,294
	P174,295,781	P207,484,713	P197,835,120	P132,410,710	P159,809,842	P166,819,413
OPERATIONAL CASH FLOWS FROM INTERESTS AND DIVIDENDS						
Interest received	P47,786,261	P38,840,197	P38,292,850	P36,762,893	P28,048,227	P29,188,963
Interest paid	10,608,914	6,482,612	10,304,166	7,588,579	4,250,186	7,976,641
Dividends received	6,076	145,789	200,671	2,768	145,789	200,671

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Incorporation and Operations

Union Bank of the Philippines (the Bank, UnionBank or the Parent Bank) was incorporated in the Philippines on August 16, 1968 and operates as a universal bank through its universal banking license acquired in July 1992.

The Bank provides expanded commercial banking products and services such as loans and deposits, cash management, retail banking, foreign exchange, capital markets, corporate and consumer finance, investment management and trust banking. As of December 31, 2022, the Bank and its subsidiaries (collectively referred to as the “Group”) has 385 branches and 454 on-site and 131 off-site automated teller machines (ATMs), located nationwide.

The Bank’s common shares are listed in the Philippine Stock Exchange (PSE). The Bank is effectively 49.92% owned by Aboitiz Equity Ventures, Inc. (AEVI), a company incorporated and domiciled in the Philippines. AEVI is the holding and management company of the Aboitiz Group of Companies.

The Bank’s subsidiaries are all incorporated in the Philippines, except for UBX SG and UBX Remit, and the Bank’s effective percentage of ownership and the nature of the subsidiaries’ businesses as of December 31, 2022 and 2021 are as follows:

Name of Subsidiary	Percentage of ownership		Nature of Business
	2022	2021	
City Savings Bank, Inc. (CSB)	99.79%	99.79%	Thrift bank
PetNet, Inc. (PETNET) ^(a)	51.00%	51.00%	Foreign currency trader and remittance business
First-Agro Industrial Rural Bank, Inc. (FAIR Bank) ^(f)	100.00%	100.00%	Rural bank
UBP Investments Corporation (UIC)	100.00%	100.00%	Holding company
First Union Plans, Inc. (FUPI) ^(k)	100.00%	100.00%	Pre-need
First Union Direct Corporation (FUDC) ^(h)	100.00%	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) ^(b)	100.00%	100.00%	Agent for insurance and financial products
UBP Securities, Inc. (UBPSI) ^(h)	100.00%	100.00%	Securities brokerage
UnionBank Currency Brokers Corporation (UCBC) ⁽ⁱ⁾	—	100.00%	Foreign currency brokerage
UnionDataCorp (UDC) ^(h)	100.00%	100.00%	Data processing
Interventure Capital Corporation (IVCC) ^(h)	60.00%	60.00%	Venture capital
UBX Philippines Corporation (UBX)	100.00%	100.00%	Investment holding and innovation company
UBX Private Ltd. (UBX SG) ^(c)	100.00%	100.00%	Holding company
UBX Remit Pte. Ltd. (UBX Remit) ^(d)	100.00%	100.00%	Remittance company
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) ^(e)	70.00%	70.00%	Private development bank
Progressive Bank, Inc. (PBI) ^(f)	100.00%	100.00%	Rural bank
UnionDigital Bank, Inc. (UnionDigital) ^(g)	100.00%	100.00%	Digital bank
Citicorp Financial Services and Insurance Brokerage Philippines, Inc. (CFSI) ^(j)	100.00%	—	Insurance and securities brokerage

(a) Subsidiary through CSB and UIC, with 40% and 11% share in ownership, respectively

(b) Wholly-owned subsidiaries of UIC

(c) Wholly owned subsidiary of UBX

(d) Wholly owned subsidiary of UBX SG

(e) Subsidiary through CSB and UIC, with 49% and 21% share in ownership, respectively

(f) Subsidiary through CSB and UIC, with 49% and 51% share in ownership, respectively

(g) Incorporated on November 25, 2021

(h) Non-operating subsidiaries, wholly-owned by UIC

(i) Dissolved as of April 8, 2022

(j) Acquired 100% ownership as part of the Parent Bank’s acquisition of Citigroup Inc.’s consumer business in the Philippines on August 1, 2022

(k) In October 2022, the stockholders of FUPI approved the voluntary cessation and withdrawal of its pre-need business



Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

- (a) In a special meeting held on December 23, 2021, the Bank's BOD approved the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction includes the acquisition of Citigroup's credit card, personal loans, wealth management, and retail deposit businesses, as well as the real estate interests in Citibank Square in Eastwood, Quezon City, 3 full-service bank branches, and 5 wealth centers in the Philippines.

Also on December 23, 2021, the BOD approved the raising of additional capital of up to ₱40.0 billion through the issuance of additional shares from the Bank's unissued authorized capital stock via a stock rights offering (SRO) to all existing shareholders. On May 16, 2022, the Bank issued approximately 617.2 million common shares priced at ₱64.81 per share. Proceeds from the SRO were deployed to partially fund the acquisition of Citigroup, Inc.'s Philippine consumer business.

On April 5, 2022, the Philippine Competition Commission (PCC) issued clearance on the Bank's proposed acquisition of assets and liabilities of Citibank N.A., Philippine Branch and Citi Square Building Corporation, and shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc. The PCC resolved to take no further action with respect to the proposed acquisition. On July 14, 2022, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 1017, approved the Bank's acquisition of Citigroup's consumer business in the Philippines.

On August 1, 2022, the Bank completed the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction is effected via (i) an asset and liability transfer of the consumer banking activities of Citibank N.A., Philippines Branch, (ii) the sale of the 100% shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and (iii) the sale of freehold and owned office premises and parking spaces in Citibank Square building in Eastwood, Quezon City. The total cash consideration amounted to ₱77.9 billion based on the net assets of the Citi Philippines consumer banking business as of July 31, 2022, plus an agreed premium.

As of December 31, 2022, the Bank is still in the process of completing the determination of fair values of the assets and liabilities acquired, including the identified intangible assets. As allowed by PFRS, the Group has provisionally assessed the fair values of the assets and liabilities recognized, except for Cash and other cash items and Due from other banks. The provisional fair values will be adjusted within one year from the acquisition date once relevant information has been obtained.



The provisional fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in millions):

	Provisional fair values recognized on acquisition date
Assets	
Cash and other cash items	₱1,598
Due from other banks	28,126
Loans and receivables	65,581
Bank premises, furniture and fixtures, and equipment	2,120
Other resources	2,694
Total assets	100,119
Liabilities	
Deposit liabilities	65,265
Other liabilities	4,496
Total liabilities	69,761
Net assets acquired	₱30,358

The provisional goodwill from the acquisition is determined as follows (amounts in millions):

Total Purchase price	₱77,849
Less: Provisional fair values of net assets acquired	30,358
Provisional Goodwill	₱47,491

The goodwill arising from the acquisition is attributed to the opportunities for future growth in the credit card business of the Group, and expected synergies in the consumer banking business of the combined Parent Bank and Citi acquired business.

The provisional fair value of the loans and receivables acquired as part of the business combination amounted to ₱65.58 billion, with gross contractual amount of ₱69.44 billion.

Had the acquisition occurred at the beginning of 2022, the consolidated total operating income would have increased by ₱8.21 billion and net income would have increased by ₱1.24 billion.

Cash outflow from Acquisition of business, net of cash acquired by the Group and the Parent Bank follows:

	Group	Parent Bank ⁽¹⁾
Purchase price	₱77,849	₱72,752
Less: Cash acquired from the acquisition of business	29,724	28,383
Net cash outflow from the Acquisition	₱48,125	₱44,369

(1) For purposes of the Parent Bank financial statements, the purchase price above excludes the purchase of shares in CFSI amounting to ₱5.10 billion, which is included in 'acquisition of an investment in subsidiaries and associates' in the statement of cash flows.



- (b) CSB was incorporated and registered with the SEC on December 9, 1965. It is a thrift bank specializing in granting teacher's loans under the Department of Education's Automatic Payroll Deduction System. CSB has 149 branches as of December 31, 2022.

On July 5, 2018 and July 10, 2018, the BOD and the stockholders, respectively, of CSB approved the plan of merger with PR Savings Bank, with CSB as the surviving entity. On December 20, 2018, the Monetary Board (MB) of the BSP approved the merger subject to certain conditions, including completion of the merger within one year from the date of receipt of the BSP approval and that the merger should be effective on the date the SEC issues the certificate of merger. On December 27, 2018 and February 28, 2019, the BSP and the SEC, respectively, approved the merger between CSB and PR Savings Bank, with CSB as the surviving entity.

PR Savings Bank was the 14th largest thrift bank in the country. Most of its 102 offices are located in Luzon offering motorcycle, agri-machinery, and salary loans to over 131,000 borrowers, mostly from the mass market segment. The transaction enabled CSB to expand its reach in Luzon, and enter into new market segments, such as motorcycle and agri-machinery financing.

On December 20, 2018, the MB of BSP granted certain merger incentives, including temporary relief from compliance with the minimum CAR of 10% on solo basis for both the CSB and PRSB from June 2018 until the effectivity of the merger, provided that the CSB's CAR shall not fall below 7%; ten-year amortization of the goodwill from July 2018 to June 2028, and staggered booking of loan impairment determined based on BSP's examination of PR Savings Bank as of June 30, 2018 over a period of 5 years to start on the year the merger becomes effective. Subsequently, CSB recognized the required loan impairment amount outright as part of the determination of the final fair value of assets acquired at the date of the business combination.

CSB's CAR, after the effectivity of the merger, increased from 8.9% in December 2018 to 11.9% in March 2019. For prudential reporting, the Bank is amortizing the goodwill approved by the BSP for the next 10 years. The required annual amortization of goodwill for prudential reporting purposes of CSB is ₱272.94 million. The difference between the final goodwill under PFRS and the BSP approved goodwill was reflected as a reduction in Retained Earnings for prudential reporting to the BSP.

- (c) PETNET, more widely-known by its retail brand name PERA HUB, has the largest network of Western Union outlets in the Philippines. PETNET has over 3,714 outlets nationwide. It offers a variety of cash-based services including remittance, currency exchange and bills payment.
- (d) FAIR Bank was registered with the SEC on September 15, 1998 primarily to engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises. FAIR Bank has one (1) banking office and ten (10) branches located all over Cebu and Negros Occidental areas.

In 2020, CSB and UIC further infused additional capital amounting to ₱41.45 million (equivalent to 414,543 common shares at ₱100 par value) and ₱43.15 million (equivalent to 431,157 common shares at ₱100 par value), respectively, or a total of ₱84.60 million. The aggregate additional infusion in 2020 resulted in UIC's ownership in FAIR Bank further increasing to 44.33%, while CSB's ownership remained the same at 49%.



On July 8, 2021, UIC acquired the remaining 199,998 shares held by the non-controlling interest of FAIR Bank for ₱50.15 per share (₱10.2 million), further increasing the percentage of ownership of UIC from 44.33% to 51%, while CSB's ownership interest stood at 49%.

- (e) UIC was incorporated and registered with the SEC on December 20, 1993. It is presently engaged in business as a holding company authorized to hold investments of real and personal properties, including shares of stocks, bonds, debentures, notes and other securities and obligations, without engaging in business of an investment company or broker or dealer in securities of stocks.

UIC holds investments of the Group's thrift banks, rural banks and remittance companies. In addition, through its wholly-owned subsidiaries, FUPI and FUIFAI, UIC is also engaged in the servicing of existing pre-need plans, and being an agent for life and non-life insurance products.

- (f) On February 11, 2019, the BSP approved the Parent Bank's incorporation of UBX Philippines Corporation (UBX). UBX was incorporated to invest in, hold, own, purchase, lease manage, sell or otherwise dispose of real and personal properties of every kind and description. It shall also engage in the development of financial technology innovations and engage in electronic commerce business.

In October 2018, UIC incorporated UBX SG. On March 21, 2019, UBX then entered into an SPA with UIC to purchase 100 ordinary shares of UBX SG, a Singapore-based entity incorporated by UIC in October 2018, for a total consideration amounting to SGD100. Similar to UBX, UBX SG is incorporated to engage in the development of financial technology innovations and engage in electronic commerce business.

On November 27, 2020, the Parent Bank's BOD approved the additional capital infusion of ₱500 million into UBX. The capital infusion was approved by the BSP on February 15, 2021. The additional capital is intended to grow UBX' business operations and venture platforms.

- (g) In February 2019, CSB and UIC acquired 70% ownership of Bangko Kabayan, with CSB owning 49% and UIC owning 21%. The transaction was approved by BSP and Philippine Competition Commission (PCC) on September 19, 2019 and January 9, 2020, respectively. On March 12, 2020, the parties executed the Deed of Absolute Sale, which is determined to be the Group's acquisition date. On the same date, CSB and UIC paid 70% of the total purchase price, bringing the total payment to 90% of the purchase price. The remaining 10% deposited as a retention amount in an escrow account has been released to the sellers in November 2021.

Bangko Kabayan is authorized to engage in the business of extending financial services to farmers, employees, entrepreneurs, commercial, manufacturing and industrial enterprises and to such other persons or entities that require financial intermediation, and to have and to exercise all authority and powers, and to do and perform all acts, and to transact all business which may legally be done by thrift banks organized under and in accordance with the existing New Thrift Banks Act of 1995 (Republic Act No. 7906). It converted its existing microfinance banking office to a branch-lite unit and has 23 branches, including the head office, in the areas of Batangas, Laguna and Quezon (Southern Luzon), and one branch-lite in Lobo, Batangas.



- (h) On January 5, 2018, CSB and UIC executed an SPA to acquire 75% ownership interest of PBI through a combination of (a) subscription to 18,000,000 new shares and (b) purchase of 11,980,916 common shares from the major stockholders. On February 24, 2020, the BSP approved the application of CSB and UIC to acquire 75% ownership of PBI.

On July 13, 2020, BSP noted a clarification made by the PCC in its acknowledgement letter indicating that PCC does not categorically declare that the acquisition does not breach the thresholds prescribed by PCC and its IRR, leaving the parties involved with the responsibility to ensure that they fully comply with the notification requirement. The PCC issued a Letter of Non-Coverage declaring that the transaction is not subject to compulsory notification on August 5, 2020. For convenience purposes, the Group used July 31, 2020 as the date of business combination.

On October 7, 2021, UIC acquired the remaining 19,993,640 shares held by the non-controlling interest of PBI for ₱1.80 per share (₱36.0 million), further increasing the percentage of ownership of UIC from 26% to 51%, while CSB's ownership interest stood at 49%.

PBI is authorized to engage in the business of extending credit to farmers, tenants, and rural industries or enterprises, and to transact all business that may be legally done by rural banks formed under and in accordance with the existing Rural Banks Act (Republic Act No. 7353). The principal office address of PBI is located at Del Rosario St., Poblacion, Balasan, Iloilo, and operates an extension office in Pototan, Iloilo, for the purpose of providing microfinance loans along with its primary banking services, and a branch at No. 243 E. Lopez St., Brgy. Lourdes, Jaro, Iloilo City.

- (i) In its letter dated July 15, 2021, the BSP approved the application for authority to establish a digital bank, to be known as UnionDigital Bank, Inc. (UnionDigital), a wholly-owned subsidiary of the Bank, subject to regulatory conditions. The BSP subsequently granted the Authority to Register with the SEC. On November 25, 2021, the SEC approved UnionDigital's Articles of Incorporation and its By-Laws and issued its Certificate of Incorporation. The Parent Bank subscribed to 100,000,000 new common shares of UnionDigital at par value ₱10 per share totaling ₱1.0 billion.

On June 24, 2022, the BOD of the Parent Bank approved to infuse additional capital to UnionDigital of up to ₱2.0 billion.

On July 12, 2022, UnionDigital was granted the Certificate of Authority to Operate as a digital bank. Accordingly, UnionDigital started its operations on July 18, 2022. On the same date, the Parent Bank infused ₱1.0 billion to UnionDigital.

In its letter dated October 27, 2022, the BSP approved the Parent Bank's request for additional equity investment of up to ₱2.0 billion in UnionDigital. The Parent Bank then infused additional capital to UnionDigital in tranches for a total amount of ₱1.0 billion. As of December 31, 2022, the Parent Bank's total equity investment in UnionDigital amounted to ₱3.0 billion.



UnionDigital was organized to engage in, and carry on, the general business of a digital bank, including such other expanded services as may be approved by the MB of the BSP such as creating, developing, owning, maintaining, distributing, and marketing a digital platform that allows the bank to offer digital services, and issues mortgage and chattel mortgage certificates, buys and sells them or accept them in to such terms and conditions as may be prescribed by the MB of BSP.

- (j) Bangko Kabayan, FAIR Bank and PBI are in the process of seeking regulatory approvals to merge, with Bangko Kabayan as the surviving entity. On March 21, 2022, the Philippine Competition Commission (PCC) acknowledged that the proposed merger does not breach the thresholds for compulsory notification. The PDIC consent and BSP approval were obtained on June 17, 2022 and September 12, 2022, respectively. The Group is waiting approval of the merger from the SEC.

Non-operating subsidiaries

- (a) The BOD of FUDC authorized to temporarily suspend its business operations effective June 1, 2021 and until such time that management, with the approval of the BOD of FUDC, deems it appropriate to resume operations.
- (b) UBPSI was incorporated and registered with the SEC on March 2, 1993. It was organized to engage in the business of buying, selling or dealing in stocks and other securities. In January 1995, as approved by UBPSI's stockholders and BOD, UBPSI sold its stock exchange seat in the PSE. Accordingly, UBPSI ceased its stock brokerage activities.
- (c) UCBC was registered in the SEC on June 14, 1994. It was organized to engage in the foreign currency brokerage business. On March 23, 2001, the BOD of UCBC approved the cessation of its business operations effective on April 16, 2001. Since then, UCBC's activities were significantly limited to the settlement of its liabilities. The BOD and the stockholders of UCBC have approved to shorten UCBC's corporate term to December 31, 2016. UCBC has secured a tax clearance from the Bureau of Internal Revenue (BIR) in 2018. UCBC has secured certificate from the SEC last April 8, 2022 amending the Article IV shortening the term of existence thereby dissolving the corporation.
- (d) UDC was registered with the SEC on September 8, 1998. It was organized to handle the centralized branch accounting services as well as the processing of credit card application forms of the Parent Bank and the entire backroom operations of FUPI. On July 1, 2003, the BOD of UDC approved the cessation of its business operations effective on August 30, 2003, and subsequently shortened its corporate term to December 31, 2017 by amending its Articles of Incorporation. The services previously handled by UDC are now undertaken by the Financial Services Group of the Parent Bank. UDC is still in process of securing the tax clearance from the BIR.



- (e) IVCC was incorporated and registered with the SEC on October 10, 1980. It was organized to develop, promote, aid and assist financially any small or medium scale enterprises and to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law. IVCC has ceased operations since 1992.

The total assets, liabilities and capital funds of these non-operating subsidiaries amounted to ₱12,436, ₱3,341 and ₱9,095, respectively, as of December 31, 2022 and ₱5,011, ₱3,158 and ₱1,853, respectively, as of December 31, 2021.

The Bank's registered address, which is also its principal place of business, is at UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City. AEVI's registered address is located at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

Approval of Financial Statements

The consolidated financial statements of UnionBank and Subsidiaries (the Group) and the financial statements of the Parent Bank as of and for each of the three years in the period ended December 31, 2022 were authorized for issue by the Bank's BOD on February 27, 2023.

2. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense.

The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS 1), *Presentation of Financial Statements*. The Group presents statement of comprehensive income separate from the statement of income.



(c) Functional and Presentation Currency

The financial statements of the Group include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation).

The financial statements of these units are combined after eliminating inter-unit accounts. These are presented in Philippine pesos, and all values are presented in thousands of Philippine Pesos except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except that the Bank has adopted the following new accounting pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Bank's financial position or performance unless otherwise indicated.

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Basis of Consolidated Financial Statements

The Group's financial statements comprise the accounts of the Parent Bank and its subsidiaries, as enumerated in Note 1 and as disclosed under Note 15, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, and expenses and cash flows relating to transactions with subsidiaries are eliminated in full.



Unrealized profits and losses from intercompany transactions that are recognized in the separate financial statements are also eliminated in full. Intercompany losses that indicate impairment are recognized in the Group's financial statements.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Bank using consistent accounting policies.

Non-controlling Interests

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Bank.

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in capital funds. Disposals of equity investments to non-controlling interests may result in gains and losses for the Group that are also recognized in capital funds.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related resources or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Investment in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity, it is exposed, or has rights to, variable returns from its involvement with the entity, and it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

In the Parent Bank's separate financial statements, investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method (see Note 15).

All subsequent changes to the share in the equity of the subsidiaries are recognized in the carrying amount of the Parent Bank's investment. Changes resulting from the profit or loss generated by the subsidiaries are reported as Share in net profit of subsidiaries under Miscellaneous income account in the Parent Bank's separate statement of income.

Changes resulting from other comprehensive income of the subsidiaries are recognized in other comprehensive income of the Parent Bank. Any distributions received from the subsidiaries (e.g., dividends) are recognized as reduction in the carrying amount of investment in subsidiaries. However, when the Parent Bank's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Parent Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the subsidiary. If



the subsidiary subsequently reports profits, the Parent Bank recognizes its share on those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing the Parent Bank's share in net profit or loss of subsidiaries, unrealized gains or losses on transactions between the Parent Bank and its subsidiaries are eliminated to the extent of the Parent Bank's interest in the subsidiaries. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a group perspective.

The Parent Bank holds interests in various subsidiaries as presented in Notes 1 and 15.

Investment in Associates

Associates pertain to all entities over which the Group and the Parent Bank have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Business Combinations and Goodwill

Business acquisitions are accounted for using the acquisition method of accounting. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in the statement of income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed.

Gain on bargain purchase which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to profit.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.



If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the statement of income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in the statement of income or as a charge to other comprehensive income. Contingent consideration that is classified as capital funds is not remeasured, and its subsequent settlement is accounted for within capital funds.

Fair Value Measurement

The Group measures financial instruments such as financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 7.

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. The fair value measurement of a nonfinancial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 7, based on the lowest level input that is significant to the fair value measurement as a whole.

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



Financial Instruments - Initial Recognition and Subsequent Measurement*Date of recognition*

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial-assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments

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

'Day 1' difference

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

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured either at amortized cost, at FVOCI or at FVTPL.

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.



As part of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

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

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- the expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

The Group's measurement categories are described below:

Financial Assets at Amortized Cost

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

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



Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the statement of financial position as Due from BSP, Due from other banks, Interbank loans receivable, Financial assets at amortized cost under Trading and investment securities, Loans and other receivables and certain accounts under Other resources.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including Cash and other cash items, non-restricted balances of Due from BSP, Due from other banks, Interbank loans receivable and Securities purchased under repurchase agreements included in Loans and other receivables. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial Assets at FVTPL

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:

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

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in the statement of income. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in Gains (losses) on trading and investment securities at FVTPL and FVOCI account in the statement of income.

Interest earned on these investments is reported in the statement of income under Interest income account while dividend income is reported in the statement of income under Miscellaneous income account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is



not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Equity financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in Net unrealized fair value gains (losses) on investment securities in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on investment securities account is not reclassified to profit or loss, but is reclassified directly to Surplus free account.

Any dividends earned on holding these equity instruments are recognized in the statement of income under Miscellaneous income account.

Financial Assets at FVOCI - Debt Instruments

The Group classifies debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. The Expected Credit Loss (ECL) calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the statement of income.

Reclassification of financial assets

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

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

(b) Impairment of Financial Assets

The Group recognizes the allowance for expected credit losses for all loans and other debt financial assets carried at amortized cost, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

ECL represent possible credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of



money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 consists of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group and the Parent Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 consists of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group and the Parent Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

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

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes more than 90 days past due on its contractual payments. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e., consecutive payments from the borrowers for 180 days).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. Days past due are determined by counting the number of days since the earliest elapsed due date in



respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. All exposures are therefore provided with ECLs, in the context of SICR status.

ECL is a function of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

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

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts that may be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

(c) Derecognition of Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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



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

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI). Distressed restructuring with indications of unlikelihood to pay are categorized as impaired accounts and are moved to Stage 3.

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

Derivative Financial Instruments

The Group is a counterparty to derivatives contracts, such as forwards, swaps and warrants. These contracts are entered into as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as those of its customers.

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as resources when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument. When such evidence exists, which indicates a fair value different from the transaction price, the Group recognizes a gain or loss at initial recognition.

Changes in the fair value of derivatives are recognized in the statement of income.

Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, notes and bonds payable, and other liabilities (except tax-related payables, pre-need reserves and post-employment defined benefit obligation) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of income under Interest expense.



Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

Bills payable and Notes and bonds payable are recognized initially at fair value, which is the issue proceeds (fair value of consideration received) less any issuance costs. These are subsequently measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Derivative liabilities, which are included as part of Other Liabilities, are recognized initially and subsequently measured at fair value with changes in fair value recognized in the statement of income.

Other liabilities, apart from derivative liabilities, are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments

Financial resources and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization, and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

Buildings	25 - 50 years
Furniture, fixtures and equipment	5 - 10 years



Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements of five to ten years, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

If a change in use requires an item of bank premises, furniture, fixtures and equipment to be reclassified to investment properties, the difference between the carrying amount of such asset and its fair value as of the date of change in use is recognized in other comprehensive income and accumulated in equity under the Other reserves account. If the asset is subsequently retired or disposed of, the related revaluation surplus is transferred directly to Surplus free account.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

The Group classifies ROU assets as part of property and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include parcels of land and buildings and related improvements acquired by the Group from defaulting borrowers.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is initially measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under Investment properties from foreclosure date. Gain or loss from foreclosure is included as part of Gain or loss on foreclosure account under Miscellaneous Income section of the statement of income.



Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and amortization and impairment. Depreciation is computed using the straight line method over the useful life of 50 years and 10 years for building held for lease and other foreclosed properties, respectively. Land is carried at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs and real estate taxes, are normally charged against income in the period in which costs are incurred.

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

Intangible Assets

Intangible assets include goodwill and acquired computer software. Goodwill represents the excess of the acquisition cost over the fair value of the net identifiable assets arising from the acquisition of a business. Goodwill has indefinite useful life and, thus, not subject to amortization but requires an annual test for impairment. Goodwill is subsequently carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill sometimes cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to groups of cash-generating units. As a result, the lowest level within the Group at which goodwill is monitored for internal management purposes sometimes comprises a number of cash-generating units. The Group's cash-generating unit represents major business segments of the Parent Bank and the subsidiaries of the Group.

Computer software used in administration is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production.

Computer software are capitalized on the basis of the costs incurred to acquire, develop, and install the specific software. These costs are amortized on a straight-line basis over the expected useful lives ranging from five to ten years, as the lives of these intangible assets are considered finite. These costs are recognized as part of Depreciation and amortization in the statement of income. Costs associated with maintaining computer software are expensed as incurred. In addition, intangible assets are subject to impairment testing.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the statement of income.

Other Resources

Other resources pertain to resources controlled by the Group as a result of past events. These are recognized in the financial statements only if recognition of that asset and of any resulting



income or expenses is a faithful representation of the resources and provides relevant information about the resources.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position under 'Bills payable' and is considered as a loan to the Group, reflecting the economic substance of such transaction. For purposes of business model assessment, the Group considers the economic substance of the transaction when analyzing whether sales within a portfolio provide evidence related to how cash flows are realized.

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

Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

Pre-Need Reserves and Insurance Premium Reserves

(a) Pre-need Reserves

In the Group's consolidated financial statements, pre-need reserves (PNR), presented as part of Other liabilities in the consolidated statement of financial position, are recognized for all pre-need benefits guaranteed and payable by FUPI as defined in the pre-need pension plan contracts.



PNR for pension plans are determined using the requirements on provisioning of PAS 37 and the specific method of computation required by the Insurance Commission (IC) as described below.

The amount recognized as a provision to cover the PNR is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances were taken into account in reaching the best estimate of a provision.

PNR is computed based on the following considerations:

- On actively paying plans, provision is equivalent to the present value of future plan benefits reduced by the present value of future trust fund contributions required per product model discounted using the transitory discount rate which does not exceed the lower of the attainable rate as certified by the Trustee, and the discount rate prescribed by the IC in accordance with IC Circular Letter No. 23-2012, *Valuation of Transitory Pre-need Reserves*, for old basket of plans previously approved by the SEC.
- On lapsed plans, provision is equivalent to the present value of future plan benefits reduced by the present value of future trust fund contributions at lapse date, multiplied by the reinstatement rate.
- On fully paid plans, provision is equivalent to the present value of future plan benefits discounted using the transitory discount rate.
- Future events that may affect the foregoing amounts are reflected in the amount of the provision for PNR where there is sufficient objective evidence that they will occur.
- The rates of surrender, cancellation, reinstatement, utilization and inflation, when applied, represent the actual experience of FUPI in the last three years, or the industry, in the absence of a reliable experience.
- The probability of pre-termination or surrender of fully paid plans are considered in determining the PNR of fully paid plans. A pre-termination experience on fully paid plans of 5% and below are considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date.

The computation of the foregoing assumptions is validated by the IC-accredited actuary of FUPI.

Any excess in the amount of the trust fund as a result of the revised reserving requirement shall neither be released from the fund nor be credited/set-off to future required contributions.

(b) Insurance Premium Reserves

Insurance premium reserves for pension plans represents FUPI's actuarially-determined liability in accordance with PAS 37 to guarantee the benefits provided in the plan in consideration of the insurance premium funds assigned for this purpose as determined and certified by the IC-accredited actuary.



Capital Funds

Common stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of common stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Surplus free includes all current and prior period results as reported in the statement of income and which are available and not restricted for use by the Group, reduced by the amounts of dividend declared, if any.

Surplus reserves pertains to the following:

- (a) Portion of the Group's income from trust operations set-up on a yearly basis in compliance with BSP regulations. The surplus set-up is equal to 10% of the net profit accruing from the trust business until the surplus shall amount to 20% of authorized capital stock. The reserve shall not be paid out as dividends, but losses accruing in the course of the trust business may be charged against this account.
- (b) Accumulated trust fund income of FUPI that is automatically restricted to payments of benefits of planholders and releases from appropriation representing the amounts of trust fund income that pertains to the matured and pre-terminated plans of planholders which have been withdrawn from the trust fund during the year, in accordance with the amended Pre-need Uniform Chart of Accounts (PNUCA).
- (c) The difference of the 1% required General Loan Loss Provision on Stage 1 on-balance sheet loans over the computed allowance for credit losses on Stage 1 accounts as required by the BSP Circular No. 1011 - *Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments*.

Net unrealized fair value gains (losses) on investment securities pertains to cumulative mark-to-market valuation of financial assets at FVOCI.

Remeasurements of defined benefit plan refer to accumulated actuarial losses, net of gains, as a result of remeasurements of post-employment defined benefit plan and return on plan assets (excluding amount included in net interest).

Other reserves pertains to exchange differences arising from the translation of the Parent Bank's Foreign Currency Deposit Unit (FCDU) operations and UBX SG, which is taken to the statement of comprehensive income.

Non-controlling interests represent the portion of the net resources and profit or loss not attributable to the Group which are presented separately in the Group's statement of income and within the capital funds in the Group's statements of financial position and changes in capital funds.

Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Expenses are recognized in the statement of income upon utilization of the resources or services or at the date these are incurred.



All finance costs are reported on an accrual basis. The following specific recognition criteria of income and expenses must also be met before income or expense is recognized:

- (a) *Interest income recognized using the effective interest rate method* - Interest income is recognized in the statement of income for all instruments measured at amortized cost and debt instruments classified as financial assets at FVOCI using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

- (b) *Other interest income* - Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate and is included under Interest Income on financial assets at fair value through profit or loss.
- (c) *Service charges, fees and commissions* - Service charges, fees and commissions are generally recognized when the service has been provided. Loan commitment fees are earned as services are provided, recognized as other income on a time proportion basis over the commitment period.

The Group has a loyalty points programme as part of its credit cards business which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the interchange fee is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

- (d) *Gain (loss) on trading and investment securities* - Gain (loss) on trading and investment securities is recognized when the contractual rights on the securities is transferred to the buyer (at an amount equal to the difference of the selling price and the carrying amount of securities) and as a result of the mark-to market valuation of outstanding securities classified as FVTPL at year-end.
- (e) *Miscellaneous income* includes the following accounts:
- *Commissions earned on credit cards* - Commissions earned on credit cards are recognized as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments. Purchases by the credit cardholders, collectible on installment basis, are recorded at the cost of the items purchased. Interest income is recognized on every term of installment billed to the cardholders and computed using the effective interest method.



- *Gain (loss) from assets sold or exchanged* - Profit or loss from assets sold or exchanged is recognized when the control of the assets is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured.
- *Rental* - Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases.
- *Income from bancassurance business* - Exclusive access fee (EAF) related to the bancassurance partnership is recognized as revenue by reference to the completion rate of the target cumulative annualized premium earned.
- *Dividend* - Dividend income is recognized when the Group's right to receive payment is established.
- *Income from trust operations* - Trust fees related to investment funds are recognized in reference to the net asset value of the funds. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Leases

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

The Group as Lessee accounts for its leases as follows:

Group as Lessor

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the statement of income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

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

i. Right-of-use assets

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments



include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest recognized under Interest expense of bills payable and other liabilities and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases for some branches and the related parking spaces, stalls used for specific events and several office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM offsite locations, signages and several items of office equipment that are considered of low value (i.e., ₱250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term as is recognized as part of 'Occupancy' in the statement of income.

Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos except for the FCDU of the Parent Bank which are maintained in United States (U.S.) dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the Philippine Dealing System closing rates (PDSCR) prevailing at the end of the period (for resources and liabilities) and at the average PDSCR for the period (for income and expenses).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Changes in the fair value of monetary financial assets denominated in foreign currency are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in the statement of income, and other changes in the carrying amount are recognized in other comprehensive income.



Impairment of Non-financial Assets

The Group's intangible assets (consisting of goodwill and computer software recorded as part of Other resources), bank premises, furniture, fixtures and equipment, investment properties, investments in subsidiaries (for Parent Bank only) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in the statement of income for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss, except for goodwill.

Employee Benefits

The Group's employment benefits to employees are as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan (included as part of Other Liabilities) is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows arising from expected benefit payments using a discount rate derived from the interest rates of a zero-coupon government bond as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding



amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is included as part of Interest expense or Interest income in the statement of income.

Past-service costs are recognized immediately in the statement of income in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-Sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Parent Bank's shareholders, as indicated in the statement of income, after certain regulatory adjustments. The Group recognizes a provision where it is contractually obliged to pay the bonus plans. The Group also recognizes a provision for profit-sharing and bonus plans where there is a past practice that has created a constructive obligation, whether paid in cash or in the form of shares of the Parent Bank to be issued under the Employee Stock Plan.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting date.

They are included as part of Accrued taxes and other expenses under the Other liabilities account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Income Taxes

Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in capital funds, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax



assets or liabilities are recognized as a component of tax expense in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in capital funds. In this case, the tax is also recognized in other comprehensive income or directly in capital funds, respectively.

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

Related Party Relationships and Transactions

Related Party Transactions are transactions or dealings with related parties, regardless of whether a price is charged. These covers all types of transactions both on and off-balance sheet and regardless of which side of the transaction/deal of the bank is acting.

Parties are said to be related if one has direct or indirect control as well as significant influence over the other. Related Parties of the Bank include, but is not limited to: (a) DOSRI, subsidiaries, affiliates, and any party that directly or indirectly has control over or is subjected to the control of the Bank as well as those with direct and indirect linkages to it, (b) the Bank's and its affiliated companies' directors, officers, stockholders, and their related interests and close family members, and (c) other persons and juridical entities whose interests may pose potential conflict with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.



Earnings Per Share

Basic earnings per share are determined by dividing the net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, after retroactive effect to any stock dividends declared in the current year.

Diluted earnings per common share are also computed by dividing net profit by the weighted average number of common shares subscribed and outstanding at the end of the reporting period, after making adjustments to reflect the effects of any potentially dilutive preferred shares, stock options and warrants.

Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These resources and the related income arising thereon are excluded from these financial statements, as they are neither resources nor income of the Group.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services as disclosed in Note 6, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these services require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a particular segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

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

Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.



3. Summary of Accounting Judgments and Estimates

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Unless otherwise stated, below significant judgments and estimates apply as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022.

Critical Management Judgments in Applying Accounting Policies

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

Evaluation of business model in managing financial instruments

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument under PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

In December 2020, the BOD of the Parent Bank approved to sell a third of the securities from HTC FCDU subportfolio. The BOD also approved for the Parent Bank to be ready to sell the remaining securities under this HTC subportfolio to strengthen the financial position of the Parent Bank for the expected effects of the Covid 19 pandemic and increase capital allocation to client based business i.e., lending business. The Parent Bank assessed that these changes represent change in intention for the securities under the HTC FCDU subportfolio as a response to the current and expected changes in market conditions and did not constitute a change in the business model under PFRS 9.



In view of the above mentioned change in intention for the FCDU securities subportfolio and in response to changes in market conditions, the Parent Bank sold investment securities in 2022 and 2021.

In 2022 and 2021, the Parent Bank sold investment securities under the HTC FCDU sub portfolio with carrying amount of ₱1.7 billion and ₱47.4 billion, respectively, resulting in Gain on sale of investment securities at amortized cost totaling ₱100.2 million and ₱8.5 billion, respectively.

The Parent Bank has assessed that the above sales do not reflect a change in the business model of the Group. Accordingly, the remaining investment securities in the affected hold-to-collect subportfolio are continued to be measured at amortized cost. As of December 31, 2022 and 2021, the carrying amounts of the remaining Investment securities at amortized cost in the FCDU subportfolio amounted to ₱33.4 billion and ₱32.5 billion, respectively, while fair values amounted to ₱28.5 billion and ₱33.5 billion, respectively.

Testing the cash flow characteristics of financial assets

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met.

In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument

Determining the lease term of contracts with renewal and termination options - Group as lessee

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

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

Key Sources of Estimation Uncertainty

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



Estimation of impairment losses on Loans and other receivables, Financial assets at amortized cost and Financial assets at FVOCI

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

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Significant factors affecting the estimates on the ECL model include:

- The Group's internal grading model, which assigns PDs to individual grades. Scorecards have been updated to consider how clients are being affected by and are responding to COVID-19-related challenges. Sensitivities were applied, during risk rating, to consider uncertainties on available economic forecasts.
- The Group's criteria for assessing if there has been a SICR which is the basis for measuring allowances for financial assets on a Lifetime Expected Credit Loss (LTECL) basis. There are also qualitative assessments to consider significant increase in credit risk based on the identified risk profiles of their accounts and portfolios. In 2022, the Parent Bank updated the stage assessment to include the additional considerations related to movements in the borrower's credit rating when determining the significant increase in credit risk, which include rating threshold triggers.
- The Group's definition of default. The Bank considers the regulatory requirement and the Bank's indicators of loss events.
- Development of ECL models, including the various formulas and the choice of inputs. Similar to prior years, in 2022, models have been reviewed and revised as appropriate based on latest reviews, economic outlook and studies from external sources. In 2022, the Group updated the PD models for wholesale and certain retail portfolios, the LGD model for home loan, and the EAD for credit cards considering the credit conversion factor (CCF).
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels, level of government spending, and collateral values, and their effect on PDs, EADs and LGDs. As the economy progresses to post-pandemic scenario, analyses and forecasts were reviewed and updated if needed as the economic conditions evolved. The quantitative overlays were complemented by experience-based expert judgment inputs through management overlays considered integral to the systematic process.

The carrying amount of loans and other receivables and the related allowance are disclosed in Notes 14 and 20, while the carrying amount of debt financial assets classified under amortized cost and fair value through other comprehensive income and the related allowances are disclosed in Notes 12 and 20.

Fair value of derivatives

Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active markets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.



Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of derivatives as of December 31, 2022 and 2021 are presented and grouped into the fair value hierarchy in Note 7.

Recognition of deferred tax assets

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

In the 2022 taxable year, the Parent Bank applied its NOLCO and MCIT amounting to ₱2.24 billion and ₱221.52 million, respectively. The Parent Bank expects to continue to be in taxable position in the succeeding years. Accordingly, the Parent Bank has fully recognized its deferred tax assets, including its unapplied NOLCO and MCIT as of December 31, 2022 and 2021.

The carrying value of recognized deferred tax assets is disclosed in Note 30.

Impairment of goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount of the related CGU is insufficient to support its carrying value. The Group determines the recoverable value of goodwill by discounting the estimated excess earnings using the weighted-average cost of capital (WACC) as the discount rate. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. Financial budget for the immediately succeeding year is approved by senior management and BOD of the Parent Bank, while the financial budgets for the other years of cash flow projections are determined by corporate planning group and the relevant business units. In 2022, the key assumptions used in the calculation of value-in-use, including loan and deposit growth rates, net interest margin, have been updated to consider the effect of the pandemic. The discount rates used for the computation of the value in use for various CGUs (see Note 18) are based on the pre-tax discount rates ranging from 11.63% to 34.81% and from 9.12% to 11.91% as of December 31, 2022 and 2021, respectively. The long-term growth rates used range from nil to 11.2% as of December 31, 2022 and 2021. Bank's sources of goodwill and its carrying amount are disclosed in Note 18.

As a result of the ongoing economic uncertainty brought about by the COVID-19 pandemic, the results of the motorcycle lending business as a separate CGU identified from the acquisition of PR Savings Bank was lower than expected. The volume of loan releases was lower and the motorcycle loans reported higher NPLs, indicating a potential impairment of goodwill. This setback on the business plans for motorcycle lending business resulted in the recognition of impairment of goodwill on CSB's motorcycle loan business amounting to ₱529.60 million and ₱223.17 million in 2021 and 2020, respectively.



The Group assessed that the other remaining CGUs remain unimpaired. The impairment charge is recorded under Miscellaneous expenses in the statement of income.

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The carrying amount of goodwill is disclosed in Note 18.

Valuation of post-employment and other benefits

The determination of the Group's obligation and cost of pension and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rates of salary increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

The Group also estimates other employee benefit obligations and expenses, including the cost of paid leaves based on historical leave availments of employees, subject to the Group and the Parent Bank policies. These estimates may vary depending on future changes in salaries and actual experiences during the year.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation, as well as significant assumptions such as salary rate increase, discount rates, and turnover rates used in estimating such obligation are presented in Note 29.

Fair value determination of assets acquired and liabilities assumed from business combinations

As discussed in Note 1, on August 1, 2022, the Bank completed the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The Group sought an independent valuation for certain assets and liabilities acquired, including any identifiable intangible assets from the acquisition. The valuation had not been completed by the date the financial statements were approved for issue by the BOD. Pending the valuation, the Group provisionally determined the fair values of the assets acquired and liabilities assumed from the acquisition.

In 2021, the Group finalized the determination of the fair values of the assets acquired and liabilities assumed from the acquisitions of Bangko Kabayan and PBI (see Note 15).

The Group determines the acquisition-date fair values of identifiable assets acquired and liabilities assumed from the acquiree without quoted market prices based on the following:

- For assets and liabilities that are short term in nature, carrying values approximate fair values;
- For financial assets and liabilities that are long-term in nature, fair values are estimated through the discounted cash flow methodology, using the appropriate market rates (e.g., current lending rates); and
- For nonfinancial assets such as property and equipment and investment properties, fair values are determined based on an appraisal which follows sales comparison approach and depreciated replacement cost approach depending on the highest and best use of the assets.



4. Risk Management Objectives and Policies

Risks are inherent in the business activities of the Group. Among its identified risks are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, information security risk, legal risk, and regulatory risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Group identifies its key risks, collects consistent and understandable risk measures, decides which risks to take on or reduce and establishes procedures for monitoring the resulting risk positions. The objective of risk management is to ensure that the Group conducts its business within the risk levels set by the BOD while business units pursue their objective of maximizing returns.

Risk Management Structure

The BOD of the Parent Bank exercises oversight over the Parent Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Parent Bank has established independent Risk Management Units (RMUs) that objectively review and ensure compliance with the risk parameters set by the BOD. The RMUs are responsible for the monitoring and reporting of risks to senior management and the various committees of the Parent Bank.

On the other hand, the risk management processes of its subsidiaries are handled separately by their respective BODs.

The Parent Bank's BOD is primarily responsible for setting the risk appetite, approving risk parameters, proposed credit policies, and investment guidelines, as well as establishing the overall risk-taking capacity of the Parent Bank. To fulfill its responsibilities in risk management, the BOD has established the following committees, whose functions are described below.

- (a) The Executive Committee (EXCOM), composed of seven (7) members of the BOD, exercises certain functions as delegated by the BOD including, among others, the approval of credit proposals, asset recovery and real and other properties acquired (ROPA) sales, and such other transactions as may be initiated by the Bank units within the EXCOM's delegated limits.
- (b) The Risk Management Committee (RMC) is composed of seven (7) non-executive directors of the BOD, majority of whom are independent directors, including the Chairman. The RMC advises the BOD regarding the Parent Bank's overall current and future risk appetite, oversees Senior Management's adherence to the risk appetite statement, and reports on the state of risk culture of the Parent Bank. The RMC oversees the Parent Bank's risk management framework and the risk management function. The RMC also provides oversight, direction, and guidance to the other risk committees, specifically the Market Risk Committee (MRC) and the Operations Risk Management Committee (ORMC).
- (c) The MRC is composed of nine (9) members of the BOD, majority of whom are independent directors, including the Chairman. The MRC is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.



- (d) The ORMC is composed of at least three (3) members of the BOD, with a majority of the ORMC's membership comprised of independent directors, including the Chairman. The ORMC reviews various operational risk policies and practices and approves the operational risk management framework which forms part of the Bank's enterprise risk management system and covers all business lines and functions of the Bank, including outsourced services and services provided to external parties. The ORMC also provides oversight on the implementation of a sound business continuity management framework.
- (e) The Audit Committee is composed of seven (7) members, all non-executive and majority of whom are independent, including the Chairman, most of whom are with accounting, auditing, or related financial management expertise or experience. The skills, qualifications, and experience of the committee members are appropriate for them to perform their duties as laid down by the BOD.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Parent Bank's external auditors and the internal audit function. It also oversees the Parent Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

To effectively perform these functions, the Audit Committee has a good understanding of the Parent Bank's business including the following: Parent Bank's structure, businesses, controls, and the types of transactions or other financial reporting matters applicable to the Parent Bank as well as to determine whether the controls are adequate, functioning as designed, and operating effectively. It also considers the potential effects of emerging business risks and their impact on the Parent Bank's financial position and results of operations.

Among the responsibilities of the Audit Committee are:

- *Oversight of the financial reporting process.* The Audit Committee ensures that the Parent Bank has a high-quality reporting process that provides transparent, consistent, and comparable financial statements. In this regard, the Audit Committee works closely with management especially the Office of the Financial Controller, the Internal Audit Group (IAG), as well as the external auditors, to effectively monitor the financial reporting process.
- *Monitoring and evaluation of internal control.* The Audit Committee, through the IAG, monitors and evaluates the adequacy and effectiveness of the Parent Bank's internal control framework, integrity of financial reporting, and security of physical assets. The Audit Committee ensures that a proactive and forward-looking approach on evaluation of risks and controls is taken. The Audit Committee also ensures that periodic assessment of the internal control system is conducted to identify weaknesses and evaluates its robustness considering the risk profile and strategic direction of the Parent Bank.
- *Oversight of the audit process.* The Audit Committee is knowledgeable on audit function and the audit process. The Audit Committee maintains supportive, trusting, and inquisitive relationships with both internal and external auditors to enhance its effectiveness.



- *Oversight of the outsourced internal audit activities.* The Audit Committee oversees the performance of the internal audit service provider and ensures that they comply with sound internal auditing standards and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.
- *Oversees the implementation of Group Internal Audit Policy.* The Audit Committee oversees the implementation of the policy through the periodic reports on oversight of the Group Internal Audit and takes appropriate action on any group internal oversight issues identified. The Audit Committee reviews and evaluates the group internal audit policy, and any amendments thereto, and endorses the same to the BOD for approval.
- *Oversight of the whistle-blowing mechanism.* The Audit Committee oversees the establishment of a whistle-blowing mechanism in the Parent Bank by which officers and staff shall in confidence raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It also ensures that independent investigation, appropriate follow-up, action, and subsequent resolution of complaints are in place.

In the performance of these functions, the Audit Committee is supported by the IAG. The Chief Audit Executive derives authority from and is directly accountable to the Audit Committee. However, administratively, the Chief Audit Executive reports to the President of the Parent Bank.

The IAG is entirely independent from all the other organizational units of the Parent Bank, as well as from the personnel and work that are to be audited. It operates under the direct control of the Audit Committee and is given an appropriate standing within the Parent Bank to be free from bias and interference. The IAG is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

The IAG is authorized by the Audit Committee to have unrestricted access to all functions, records, property, and personnel of the Bank subject to existing mandate and applicable laws. This includes the authority to allocate resources, set audit frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the audit engagement objectives.

The IAG is also authorized to obtain the necessary assistance from personnel within the Parent Bank units where they perform audits, as well as other specialized services within or outside the Parent Bank.

The IAG presents its risk-based rolling 1-year audit plan that is forward-looking and consistent with the Parent Bank's strategic plans and priorities every quarter for approval by the Audit Committee.

At least once a month, the Audit Committee meets to discuss the results of the assurance and consulting engagements, and case investigations by IAG. Financial reporting and Controllanship related topics are also included as needed. The results of these meetings are regularly reported by the Audit Committee Chairman to the BOD in its monthly meetings.



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

IAG adopted the Governance, Risk & Compliance (GRC) system which aims to integrate the operational risk management across the Parent Bank. IAG also uses it as an audit management system to aid in ensuring quality and completeness of documentation across its different engagements. IAG also implemented remote auditing and leveraged on the document management system of the Bank.

- (f) The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance and compliance responsibilities. It is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and of oversight over the compliance risk management. It assists in the establishment of a compliance program that facilitates the escalation and resolution of compliance issues expeditiously.

The CGC is composed of nine (9) members of the BOD, all non-executive, majority of whom, including its Chairman, are independent directors. Its specific duties include, among others, making recommendations to the BOD regarding continuing education of directors, overseeing the periodic performance evaluation of the 1) Board; 2) Board Committees; 3) Individual Directors; 4) Management-level Committees (through the Compliance and Corporate Governance Office; and 5) Chief Compliance and Corporate Governance Officer (CCO).

The CGC also performs oversight functions over the Compliance and Corporate Governance Office (CCGO) and the following management-level committees: 1) Anti-Money Laundering Committee and 2) Discipline Committee.

Senior management, through the CCO, periodically reports to the CGC the status of regulatory audit and compliance testing findings until their closure. Any material breaches of the compliance program are reported to and promptly addressed by the CCO within the mechanisms defined by the Compliance Manual.

The Parent Bank's CCO defines the Group's minimum governance and compliance requirements and works closely with the subsidiaries' and affiliates' Chief Compliance Officers in the execution of these standards.

The CGC assumed the functions of the Nominations Committee (NomCom) and the Compensation and Remuneration Committee (CompRem) upon the latter Committees' dissolution. The NomCom review the qualifications of and screens candidates for the board including nominees for independent directors and key officers of the Parent Bank. As part of its added function, it also reviews the implementation of programs for identifying, retaining and developing critical officers and the succession plan for various units in the organization.

The functions of the CompRem include overseeing implementation of the programs for salaries and benefits of directors and senior management, and monitoring that the performance scorecards for the Parent Bank and its officers are comprehensive and balanced, and assessing the adequacy, effectiveness for driving performance and consistency of the Parent Bank's total compensation program vis-à-vis corporate philosophy and strategy.



The Parent Bank's CCO assists the CGC in fulfilling its functions by apprising the same of (1) pertinent regulations and other issuances relating to compliance or corporate governance, (2) related regulatory issues and compliance initiatives affecting the various units and the status of the corrective action plans, and (3) continuously giving updates thereon. In addition, the CCO keeps the CGC abreast of best governance practices and discusses issues being brought up among private organizations and individuals advocating good governance philosophy.

- (g) The Related Party Transaction Committee is a board-level committee composed of three (3) members, all of whom are independent directors, including its Chairman. The Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring that these are transacted on arm's length terms. The Committee reviews and endorses the related party transactions to the BOD for approval or confirmation, depending on the amounts involved.

The major risk types identified by the Group are discussed in the following sections:

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD and/or Credit Committee of the various companies within the Group. With respect to the Parent Bank, it has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The Enterprise Risk Management (ERM) undertakes several functions with respect to credit risk management. The ERM independently performs credit risk assessment, evaluation and review for its retail, commercial and corporate financial products to ensure consistency in the Parent Bank's risk assessment process. It also ensures that the Parent Bank's credit policies and procedures are adequate and are constantly updated to meet the changing demands or risk profiles of the business units, the COVID-19-related overlays as well as their impact on credit impairment and credit portfolio's credit risk profiles. The ERM also reported to the Board's Risk Management Committee.

The ERM's portfolio management function involves the review of the Parent Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and the development of a strategy for the Parent Bank to achieve its desired portfolio mix and risk profile. The ERM reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features. Concentrations indicate the relative sensitivity of the Parent Bank's performance to developments affecting a particular industry or geographical location.

The Group and the Parent Bank consider concentration risk to be present when the total exposure to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of December 31, 2022 and 2021, the Group and the Parent Bank did not exceed the limit in any of its industry concentration.



In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The ERM also monitors compliance to the BSP's limit on exposures.

The table below shows the breakdown of the Group's and the Parent Bank's exposure on receivable from customers and investments and placements as of December 31, 2022 and 2021:

	2022	
	Group	Parent Bank
Corporate loans	₱130,499,972	₱130,499,972
Consumer products*	99,202,486	99,202,486
Commercial loans	75,232,498	75,232,498
Home loans	65,659,469	65,659,469
CSB salary loans	64,029,282	—
Other receivables from customers**	45,871,855	20,002,091
Total receivables from customers	480,495,562	390,596,516
Investments and placements	492,852,118	442,454,859
	₱973,347,680	₱833,051,375

*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

**Comprised of HR loans, quick loans and Home Credit receivables

	2021	
	Group	Parent Bank
Corporate loans	₱118,674,586	₱118,674,586
Consumer products*	18,119,653	18,119,653
Commercial loans	69,942,747	69,942,747
Home loans	58,214,670	58,214,670
CSB salary loans	45,625,092	—
Other receivables from customers**	29,311,418	14,022,203
Total receivables from customers	339,888,166	278,973,859
Investments and placements	410,298,448	366,933,320
	₱750,186,614	₱645,907,179

*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

**Comprised of HR loans, quick loans and Home Credit receivables

Investments and placements include financial assets at amortized cost, debt securities classified as financial assets at FVOCI, due from other banks, due from BSP and interbank loans receivable and the related accrued interest receivable amounting to ₱3.83 billion and ₱2.91 billion as of December 31, 2022 and 2021, respectively.

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

Credit risk management practices and credit quality disclosures

Corporate Loans

Corporate lending activities are undertaken by the Parent Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies.



The Parent Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its obligor risk rating master scale.

The Parent Bank currently utilizes the same single rating system for both Corporate and Commercial accounts. In addition, the result on the latter is further refined through a second model to take more careful account of the nuances between the commercial bank portfolio with that of the corporate loan book.

The rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Significant changes in the credit risk considering movements in credit rating, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards. In 2022, the Parent Bank updated the stage assessment to enhance the considerations related to movements in the borrower's credit rating when determining significant increase in credit risk, which include rating threshold triggers.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), from AAA to D. In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which consists of a Facility Tenor Rating (FTR) and a Security Risk Rating (SRR). The FTR measures the maturity risk based on the length of loan exposure, while the SRR measures the quality of the collateral and risk of its potential deterioration over the term of the loan. The FTR and the SRR, each a 100-point scoring system, are given equal weight in determining the LER.

Once the BRR and the LER have been determined, the credit limit to a borrower is determined under the Risk Asset Acceptance Criteria (RAAC) which is a range of acceptable combinations of the BRR and the LER. Under the RAAC system, a borrower with a high BRR will have a broader range of acceptable LERs.

The credit rating for each borrower is reviewed annually or earlier when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy such as the COVID-19 pandemic. Any major change in the credit scoring system, the RAAC range and/or the risk-adjusted pricing system is presented to and approved by the RMC.

The description of each credit quality grouping for the credit scores is explained further as follows:

High Quality Grade - These accounts are of the highest quality and are likely to meet financial obligations.

Standard Grade - These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.

Substandard Grade - These accounts are vulnerable to non-payment but for which default has not yet occurred.

Non-Performing - These refer to accounts which are in default or those that demonstrate objective evidence of impairment.



Below is the breakdown of the Group and Parent Bank's corporate loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2022 and 2021:

		December 31, 2022			
Credit Score	Masterscale	Amounts			
		Stage 1	Stage 2	Stage 3	Total
High Quality Grade					
AAA to A-	1	P–	P–	P–	P–
BBB+	2	4,702,187	–	–	4,702,187
BBB	3	–	–	–	–
BBB- to BB+	4	42,470,009	30,021	–	42,500,030
Standard Grade					
BB to BB-	5	26,794,965	40,651	–	26,835,616
B+	6	4,983,374	–	–	4,983,374
B to B-	7	30,739,257	10,649,085	–	41,388,342
CCC+ to CCC	8	9,776,060	76,577	–	9,852,637
Substandard Grade					
Lower than CCC	9	77,012	7,816	–	84,828
Non-Performing					
Default	10	–	–	152,958	152,958
		P119,542,864	P10,804,150	P152,958	P130,499,972

		December 31, 2021			
Credit Score	Masterscale	Amounts			
		Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	P–	P–	P–	P–
BBB+	2	5,273,588	–	–	5,273,588
BBB	3	1,500,229	–	–	1,500,229
BBB- to BB+	4	37,128,851	–	–	37,128,851
<i>Standard Grade</i>					
BB to BB-	5	22,818,612	25,040	–	22,843,652
B+	6	9,550,333	8,824,869	–	18,375,202
B to B-	7	13,085,912	12,160,653	–	25,246,565
CCC+ to CCC	8	5,326,535	–	–	5,326,535
<i>Substandard Grade</i>					
Lower than CCC	9	1,516,904	12,866	–	1,529,770
<i>Non-Performing</i>					
Default	10	–	–	1,450,194	1,450,194
		P96,200,964	P21,023,428	P1,450,194	P118,674,586

Commercial Loans

The Group and Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly middle market companies. These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.



The non-financial ComBank accounts use an adjusted obligor rating scale derived from the one applied for corporate loans, and follows the same RAAC framework, while ComBank accounts classified as banks and non-bank financial institutions are still rated using the 2018 rating scale.

Below is the breakdown of the Group and Parent Bank's commercial loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2022 and 2021 for financial and non-financial institutions:

Financial Institutions

		December 31, 2022			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
High Quality Grade					
AAA to A-	1	P–	P–	P–	P–
BBB+	2	–	–	–	–
BBB-	3	–	–	–	–
BBB- to BB+	4	250,218	–	–	250,218
Standard Grade					
BB to BB-	5	1,974,404	–	–	1,974,404
B+	6	1,151,668	–	–	1,151,668
B to B-	7	8,393,725	–	–	8,393,725
CCC+ to CCC	8	7,809,630	–	–	7,809,630
Substandard Grade					
Lower than CCC	9	135,453	–	–	135,453
Non-Performing					
Default	10	–	–	28,430	28,430
		P19,715,098	P–	P28,430	P19,743,528

		December 31, 2021			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
High Quality Grade					
AAA to A-	1	P–	P–	P–	P–
BBB+	2	–	–	–	–
BBB-	3	–	–	–	–
BBB- to BB+	4	2,123,845	–	–	2,123,845
Standard Grade					
BB to BB-	5	1,124,053	–	–	1,124,053
B+	6	1,274,683	–	–	1,274,683
B to B-	7	11,449,999	–	–	11,449,999
CCC+ to CCC	8	4,675,900	–	–	4,675,900
Substandard Grade					
Lower than CCC	9	133,301	–	–	133,301
Non-Performing					
Default	10	–	–	–	–
		P20,781,781	P–	P–	P20,781,781



Non-financial Institutions

Masterscale	December 31, 2022			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	P–	P–	P–	P–
2	–	–	–	–
3	1,377,275	–	–	1,377,275
4	3,056,524	–	–	3,056,524
5	10,820,105	504,744	–	11,324,849
6	14,048,050	4,112,895	–	18,160,945
7	13,655,655	51,023	–	13,706,678
8	1,020,102	1,050,094	–	2,070,196
9	604,258	1,166,003	–	1,770,261
10	30,909	85,377	3,905,956	4,022,242
	P44,612,878	P6,970,136	P3,905,956	P55,488,970

Masterscale	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	P–	P–	P–	P–
2	10,006	–	–	10,006
3	1,414,153	–	–	1,414,153
4	2,863,325	–	–	2,863,325
5	8,886,779	389,130	–	9,275,909
6	8,909,247	557,834	–	9,467,081
7	17,654,256	1,024,579	–	18,678,835
8	2,057,062	232,643	–	2,289,705
9	323,119	1,465,013	–	1,788,132
10	–	–	3,373,820	3,373,820
	P42,117,947	P3,669,199	P3,373,820	P49,160,966

Small and Medium Enterprise (SME) Financial Products

SME portfolio is composed of Business Line Loans and a small portion from emerging products. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses. Credit models are constantly revised and updated as necessary while data analytics have been enhanced to improve portfolio quality and product offers.

SME products use rating scale 1 to 5.

Consumer Loans

The Consumer loan portfolio of the Parent Bank is composed of three main product lines, namely: Home Loans, Auto Loans, and Credit Cards. Starting August 2022, the newly acquired Citibank Consumer loans of Credit Cards and Personal Loans were added in the product offering of the Parent Bank. Since the acquisition of the Citibank Consumer loan portfolios, there has been ongoing system builds, alignment of credit policies, processes and strategies to prepare for a seamless integration of the customers and products.



For the subsidiary, CSB, an accredited lending institution of the Department of Education (DepEd), provides salary loans to teachers under an agreement with DepEd for payroll deductions. CSB also provides motorcycle loans as a result of its acquisition and subsequent merger with PR Savings Bank.

Exposure to credit risk is managed through diligent assessment upon onboarding and regular portfolio and segment analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate.

The Consumer products' respective masterscale is defined by the credit scoring models, which consider demographic variables and behavioral performance, to segment the portfolio according to risk masterscale per product. The stages are defined by the approved SICR for Consumer which takes into account the following: NPL status, months on books, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance). In 2020, the Parent Bank implemented additional credit risk assessment for clients affected by and are responding to COVID-19-related challenges, as consideration in determining the SICR of the account. Subsequently in 2022, PD models for Credit Cards, Home Loan, Auto Loan and SME products have been updated, with incorporation of data points that consider the effect of the pandemic. With the update of scores of borrowers reflecting the effects of pandemic, the observable improvement of product portfolio performance as economic activities restarted that were input to the model in 2022, the Parent Bank removed the additional credit risk assessment overlay implemented in 2020 in its SICR determination.

Both Home Loans (except Contract to Sell - CTS) and Credit Cards use rating scale 1 to 6. CTS utilizes the Corporate ratings ranging from 1 to 9. Meanwhile, Auto Loans and SME products use rating scale 1 to 5.

For the acquired Credit card and Personal loan portfolio from Citibank, pending the completion of the integration and alignment of models with the Parent Bank, the Group measures the expected credit loss under the general approach based on historical experience of charge offs and recoveries, and adjusted for the effect of forward looking information. The Parent Bank monitors the credit quality of the portfolio based on days past due information, as follows:

Delinquency buckets	Days past due
0	Current
1	0 – 30 days
2	30 – 59 days
3	60 – 89 days
4 (default)	90 – 119 days
5	120 – 149 days
6	150 – 179 days

Below is the breakdown of the Group's and the Parent Bank's major consumer portfolio loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2022 and 2021:



Home Loans

December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱7,640,551	₱–	₱–	₱7,640,551
2	10,467,797	–	–	10,467,797
3	10,920,928	39,841	–	10,960,769
4	8,489,749	313,319	–	8,803,068
5	7,357,469	544,792	–	7,902,261
6	1,878,642	682,064	–	2,560,706
7	11,511,153	–	–	11,511,153
Default	–	–	5,813,164	5,813,164
	₱58,266,289	₱1,580,016	₱5,813,164	₱65,659,469

December 31, 2021				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱–	₱–	₱–	₱–
2	6,332,609	–	–	6,332,609
3	9,820,451	–	–	9,820,451
4	6,032,565	–	–	6,032,565
5	9,361,213	–	–	9,361,213
6	9,798,388	26,515	–	9,824,903
7	8,680,489	1,318,139	–	9,998,628
Default	–	–	6,844,301	6,844,301
	₱50,025,715	₱1,344,654	₱6,844,301	₱58,214,670

Consumer Products (Acquired Credit card and Personal loan portfolio from Citibank)

December 31, 2022				
Amounts				
Delinquency Bucket	Stage 1	Stage 2	Stage 3	Total
0	₱73,051,126	₱192,070	₱27,577	₱73,270,773
1	1,569,678	60,467	2,266	1,632,411
2	–	413,390	3,383	416,773
3	–	300,022	9,945	309,967
4	–	–	185,255	185,255
5	–	–	154,904	154,904
6	–	–	120,610	120,610
	₱74,620,804	₱965,949	₱503,940	₱76,090,693

Consumer Products (SME Financial Products, Credit Cards and Auto Loans)

December 31, 2022				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱2,804,812	₱182,287	₱–	₱2,987,099
2	2,451,709	–	–	2,451,709
3	4,238,197	483,315	–	4,721,512
4	3,534,179	2,596	–	3,536,775
5	3,762,453	41,294	–	3,803,747
6	2,614,899	147,808	–	2,762,707
7	–	–	–	–
Default	–	–	2,848,244	2,848,244
	₱19,406,249	₱857,300	₱2,848,244	₱23,111,793



Masterscale	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	P—	P—	P—	P—
2	506,863	1,758	—	508,621
3	848,950	1,263	—	850,213
4	2,422,892	4,235	5,488	2,432,615
5	3,578,278	19,584	335,136	3,932,998
6	5,188,727	14,986	80	5,203,793
7	2,636,174	112,085	—	2,748,259
Default	—	—	2,443,154	2,443,154
	P15,181,884	P153,911	P2,783,858	P18,119,653

CSB Salary Loans

For CSB salary loans, which relates to the DepEd loans of CSB, each borrower is assigned a credit score with E as minimal risk, D as low risk, C as moderate risk, B as average risk and A as high risk.

The description of each credit quality grouping for the credit scores is explained further as follows:

High grade (minimal to low risk) - These are receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable.

Standard grade (moderate to average risk) - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

Substandard (high risk) - Accounts classified as “Substandard” are individual credits or portions thereof which appear to involve a substantial and unreasonable degree of risk to CSB because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to CSB unless given closer supervision. Those classified as “Substandard” must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

Below is the breakdown of CSB’s salary loans exposure (outstanding balance and accrued interest receivable) by credit score as of December 31, 2022 and 2021:

Credit Score	December 31, 2022			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
D to E	P11,204,266	P—	P—	P11,204,266
B to C	46,106,634	1,096,789	—	47,203,423
A	247,694	188,085	—	435,779
Default	—	—	5,185,814	5,185,814
	P57,558,594	P1,284,874	P5,185,814	P64,029,282



Credit Score	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
D to E	₱11,280,004	₱—	₱1,532	₱11,281,536
B to C	29,110,475	743,633	16,337	29,870,445
A	411,034	723,386	19,766	1,154,186
Default	—	—	3,318,925	3,318,925
	₱40,801,513	₱1,467,019	₱3,356,560	₱45,625,092

Other receivables from customers

Other receivables from customers of the Group and the Parent Bank include small portfolios such as, with respect to the Parent Bank, (i) personal loans, (ii) HR loans, (iii) bills purchase and (iv) customer liabilities under acceptance, (v) home credit receivables, (vi) teacher's loans acquired from CSB and, with respect to the subsidiaries, (i) personal loans, and (ii) motorcycle loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate.

Each product was risk rated using techniques appropriate to the Group's and Parent Bank's credit experience. Such methods consider the payment history that are reflected in aging, delinquency, and/or change in rating. These provide the bases for the ECL stage determination.

The description of each groupings according to stage is explained further as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, does not demonstrate significant increase in credit risk.

Stage 2 - those that are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date, and, based on change in rating, delinquencies and payment history, demonstrates significant increase in credit risk.

Stage 3 - Those that are considered default of more than 90 days past due or demonstrates objective evidence of impairment as of reporting date.

Below is a summary as of December 31, 2022 and 2021 of the Group's and Parent Bank's other receivables from customers.

	December 31, 2022			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
Group	₱37,691,857	₱2,674,618	₱5,505,380	₱45,871,855
Parent Bank	18,883,459	261,453	857,179	20,002,091

	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
Group	₱24,383,986	₱695,966	₱4,231,466	₱29,311,418
Parent Bank	13,074,318	137,222	810,663	14,022,203



Investments and Placements

Investments and placements include financial assets at amortized cost, debt financial assets through other comprehensive income, due from BSP, interbank loans receivable, and due from other banks. Each has established credit risk guidelines and systems for managing credit risk across all businesses.

Below is the breakdown of the Group's and the Parent Bank's investments and placements (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2022 and 2021:

Sovereign - Group

Masterscale	December 31, 2022			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱16,316,140	₱—	₱—	₱16,316,140
2	—	—	—	—
3	—	—	—	—
4	279,717	—	—	279,717
5	—	—	—	—
6	1,513,995	—	—	1,513,995
7	—	—	—	—
8	—	—	—	—
9	266,666,218	—	—	266,666,218
10	—	—	—	—
11	1,315,359	789,534	—	2,104,893
12	2,014,319	—	—	2,014,319
13	—	—	—	—
14	—	2,247,582	—	2,247,582
15	—	—	—	—
16	—	—	—	—
Default	—	—	—	—
	₱288,105,748	₱3,037,116	₱—	₱291,142,864

Masterscale	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱6,027,263	₱—	₱—	₱6,027,263
2	—	—	—	—
3	—	—	—	—
4	255,911	—	—	255,911
5	35,929,557	—	—	35,929,557
6	1,585,739	—	—	1,585,739
7	—	—	—	—
8	2,409,655	—	—	2,409,655
9	179,529,674	—	—	179,529,674
10	—	—	—	—
11	3,747,351	—	—	3,747,351
12	1,855,068	723,018	—	2,578,086
13	—	—	—	—
14	—	2,055,879	—	2,055,879
15	—	—	—	—
16	—	—	—	—
Default	—	—	—	—
	₱231,340,218	₱2,778,897	₱—	₱234,119,115



Corporate – Group

December 31, 2022				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱37,191,682	₱–	₱–	₱37,191,682
2	4,473,290	–	–	4,473,290
3	632,707	–	–	632,707
4	124,625,859	–	–	124,625,859
5	5,469,752	–	–	5,469,752
6	11,206,441	–	–	11,206,441
7	1,943,576	–	–	1,943,576
8	2,776,528	–	–	2,776,528
9	9,624,269	–	–	9,624,269
10	1,693,417	–	–	1,693,417
11	2,071,733	–	–	2,071,733
12	–	–	–	–
13	–	–	–	–
Default	–	–	–	–
	₱201,709,254	₱–	₱–	₱201,709,254

December 31, 2021				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱1,738,518	₱–	₱–	₱1,738,518
2	54,117,106	–	–	54,117,106
3	15,510,463	–	–	15,510,463
4	997,706	–	–	997,706
5	76,243,614	–	–	76,243,614
6	6,904,179	–	–	6,904,179
7	5,365,779	–	–	5,365,779
8	3,456,594	–	–	3,456,594
9	9,072,351	–	–	9,072,351
10	–	–	–	–
11	2,732,528	–	–	2,732,528
12	40,495	–	–	40,495
13	–	–	–	–
Default	–	–	–	–
	₱176,179,333	₱–	₱–	₱176,179,333

Sovereign – Parent Bank

December 31, 2022				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱16,316,140	₱–	₱–	₱16,316,140
2	–	–	–	–
3	–	–	–	–
4	279,717	–	–	279,717
5	–	–	–	–
6	1,513,995	–	–	1,513,995
7	–	–	–	–
8	–	–	–	–
9	257,339,212	–	–	257,339,212
10	–	–	–	–



December 31, 2022				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
11	₱1,315,359	₱789,534	₱—	₱2,104,893
12	2,014,319	—	—	2,014,319
13	—	—	—	—
14	—	2,247,582	—	2,247,582
15	—	—	—	—
16	—	—	—	—
Default	—	—	—	—
	₱278,778,742	₱3,037,116	₱—	₱281,815,858

December 31, 2021				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱6,027,263	₱—	₱—	₱6,027,263
2	—	—	—	—
3	—	—	—	—
4	255,911	—	—	255,911
5	—	—	—	—
6	1,585,739	—	—	1,585,739
7	—	—	—	—
8	2,409,655	—	—	2,409,655
9	175,346,683	—	—	175,346,683
10	—	—	—	—
11	3,747,351	—	—	3,747,351
12	1,855,068	723,018	—	2,578,086
13	—	—	—	—
14	—	2,055,879	—	2,055,879
15	—	—	—	—
16	—	—	—	—
Default	—	—	—	—
	₱191,227,670	₱2,778,897	₱—	₱194,006,567

Corporate – Parent Bank

December 31, 2022				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱37,191,682	₱—	₱—	₱37,191,682
2	4,473,290	—	—	4,473,290
3	632,707	—	—	632,707
4	83,703,956	—	—	83,703,956
5	5,469,751	—	—	5,469,751
6	11,206,441	—	—	11,206,441
7	1,884,024	—	—	1,884,024
8	2,736,528	—	—	2,736,528
9	9,624,269	—	—	9,624,269
10	1,693,417	—	—	1,693,417
11	2,022,936	—	—	2,022,936
12	—	—	—	—
13	—	—	—	—
Default	—	—	—	—
	₱160,639,001	₱—	₱—	₱160,639,001



Masterscale	December 31, 2021			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱1,738,518	₱—	₱—	₱1,738,518
2	54,117,106	—	—	54,117,106
3	15,510,463	—	—	15,510,463
4	997,706	—	—	997,706
5	73,176,780	—	—	73,176,780
6	6,904,179	—	—	6,904,179
7	5,305,511	—	—	5,305,511
8	3,400,537	—	—	3,400,537
9	9,072,351	—	—	9,072,351
10	—	—	—	—
11	2,703,602	—	—	2,703,602
12	—	—	—	—
13	—	—	—	—
Default	—	—	—	—
	₱172,926,753	₱—	₱—	₱172,926,753

Analysis of movements of gross carrying amounts

Movements in 2022 and 2021 for total receivables from customers follow. The balances presented include the related accrued interest receivables:

Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱282,953,118	₱34,964,422	₱21,970,626	₱339,888,166
Newly originated assets that remained in Stage 1 as at December 31, 2022	204,366,140	—	—	204,366,140
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	—	10,994,810	4,132,300	15,127,110
Movements in receivable balance (excluding write-offs)	(127,828,623)	(12,871,190)	(640,456)	(141,340,269)
Transfers to Stage 1	16,082,298	(11,938,827)	(4,143,471)	—
Transfers to Stage 2	(4,345,040)	4,870,309	(525,269)	—
Transfers to Stage 3	(4,737,502)	(1,260,552)	5,998,054	—
Amounts written-off	(16,778)	(4,394)	(3,090,214)	(3,111,386)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
Balance at end of year	₱431,414,633	₱25,137,043	₱23,943,886	₱480,495,562

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱290,689,261	₱15,147,350	₱20,305,489	₱326,142,100
Newly originated assets that remained in Stage 1 as at December 31, 2021	140,224,284	—	—	140,224,284
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	—	1,809,525	3,181,392	4,990,917
Movements in receivable balance (excluding write-offs)	(133,921,880)	3,174,859	937,243	(129,809,778)
Transfers to Stage 1	5,909,599	(1,495,971)	(4,413,628)	—
Transfers to Stage 2	(16,053,691)	17,125,223	(1,071,532)	—
Transfers to Stage 3	(3,894,455)	(796,564)	4,691,019	—
Amounts written-off	—	—	(1,659,357)	(1,659,357)
Balance at end of year	₱282,953,118	₱34,964,422	₱21,970,626	₱339,888,166



Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱230,841,937	₱32,938,659	₱15,193,263	₱278,973,859
Newly originated assets that remained in Stage 1 as at December 31, 2022	137,123,696	–	–	137,123,696
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	8,466,219	1,814,489	10,280,708
Movements in receivable balance (excluding write-offs)	(86,987,037)	(11,371,851)	(254,062)	(98,612,950)
Transfers to Stage 1	15,939,588	(11,814,113)	(4,125,475)	–
Transfers to Stage 2	(4,102,795)	4,622,984	(520,189)	–
Transfers to Stage 3	(3,089,579)	(912,042)	4,001,621	–
Amounts written-off	–	–	(2,734,598)	(2,734,598)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
Balance at end of year	₱354,666,830	₱22,312,321	₱13,617,365	₱390,596,516

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱235,931,730	₱13,525,006	₱15,990,549	₱265,447,285
Newly originated assets that remained in Stage 1 as at December 31, 2021	102,781,134	–	–	102,781,134
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	248,257	1,925,154	2,173,411
Movements in receivable balance (excluding write-offs)	(92,124,823)	4,603,341	(2,372,790)	(89,894,272)
Transfers to Stage 1	4,018,364	(1,111,321)	(2,907,043)	–
Transfers to Stage 2	(15,967,686)	16,424,625	(456,939)	–
Transfers to Stage 3	(3,796,782)	(751,249)	4,548,031	–
Amounts written-off	–	–	(1,533,699)	(1,533,699)
Balance at end of year	₱230,841,937	₱32,938,659	₱15,193,263	₱278,973,859

The breakdown of movements in 2022 and 2021 for total receivables from customers follow:

Corporate Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱89,626,427	₱27,629,390	₱1,418,769	₱118,674,586
Newly originated assets that remained in Stage 1 as at December 31, 2022	35,366,827	–	–	35,366,827
Movements in receivable balance (excluding write-offs)	(13,458,919)	(8,816,711)	(239,909)	(22,515,539)
Transfers to Stage 1	10,532,896	(10,532,896)	–	–
Transfers to Stage 2	(2,524,367)	2,524,367	–	–
Transfers to Stage 3	–	–	–	–
Amounts written off	–	–	(1,025,902)	(1,025,902)
Balance at end of year	₱119,542,864	₱10,804,150	₱152,958	₱130,499,972



	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱106,335,108	₱9,233,847	₱1,167,482	₱116,736,437
Newly originated assets that remained in Stage 1 as at December 31, 2021	23,115,419	—	—	23,115,419
Movements in receivable balance (excluding write-offs)	(25,511,459)	4,051,477	282,712	(21,177,270)
Transfers to Stage 2	(14,312,641)	14,344,066	(31,425)	—
Transfers to Stage 3	—	—	—	—
Amounts written off	—	—	—	—
Balance at end of year	₱89,626,427	₱27,629,390	₱1,418,769	₱118,674,586

Commercial Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱62,899,728	₱3,669,199	₱3,373,820	₱69,942,747
Newly originated assets that remained in Stage 1 as at December 31, 2022	57,610,451	—	—	57,610,451
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022		6,434,907	307,023	6,741,930
Movements in receivable balance (excluding write-offs)	(55,891,527)	(2,963,017)	(208,086)	(59,062,630)
Transfers to Stage 1	204,121	(36,891)	(167,230)	—
Transfers to Stage 2	(11,662)	101,750	(90,088)	—
Transfers to Stage 3	(483,135)	(235,812)	718,947	—
Amounts written-off	—	—	—	—
Balances at end of year	₱64,327,976	₱6,970,136	₱3,934,386	₱75,232,498

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱58,954,479	₱2,207,803	₱3,307,055	₱64,469,337
Newly originated assets that remained in Stage 1 as at December 31, 2021	54,340,243	—	—	54,340,243
Movements in receivable balance (excluding write-offs)	(49,351,343)	861,783	(332,276)	(48,821,836)
Transfers to Stage 1	102,123	(36,451)	(65,672)	—
Transfers to Stage 2	(723,888)	723,888	—	—
Transfers to Stage 3	(421,886)	(87,824)	509,710	—
Amounts written-off	—	—	(44,997)	(44,997)
Balances at end of year	₱62,899,728	₱3,669,199	₱3,373,820	₱69,942,747



Home Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱50,025,715	₱1,344,654	₱6,844,301	₱58,214,670
Newly originated assets that remained in Stage 1 as at December 31, 2022	21,149,124	—	—	21,149,124
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	—	201,611	274,863	476,474
Movements in receivable balance (excluding write-offs)	(12,751,142)	(125,291)	(1,301,467)	(14,177,900)
Transfers to Stage 1	2,305,218	(714,332)	(1,590,886)	—
Transfers to Stage 2	(851,925)	1,193,695	(341,770)	—
Transfers to Stage 3	(1,610,701)	(320,321)	1,931,022	—
Amounts written off	—	—	(2,899)	(2,899)
Balances at end of year	₱58,266,289	₱1,580,016	₱5,813,164	₱65,659,469

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱47,037,282	₱1,761,970	₱7,949,927	₱56,749,179
Newly originated assets that remained in Stage 1 as at December 31, 2021	16,285,786	—	—	16,285,786
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	—	159,704	307,106	466,810
Movements in receivable balance (excluding write-offs)	(13,655,902)	(210,604)	(1,365,347)	(15,231,853)
Transfers to Stage 1	3,582,771	(954,653)	(2,628,118)	—
Transfers to Stage 2	(795,608)	1,150,360	(354,752)	—
Transfers to Stage 3	(2,428,614)	(562,123)	2,990,737	—
Amounts written off	—	—	(55,252)	(55,252)
Balances at end of year	₱50,025,715	₱1,344,654	₱6,844,301	₱58,214,670

Consumer Products - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱15,215,749	₱158,194	₱2,745,710	₱18,119,653
Newly originated assets that remained in Stage 1 as at December 31, 2022	8,759,275	—	—	8,759,275
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	—	734,103	1,186,838	1,920,941
Movements in receivable balance (excluding write-offs)	3,853,771	606,470	1,691,030	6,151,271
Transfers to Stage 1	2,862,306	(523,403)	(2,338,903)	—
Transfers to Stage 2	(704,885)	766,774	(61,889)	—
Transfers to Stage 3	(900,183)	(301,354)	1,201,537	—
Amounts written-off	—	—	(1,314,455)	(1,314,455)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
Balance at end of year	₱94,027,053	₱1,823,249	₱3,352,184	₱99,202,486



	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱15,813,547	₱201,363	₱2,902,499	₱18,917,409
Newly originated assets that remained in Stage 1 as at December 31, 2021	2,639,472	–	–	2,639,472
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	40,703	1,470,415	1,511,118
Movements in receivable balance (excluding write-offs)	(2,692,576)	(55,380)	(779,121)	(3,527,077)
Transfers to Stage 1	270,142	(72,844)	(197,298)	–
Transfers to Stage 2	(85,997)	100,658	(14,660)	–
Transfers to Stage 3	(728,839)	(56,306)	785,144	–
Amounts written-off	–	–	(1,421,269)	(1,421,269)
Balance at end of year	₱15,215,749	₱158,194	₱2,745,710	₱18,119,653

Consumer Products – Citi

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as of acquisition date	₱64,941,020	₱382,465	₱242,316	₱65,565,801
Newly originated assets that remained in Stage 1 as at December 31, 2022	3,182,203	–	–	3,182,203
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	17,595	276	17,871
Movements in receivable balance (excluding write-offs)	6,819,213	631,206	191,843	7,642,262
Transfers to Stage 1	517,680	(495,416)	(22,264)	–
Transfers to Stage 2	(588,099)	643,158	(55,059)	–
Transfers to Stage 3	(251,213)	(213,059)	464,272	–
Amounts written-off	–	–	(317,444)	(317,444)
Balance at end of year	₱74,620,804	₱965,949	₱503,940	₱76,090,693

CSB Salary Loans - Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱40,801,513	₱ 1,467,019	₱3,356,560	₱45,625,092
Newly originated assets that remained in Stage 1 as at December 31, 2022	50,842,291	–	–	50,842,291
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	1,181,381	1,326,854	2,508,235
Movements in receivable balance (excluding write-offs)	(33,667,702)	(1,223,528)	(15,411)	(34,906,641)
Transfers to Stage 1	79,028	(74,611)	(4,417)	–
Transfers to Stage 2	(90,252)	91,926	(1,674)	–
Transfers to Stage 3	(389,843)	(153,055)	542,898	–
Amounts written-off	(16,441)	(4,258)	(18,996)	(39,695)
Balance at end of year	₱57,558,594	₱1,284,874	₱5,185,814	₱64,029,282



	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱45,293,234	₱574,243	₱2,051,036	₱47,918,513
Newly originated assets that remained in Stage 1 as at December 31, 2021	30,147,310	—	—	30,147,310
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	—	1,255,137	659,369	1,914,506
Movements in receivable balance (excluding write-offs)	(35,452,586)	(369,310)	1,582,285	(34,239,611)
Transfers to Stage 1	911,862	(194,859)	(717,003)	—
Transfers to Stage 2	(37,811)	215,465	(177,654)	—
Transfers to Stage 3	(60,496)	(13,657)	74,153	—
Amounts written-off	—	—	(115,626)	(115,626)
Balance at end of year	₱40,801,513	₱1,467,019	₱3,356,560	₱45,625,092

Other Receivables from Customers

Other receivables from customers include HR loans, Quick loans and Home Credit and CSB personal loan receivables.

Group

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱24,383,986	₱695,966	₱4,231,466	₱29,311,418
Newly originated assets that remained in Stage 1 as at December 31, 2022	30,638,172	—	—	30,638,172
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	—	2,442,808	1,036,722	3,479,530
Movements in receivable balance (excluding write-offs)	(15,913,104)	(349,113)	(566,613)	(16,828,830)
Transfers to Stage 1	98,729	(56,694)	(42,035)	—
Transfers to Stage 2	(161,949)	191,797	(29,848)	—
Transfers to Stage 3	(1,353,640)	(250,010)	1,603,650	—
Amounts written-off	(337)	(136)	(727,962)	(728,435)
Balance at end of year	₱37,691,857	₱2,674,618	₱5,505,380	₱45,871,855

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱17,255,611	₱1,168,124	₱2,927,490	₱21,351,225
Newly originated assets that remained in Stage 1 as at December 31, 2021	13,696,054	—	—	13,696,054
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	—	353,981	744,502	1,098,483
Movements in receivable balance (excluding write-offs)	(7,258,012)	(1,103,107)	1,548,988	(6,812,131)
Transfers to Stage 1	1,042,701	(237,164)	(805,537)	—
Transfers to Stage 2	(97,747)	590,787	(493,040)	—
Transfers to Stage 3	(254,621)	(76,655)	331,276	—
Amounts written-off	—	—	(22,213)	(22,213)
Balance at end of year	₱24,383,986	₱695,966	₱4,231,466	₱29,311,418



Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱13,074,318	₱137,222	₱810,663	₱14,022,203
Newly originated assets that remained in Stage 1 as at December 31, 2022	14,238,019	–	–	14,238,019
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	1,095,598	45,765	1,141,363
Movements in receivable balance (excluding write-offs)	(8,739,220)	(73,302)	(195,630)	(9,008,152)
Transfers to Stage 1	35,047	(6,591)	(28,456)	–
Transfers to Stage 2	(9,956)	36,398	(26,442)	–
Transfers to Stage 3	(95,560)	(54,555)	150,115	–
Amounts written-off	–	–	(391,342)	(391,342)
Balance at end of year	₱18,502,648	₱1,134,770	₱364,673	₱20,002,091

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱7,791,314	₱120,023	₱663,586	₱8,574,923
Newly originated assets that remained in Stage 1 as at December 31, 2021	6,400,214	–	–	6,400,214
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	47,850	147,633	195,483
Movements in receivable balance (excluding write-offs)	(913,541)	(43,935)	(178,760)	(1,136,236)
Transfers to Stage 1	63,328	(47,373)	(15,955)	–
Transfers to Stage 2	(49,553)	105,654	(56,101)	–
Transfers to Stage 3	(217,444)	(44,997)	262,441	–
Amounts written-off	–	–	(12,181)	(12,181)
Balance at end of year	₱13,074,318	₱137,222	₱810,663	₱14,022,203

Investments and Placements

Movements in 2022 and 2021 for investments and placements follow. The balances presented include accrued interest receivables:

Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱423,060,847	₱2,778,897	₱–	₱425,839,744
Newly originated assets that remained in Stage 1 as at December 31, 2022	196,419,137	–	–	196,419,137
Newly originated assets that moved to Stage 2 as at December 31, 2022	–	–	–	–
Movements in the balance (excluding write-offs)	(129,664,982)	258,219	–	(129,406,763)
Balance at end of year	₱489,815,002	₱3,037,116	₱–	₱492,852,118



	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱358,045,051	₱3,468,879	₱—	₱361,513,930
Newly originated assets that remained in Stage 1 as at December 31, 2021	199,191,117	—	—	199,191,117
Newly originated assets that moved to Stage 2 as at December 31, 2021	—	2,778,897	—	2,778,897
Movements in the balance (excluding write-offs)	(134,175,321)	(3,468,879)	—	(137,644,200)
Balance at end of year	₱423,060,847	₱2,778,897	₱—	₱425,839,744

Parent

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱379,695,719	₱2,778,897	₱—	₱382,474,616
Newly originated assets that remained in Stage 1 as at December 31, 2022	150,492,730	—	—	150,492,730
Movements in the balance (excluding write-offs)	(90,770,706)	(258,219)	—	(90,512,487)
Balance at end of year	₱439,417,743	₱3,037,116	₱—	₱442,454,859

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱331,383,580	₱3,468,879	₱—	₱334,852,459
Newly originated assets that remained in Stage 1 as at December 31, 2021	183,084,894	—	—	183,084,894
Movements in the balance (excluding write-offs)	(134,772,755)	(689,982)	—	(5,462,737)
Balance at end of year	₱379,695,719	₱2,778,897	₱—	₱382,474,616

Modification

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

For the years ended December 31, 2022 and 2021, the net impact of the subsequent accretion of the 2020 loan modifications amounted to income of ₱129.15 million and ₱101.37 million for the Group, respectively, and income of ₱106.00 million and ₱51.84 million for the Parent Bank, respectively.



Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables from customers in order to mitigate risk. The collateral may be in the form of mortgages over real estate property, chattels, inventory, cash, securities and/or guarantees. The Bank regularly monitors and updates the fair value of the collateral depending on the type of credit exposure. Estimates of the fair value of collateral are considered in the review and assessment of the adequacy of allowance for credit losses. In general, the Bank does not require collateral for loans and advances to other banks, except when securities are held as part of reverse repurchase agreements.

An estimate of the fair value of collateral and other security enhancements held by the Group and the Parent Bank against loans and other receivables as of December 31, 2022 and 2021 is shown below:

	Group				Exposure after financial effect of collateral
	Exposure before collateral	Property	Deposits	Others	
As of December 31, 2022	₱496,377,906	₱32,771,126	₱764,920	₱86,173,770	₱376,668,090
As of December 31, 2021	₱351,703,833	₱29,047,280	₱652,973	₱31,995,877	₱290,007,703

	Parent Bank				Exposure after financial effect of collateral
	Exposure before collateral	Property	Deposits	Others	
As of December 31, 2022	₱403,594,811	₱30,824,454	₱722,316	₱85,015,443	₱287,032,598
As of December 31, 2021	₱286,235,453	₱27,477,392	₱617,608	₱30,759,192	₱227,381,261

The Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of the assets after foreclosure proceedings have taken place.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The Asset and Liability Committee (ALCO) and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations. A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.

Liquidity ratios are used to monitor and manage the Bank's liquidity. The MRC approves the ratios to be used for monitoring the performance of the Bank and for mapping out areas where improvements are needed. These ratios include Liquid Assets to Deposits Ratio, Liquidity ratio, Leverage Ratio and Intermediation Ratio.

The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD. The Bank has separate limits for the short term (generally less than 30 days) and the medium term tenor (from 30 days to one year).



In addition, the Bank established a sub-portfolio to manage excess USD Liquidity brought by the acquisition of Citibank's retail portfolio. The liquidity sub-portfolio can only be composed of securities within the approved parameters such as issuer, tenor composition and portfolio limit as defined in the Bank's FVOCI Business Model.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the contractual date on which the asset will be realized and the liability will be settled. For financial assets at FVTPL, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized (amounts in millions).

	Group 2022						Total
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
<i>Financial assets</i>							
Cash and other cash items	P9,892	P-	P-	P-	P-	P-	P9,892
Due from BSP	72,286	22,336	-	-	-	-	94,622
Due from other banks	46,240	-	-	-	-	-	46,240
SPURRA	8,274	15,292	-	-	-	-	23,566
	136,692	37,628	-	-	-	-	174,320
Financial assets at FVTPL							
Derivative assets	-	445	367	125	192	905	2,034
Debt securities	-	7,478	-	-	-	-	7,478
Equity securities	-	-	-	-	-	411	411
Financial assets at FVOCI							
Debt securities	-	3,206	2,998	1,159	1,253	79,470	88,086
Equity securities	-	-	-	-	-	46	46
Financial assets at amortized cost	-	1,450	1,539	2,710	6,149	340,496	352,344
	-	12,579	4,904	3,994	7,594	421,328	450,399
Loans and other receivables	2,091	90,780	39,572	31,540	48,307	363,061	575,351
Other receivables							
Accounts receivable	-	-	-	-	-	11,116	11,116
Accrued interest receivable	-	9,693	-	-	-	-	9,693
Sales contract receivable	-	29	46	67	130	2,952	3,224
	2,091	100,502	39,618	31,607	48,437	377,129	599,384
Other financial assets							
Returned checks and other cash items	-	30	-	-	-	-	30
Sundry debits	-	154	-	-	-	-	154
	-	184	-	-	-	-	184
Total assets	P138,783	P150,893	P44,522	P35,601	P56,031	P798,457	P1,224,387
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	P232,082	P-	P-	P-	P-	P-	P232,082
Savings	195,021	-	-	-	-	-	195,021
Time and LTNCD	3,168	171,623	62,678	7,124	29,440	18,633	292,666
	430,271	171,623	62,678	7,124	29,440	18,633	719,769
Bills payable	-	19,284	50,183	4,829	14,629	52,225	141,150
Notes and bonds payable	-	58	241	421	19,839	34,683	55,242
Manager's checks	7,334	-	-	-	-	-	7,334
Accrued interest payable	-	1,802	-	-	-	-	1,802
Accounts payable	-	12,586	-	-	-	-	12,586
Other liabilities	-	16,907	-	-	-	-	16,907
	437,605	222,260	113,102	12,374	63,908	105,541	954,790
<i>Derivative Liabilities</i>	-	923	393	92	191	799	2,398
Total liabilities	P437,605	P223,183	P113,495	P12,466	P64,099	P106,340	P957,188



	Group						
	2021						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<i>Financial assets</i>							
Cash and other cash items	₱8,905	₱–	₱–	₱–	₱–	₱–	₱8,905
Due from BSP	47,439	55,981	–	–	–	–	103,420
Due from other banks	54,258	–	–	–	–	–	54,258
Interbank loans receivable	–	17,495	–	–	–	–	17,495
	110,602	73,476	–	–	–	–	184,078
Financial assets at FVTPL							
Derivative assets	–	85	239	253	139	677	1,393
Debt securities	–	4,575	–	–	–	–	4,575
Equity securities	–	–	–	–	–	–	–
Financial assets at FVOCI							
Debt securities	–	25,000	26,695	32,734	22	275	84,726
Equity securities	–	–	–	–	–	42	42
Financial assets at amortized cost	186	3,117	1,087	1,005	3,853	225,532	234,780
	186	32,777	28,021	33,992	4,014	226,526	325,516
Loans and other receivables	2,704	74,117	34,881	19,958	29,879	266,905	428,444
Other receivables							
Accounts receivable	–	–	–	–	–	10,326	10,326
Accrued interest receivable	–	7,276	–	–	–	–	7,276
Sales contract receivable	–	41	70	95	141	2,075	2,422
	2,704	81,434	34,951	20,053	30,020	279,306	448,468
Other financial assets							
Returned checks and other cash items	–	169	–	–	–	–	169
Sundry debits	–	432	–	–	–	–	432
	–	601	–	–	–	–	601
Total assets	₱113,492	₱188,288	₱62,972	₱54,045	₱34,034	₱505,832	₱958,663
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	₱204,561	₱–	₱–	₱–	₱–	₱–	₱204,561
Savings	136,430	–	–	–	–	–	136,430
Time and LTNCD	2,796	131,090	30,147	4,077	12,678	53,842	234,630
	343,787	131,090	30,147	4,077	12,678	53,842	575,621
Bills payable	–	8,551	12,475	1,475	15,380	15,152	53,033
Notes and bonds payable	–	432	239	6,635	26,842	46,179	80,327
Manager's checks	6,864	–	–	–	–	–	6,864
Accrued interest payable	–	787	–	–	–	–	787
Accounts payable	–	5,799	–	–	–	–	5,799
Other liabilities	–	8,775	–	–	–	1,081	9,856
	350,651	155,434	42,861	12,187	54,900	116,254	732,287
Derivative Liabilities	1	383	94	106	129	598	1,311
Total liabilities	₱350,652	₱155,817	₱42,955	₱12,293	₱55,029	₱116,852	₱733,598
	Parent Bank						
	2022						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<i>Financial assets</i>							
Cash and other cash items	₱8,924	₱–	₱–	₱–	₱–	₱–	₱8,924
Due from BSP	58,188	8,406	–	–	–	–	66,594
Due from other banks	42,264	–	–	–	–	–	42,264
SPURRA	–	14,646	–	–	–	–	14,646
	109,376	23,052	–	–	–	–	132,428
Financial assets at FVTPL							
Derivative assets	–	445	367	125	192	905	2,034
Debt securities	–	7,408	–	–	–	–	7,408
Equity securities	–	–	–	–	–	–	–
Financial assets at FVOCI							
Debt securities	–	3,206	2,997	1,158	1,252	79,169	87,782
Equity securities	–	–	–	–	–	46	46
Financial assets at amortized cost	–	1,299	1,423	2,678	5,934	328,341	339,675
	–	12,358	4,787	3,961	7,378	408,461	436,945
Loans and other receivables	–	88,260	37,903	29,759	43,398	254,846	454,166
Other receivables							
Accounts receivable	–	–	–	–	–	6,347	6,347
Accrued interest receivable	–	6,956	–	–	–	–	6,956
Sales contract receivable	–	21	42	61	120	2,829	3,073
	–	95,237	37,945	29,820	43,518	264,022	470,542
Other financial assets							
Returned checks and other cash items	–	30	–	–	–	–	30
Sundry debits	–	154	–	–	–	–	154
	–	184	–	–	–	–	184
Total assets	₱109,376	₱130,831	₱42,732	₱33,781	₱50,896	₱672,483	₱1,040,099



	Parent Bank						
	2022						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	₱233,365	₱–	₱–	₱–	₱–	₱–	₱233,365
Savings	188,481	–	–	–	–	–	188,481
Time and LTNCD	163	123,249	50,119	3,941	25,967	2,418	205,857
	422,009	123,249	50,119	3,941	25,967	2,418	627,703
Bills payable	–	19,284	49,173	398	692	35,351	104,898
Notes and bonds payable	–	58	241	421	19,839	34,683	55,242
Manager's checks	7,320	–	–	–	–	–	7,320
Accrued interest payable	–	1,418	–	–	–	–	1,418
Accounts payable	–	11,053	–	–	–	–	11,053
Other liabilities	–	15,194	–	–	–	–	15,194
	429,329	170,256	99,533	4,760	46,498	72,452	822,828
<i>Derivative liabilities</i>							
	–	923	393	92	191	799	2,398
Total liabilities	₱429,329	₱171,179	₱99,926	₱4,852	₱46,689	₱73,251	₱825,226

	Parent Bank						
	2021						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<i>Financial assets</i>							
Cash and other cash items	₱7,989	₱–	₱–	₱–	₱–	₱–	₱7,989
Due from BSP	45,228	22,253	–	–	–	–	67,481
Due from other banks	51,309	–	–	–	–	–	51,309
Interbank loans receivable	–	17,495	–	–	–	–	17,495
	104,526	39,748	–	–	–	–	144,274
Financial assets at FVTPL							
Derivative assets	–	85	239	253	139	677	1,393
Debt securities	–	4,506	–	–	–	–	4,506
Equity securities	–	–	–	–	–	–	–
Financial assets at FVOCI							
Debt securities	–	25,000	26,678	32,733	–	–	84,411
Equity securities	–	–	–	–	–	42	42
Financial assets at amortized cost	186	3,058	968	874	3,623	221,731	230,440
	186	32,649	27,885	33,860	3,762	222,450	320,792
Loans and other receivables	–	66,028	33,975	18,913	25,499	199,943	344,358
Other receivables							
Accounts receivable	–	–	–	–	–	5,948	5,948
Accrued interest receivable	–	5,396	–	–	–	–	5,396
Sales contract receivable	–	33	65	90	130	2,008	2,326
	–	71,457	34,040	19,003	25,629	207,899	358,028
Other financial assets							
Returned checks and other cash items	–	169	–	–	–	–	169
Sundry debits	–	431	–	–	–	–	431
	–	600	–	–	–	–	600
Total assets	₱104,712	₱144,454	₱61,925	₱52,863	₱29,391	₱430,349	₱823,694

<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	₱206,254	₱–	₱–	₱–	₱–	₱–	₱206,254
Savings	132,075	–	–	–	–	–	132,075
Time and LTNCD	67	78,729	23,604	1,741	9,532	45,205	158,878
	338,396	78,729	23,604	1,741	9,532	45,205	497,207
Bills payable	–	5,546	10,468	30	7,726	5,295	29,065
Notes and bonds payable	–	432	239	6,635	26,842	46,179	80,327
Manager's checks	6,864	–	–	–	–	–	6,864
Accrued interest payable	–	627	–	–	–	–	627
Accounts payable	–	4,827	–	–	–	–	4,827
Other liabilities	–	7,627	–	–	–	1,081	8,708
	345,260	97,788	34,311	8,406	44,100	97,760	627,625
<i>Derivative liabilities</i>							
	1	383	94	106	129	598	1,311
Total liabilities	₱345,261	₱98,171	₱34,405	₱ 8,512	₱44,229	₱98,358	₱628,936



BSP Reporting*Liquidity Coverage Ratio (LCR)*

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with Basel III framework. The LCR is calculated as the ratio of stock of high quality liquid assets (HQLA) over the total net cash outflows over the next 30 calendar days, which should not be lower than 100%. The Group is required to disclose information related to the liquidity coverage ratio (LCR) in a single currency and on solo and consolidated basis starting 2019.

The Group's and the Parent Bank's LCR as of December 31, 2022 and 2021 follows (amounts in millions):

	December 31, 2022	
	Group	Parent Bank
Total HQLA	₱284,622	₱238,303
Total net cash outflows	191,939	167,553
LCR Ratio	148.29%	142.23%

	December 31, 2021	
	Group	Parent Bank
Total HQLA	₱296,558	₱247,494
Total net cash outflows	109,038	79,124
LCR Ratio	271.98%	312.79%

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. Banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2022 and 2021, the NSFR was at 123.81% and 148.88%, respectively, for the Group, and at 122.03% and 150.21%, respectively, for the Parent Bank.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.



The Parent Bank applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. Currently, the Bank uses a 10-day 99% VaR.

The Parent Bank shifted from using the historical simulation with partial revaluation approach to the historical simulation with full revaluation approach in calculating VaR starting May 2022. The historical simulation with full revaluation approach is the general market accepted methodology in the measurement of VaR. This new methodology recalculates the market value of each financial product for each scenario by applying simulated risk factors based on historical movements to the market-accepted valuation methodology defined for each product.

VaR may also be underestimated or overestimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Parent Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Parent Bank's VaR model.

Since VaR is an integral part of the Parent Bank's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits and are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Parent Bank.

A summary of the Parent Bank's VaR position at December 31, 2022 and 2021 follows (amounts in millions of Philippine pesos)

	Foreign Exchange	Interest Rate	Equity	Total VaR
2022	₱135.4	₱1,132.7	₱—	₱1,574.3
Average daily	97.6	2,441.5	—	3,141.7
Highest	233.3	5,001.8	—	5,026.6
Lowest	7.9	1,132.7	—	1,574.3
2021	₱24.6	₱2,868.8	₱—	₱2,893.4
Average daily	35.9	3,025.5	116.9	3,178.3
Highest	103.8	6,694.7	176.8	6,916.3
Lowest	8.3	1,962.0	—	2,139.0

The high and low of the total portfolio may not equal to the sum of the individual components as the highs and lows of the individual portfolios may have occurred on different trading days.



Interest Rate Risk

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). The ALCO establishes appropriate asset and liability pricing in support of the Bank's balance sheet objectives.

The Group employs "gap analysis" to measure rate-sensitivity of the income and expenses, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every month. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest sensitive assets and liabilities into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is then multiplied by the assumed interest rate movement and appropriate time factor to derive the EaR per tenor. The Bank uses one-year differences in the term structure of the different benchmark curves as the bases for the calculation of interest rate risk factor across all currencies. The 1st year (one-year) EaR is derived from the summation of the EaR per tenor within one year is subject to the established EaR limit per currency. With the acquisition of Citibank's retail portfolio, EaR limits were reviewed and updated to ensure that the risks brought by the changes in the balance sheet and liquidity strategies are within the risk appetite of the Bank.

As an additional interest rate risk measure, the Bank also calculates EaR for the 2nd and 3rd years in order to measure medium term vulnerabilities, i.e., those occurring in the second and third years. However, these are not subject to the EaR limit but are for monitoring purposes only.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

A positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities while a negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Accordingly, during a period of rising interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a higher interest rate than interest rate sensitive liabilities which will be favorable to it. During a period of falling interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a lower interest rate than interest rate sensitive liabilities, which will be unfavorable to it.



The asset-liability gap position of the Group and Parent Bank at carrying amounts follows (amounts in millions of Philippine pesos):

Group				
2022				
	Up to	Beyond	Beyond	
	Six Months	Six Months	One Year	Total
		To One Year		
<i>Resources</i>				
Loans	₱175,926	₱67,406	₱236,326	₱479,658
Placements	103,164	–	61,240	164,404
Investments	6,539	2,678	323,826	333,043
	285,629	70,084	621,392	977,105
<i>Liabilities</i>				
Deposit liabilities	235,191	27,557	448,556	711,304
Bills payable	94,048	13,431	25,368	132,847
Notes and bonds payable	8,313	19,035	24,296	51,644
	337,552	60,023	498,220	895,795
Asset-Liability Gap	(₱51,923)	₱10,061	₱123,172	₱81,310

Group				
2021				
	Up to	Beyond	Beyond	
	Six Months	Six Months	One Year	Total
		To One Year		
<i>Resources</i>				
Loans	₱161,687	₱39,162	₱158,926	₱359,775
Placements	127,719	–	47,439	175,158
Investments	1,544	2,448	232,617	236,609
	290,950	41,610	438,982	771,542
<i>Liabilities</i>				
Deposit liabilities	167,478	11,577	388,445	567,500
Bills payable	29,303	7,582	14,283	51,168
Notes and bonds payable	13,380	25,500	30,975	69,855
	210,161	44,659	433,703	688,523
Asset-Liability Gap	₱80,789	(₱3,049)	₱5,279	₱83,019

Parent Bank				
2022				
	Up to	Beyond	Beyond	
	Six Months	Six Months	One Year	Total
		To One Year		
<i>Resources</i>				
Loans	₱164,730	₱57,440	₱166,832	₱389,002
Placements	56,906	–	66,580	123,486
Investments	6,464	2,658	314,330	323,452
	228,100	60,098	547,742	835,940
<i>Liabilities</i>				
Deposit liabilities	174,915	24,956	424,050	623,921
Bills payable	88,764	–	10,545	99,309
Notes and bonds payable	8,313	19,035	24,296	51,644
	271,992	43,991	458,891	774,874
Asset-Liability Gap	(₱43,892)	₱16,107	₱88,851	₱61,066



	Parent Bank			Total
	2021			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱142,490	₱28,877	₱119,680	₱291,047
Placements	91,052	—	45,228	136,280
Investments	1,450	2,428	228,138	232,016
	234,992	31,305	393,046	659,343
<i>Liabilities</i>				
Deposit liabilities	104,038	8,472	380,549	493,059
Bills payable	23,011	1	5,566	28,578
Notes and bonds payable	13,380	25,500	30,910	69,790
	140,429	33,973	417,025	591,427
Asset-Liability Gap	₱94,563	(₱2,668)	(₱23,979)	₱67,916

EAR is complemented by stress tests which are conducted quarterly. It involves subjecting the total interest rate sensitive assets and liabilities within one year to probable short-term and medium-term interest rate movements, assuming parallel and non-parallel (flatteners and steepeners) in the yield curve.

Additionally, the Bank also monitors long-term sensitivity to interest rate risk of the Bank's balance sheet through the Economic Value of Equity (EVE) method. EVE measures the economic value which provides a more comprehensive view of potential long-term effects of changes in interest rates. EVE is defined as the net cash flows of the Bank's assets and liabilities which affect the Bank's capital. Similar to EaR, EVE is also complemented by stress tests conducted quarterly.

The Bank's interest rate sensitive asset and liability positions are analyzed based on its cash flows, and its present value are computed using appropriate market rates which include the current risk-free rate plus the corresponding margin. On the other hand, the present values of non-interest sensitive assets and liabilities will be kept at their carrying values.

The Bank's risk management program includes measuring and monitoring the risks associated with fluctuations in market interest rates on its net interest income and capital ensuring that the exposures in interest rates are kept within acceptable limits.

The following table sets out the impact of changes in interest rates on the Group's and Parent Bank's net interest income (amounts in millions of Philippine pesos):

Increase (decrease) in interest rates (in basis points)	Group		Parent Bank	
	100	(100)	100	(100)
2022				
Change in annualized net interest income	(₱927.8)	₱927.8	(₱606.3)	₱606.3
As a percentage of net interest income	(1.49%)	1.49%	(1.32%)	1.32%
2021				
Change in annualized net interest income	(₱346)	₱346	(₱173.4)	₱173.4
As a percentage of net interest income	(0.95%)	0.95%	(0.67%)	0.67%



This sensitivity analysis is performed for risk management purposes and assumes no other changes in the repricing structure. Actual changes in net interest income may vary from the Bank's internal model.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

The breakdown of the financial resources and financial liabilities of the Group and the Parent Bank as to foreign currency-denominated balances (excluding FCDU USD-denominated financial resources and liabilities, which functional currency is in USD), translated to Philippine pesos as of December 31, 2022 and 2021 is shown below:

	Group		
	2022		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱15,207	₱592,166	₱607,373
Due from other banks	5,507,861	2,783,336	8,291,197
Financial assets at FVTPL	—	955	955
Financial assets at amortized cost	—	1,868,279	1,868,279
Loans and other receivables	3,579,372	147,946	3,727,318
	9,102,440	5,392,682	14,495,122
<i>Liabilities:</i>			
Deposit liabilities	—	4,416,831	4,416,831
Bills payable	75,173,396	12,103	75,185,499
Notes and bonds payable	6,969,375	—	6,969,375
Derivative liabilities	—	1,567	1,567
Accrued interest and other expenses	451,087	210	451,297
Other liabilities	59,019	98,364	157,383
	82,652,877	4,529,075	87,181,952
Currency swaps and forwards	49,162,467	(648,950)	48,513,517
Net exposure	(₱24,387,970)	₱214,657	(₱24,173,313)



	Group		
	2021		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	P–	P155,222	P155,222
Due from other banks	3,534,375	2,068,406	5,602,781
Financial assets at FVTPL	296,385	297	296,682
Financial assets at amortized cost	–	1,819,081	1,819,081
Loans and other receivables	3,596,552	77,288	3,673,840
	7,427,312	4,120,294	11,547,606
<i>Liabilities:</i>			
Deposit liabilities	–	3,424,433	3,424,433
Bills payable	17,533,771	2,617	17,536,388
Notes and bonds payable	6,363,928	–	6,363,928
Derivative liabilities	282,180	1,621	283,801
Accrued interest and other expenses	34,781	308	35,089
Other liabilities	71	78,055	78,126
	24,214,731	3,507,034	27,721,765
Currency swaps and forwards	6,811,745	(401,366)	6,410,379
Net exposure	(P9,975,674)	P211,894	(P9,763,780)

	Parent Bank		
	2022		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	P15,207	P592,166	P607,373
Due from other banks	5,323,373	2,783,335	8,106,708
Financial assets at FVTPL	–	955	955
Financial assets at amortized cost	–	1,868,279	1,868,279
Loans and other receivables	3,579,372	147,946	3,727,318
	8,917,952	5,392,681	14,310,633
<i>Liabilities:</i>			
Deposit liabilities	–	4,416,831	4,416,831
Bills payable	75,173,396	12,103	75,185,499
Notes and bonds payable	6,969,375	–	6,969,375
Derivative liabilities	–	1,567	1,567
Accrued interest and other expenses	451,087	210	451,297
Other liabilities	59,019	98,364	157,383
	82,652,877	4,529,075	87,181,952
Currency swaps and forwards	49,162,467	(648,950)	48,513,517
Net exposure	(P24,572,458)	P214,656	(P24,357,802)



	Parent Bank		
	2021		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱—	₱155,222	₱155,222
Due from other banks	3,404,899	2,068,406	5,473,305
Financial assets at FVTPL	296,385	297	296,682
Financial assets at amortized cost	—	1,819,081	1,819,081
Loans and other receivables	3,593,305	77,288	3,670,593
	7,294,589	4,120,294	11,414,883
<i>Liabilities:</i>			
Deposit liabilities	—	3,424,433	3,424,433
Bills payable	17,533,771	2,617	17,536,388
Notes and bonds payable	6,363,928	—	6,363,928
Derivative liabilities	282,180	1,621	283,801
Accrued interest and other expenses	34,781	308	35,089
Other liabilities	71	78,055	78,126
	24,214,731	3,507,034	27,721,765
Currency swaps and forwards	6,811,745	(401,366)	6,410,379
Net exposure	(₱10,108,397)	₱211,894	(₱9,896,503)

The Parent Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Bank believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Parent Bank is involved.

The following table illustrates the sensitivity of the net results and capital funds to the changes in foreign exchange rates on the Parent Bank's financial assets and financial liabilities in the RBU. The percentages change (increase and decrease) have been determined based on the average market volatility in exchange rates in the previous 12 months, using a confidence level of 99%. The sensitivity analysis is based on the Parent Bank's foreign currency-denominated financial instruments held at each reporting date, including currency swaps and forwards.

	2022		2021	
	% Change	Effect on Net Profit For the Year	% Change	Effect on Net Profit For the Year
U.S. dollars	1.0%	(245,721)	1.0%	(104,773)
Japanese yen	2.0%	1,250	2.5%	822
Euros	1.5%	2,529	2.0%	2,122
Others	1.6%	(355)	1.6%	1,384

Operational Risk

BSP Circular 900, Guidelines on Operational Risk Management, serve as the groundwork for the Bank's Operational Risk Management (ORM) framework. This is to standardize the approach undertaken by the Bank in order to facilitate consistently strong ORM practices across the organization.

Operational risk is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Direct loss being the result primarily from



an operational failure while an indirect loss relates to the impact of operational risk on other risks such as market, credit or liquidity risk.

Each specific unit of the Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the ORM framework. At the BOD level, an ORMC was formed to provide overall direction in the management of operational risk, aligned with the overall business objectives. Key to the effective implementation of the operational risk management framework is a governance structure that transparently defines the lines of responsibility from the BOD down to the Business and Functional Units level.

The ORMC was formed and given the mandate to build and lead the roadmap in developing the foundations and systems necessary for the effective implementation of an Operational Risk Management Framework. The ORM, together with all other Risk Units, reports directly to the Chief Risk Officer.

In managing products, services and systems, these are implemented only after a thorough operational risk evaluation. As part of the product and systems approval process, product owners and managers ensure that risks are clearly identified and adequately controlled and mitigated. For existing products, services and systems, regular reviews are conducted and controls are assessed to determine continued effectiveness. The Parent Bank, as part of its continuing effort to manage operational risk, has ensured that the basic controls to manage exposure to operational risk have been embedded in its processes.

Legal Risk and Regulatory Risk Management

Legal risk pertains to the Parent Bank's exposure to losses arising from cases decided not in favor of the Parent Bank where significant legal costs have already been incurred, or in some instances, where the Parent Bank may be required to pay damages. The Parent Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Parent Bank may incur significant legal expenses as a result of these events, but the Parent Bank may still end up with non-collection or non-enforcement of claims. The Parent Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors, who were endorsed to and carefully approved by senior management. At year-end, the Parent Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Parent Bank.

Regulatory risk refers to the potential risk for the Parent Bank and its subsidiaries to suffer financial loss due to changes in the laws, monetary, tax, or other governmental regulations of the country. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. The monitoring of the Parent Bank's and subsidiaries' compliance with these regulations is the primary responsibility of the entity's CCO. The study of the potential impact of new laws and regulations is coordinated by the CCO with the Legal Group. The CCO is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing, and regularly reporting to the CGC and the BOD.



5. Capital Management

Regulatory Capital

As the Parent Bank's regulator, the BSP sets and monitors capital requirements of the Parent Bank.

In implementing current capital requirements, the BSP requires the Group and the Parent Bank to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets, known as the "capital adequacy ratio" (CAR). Risk-weighted assets is the aggregate value of assets weighted by credit risk, market risk, and operational risk, based on BSP-prescribed formula provided under BSP Circular No. 360 and BSP Circular No. 538 which contain the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations.

Effective January 1, 2014, the BSP has adopted the new risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for the Philippine banking system in accordance with the Basel III standards through BSP Circular No. 781. The adopted Basel III risk-based capital adequacy framework requires the Group to maintain:

- (a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
- (b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
- (c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
- (d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

On November 29, 2018, the BSP amended the requirements of Subsection X115.1 of the Manual for Regulations for Banks (MORB) through BSP Circular No. 1024. The amendment requires the Group and the Parent Bank to maintain, with respect to the CET 1 requirement, in addition to the minimum, the following capital buffers:

- (a) Capital conservation buffer (CCB) of 2.5%; and
- (b) Countercyclical capital buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed to 2.5%.

The Group's and the Parent Bank's regulatory capital position as of December 31, 2022 and 2021, as reported to the BSP, follow (amounts in millions):

	Group		Parent Bank	
	2022	2021	2022	2021
Common Equity Tier 1 Capital				
Paid-up common stock	₱21,421	₱12,194	₱21,421	₱12,194
Common stock dividends distributable	—	3,048	—	3,048
Additional paid in capital	47,950	14,215	47,950	14,215
Surplus free	77,052	68,301	78,044	69,543
Undivided profits	11,506	12,913	12,093	12,754
Other comprehensive income/(loss)	(15,289)	(2,887)	(15,384)	(2,807)
Minority interest in financial allied subsidiary	866	796	—	—
Sub-total	143,506	108,580	144,124	108,947
Less Regulatory Adjustments:				
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	293	441	1,191	330
Deferred income tax	7,288	6,478	5,301	5,172
Goodwill	57,232	13,936	51,456	7,887
Other intangible assets	3,760	2,233	1,499	1,723
Defined benefit pension fund assets	7	15	—	—
Un-booked valuation reserves	2,109	2,435	1,694	2,019



	Group		Parent Bank	
	2022	2021	2022	2021
Investments in equity of consolidated subsidiary banks and quasi banks, and other financial allied undertakings	P–	P–	P31,325	P22,722
Other equity investments in non-financial allied and non-allied undertakings	–	–	–	–
Total regulatory adjustments to Common Equity Tier 1 capital	70,689	25,538	92,466	39,853
Total Common Equity Tier 1 capital	72,817	83,042	51,658	69,094
Total Tier 1 capital	P72,817	P83,042	P51,658	P69,094
Tier 2 Capital				
General loan loss provision	P4,443	P3,820	P3,268	P2,588
Unsecured subordinated debt	6,756	6,800	6,756	6,800
Total Tier 2 capital	11,199	10,620	10,024	9,388
Net Tier 1 capital	72,817	83,042	51,658	69,094
Net Tier 2 capital	11,199	10,620	10,024	9,388
Total qualifying capital	84,016	93,662	61,682	78,482
Credit risk-weighted assets	556,365	451,323	455,410	381,172
Market risk-weighted assets	7,127	4,619	6,831	4,361
Operational risk-weighted assets	80,922	52,642	60,374	40,009
Total risk-weighted assets	P644,414	P508,584	P522,615	P425,542
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets	13.04%	18.42%	11.80%	18.44%
Total Tier 1 expressed as percentage of total risk-weighted assets	11.30%	16.33%	9.88%	16.24%
Total Common Equity Tier 1 expressed as percentage of total risk-weighted assets	11.30%	16.33%	9.88%	16.24%
Conservation buffer	5.30%	10.33%	3.88%	10.24%

The Group and the Parent Bank have fully complied with the CAR requirements of the BSP.

The breakdown of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets follow (amounts in millions):

	Group		Parent Bank	
	2022	2021	2022	2021
On-books assets	P534,813	P436,531	P433,867	P366,398
Off-books assets	10,410	10,699	10,401	10,681
Counterparty risk-weighted assets in the banking books	9,619	2,830	9,619	2,830
assets in the trading books	1,523	1,263	1,523	1,263
Total Credit Risk-Weighted Assets	P556,365	P451,323	P455,410	P381,172
Capital Requirements	P55,637	P45,132	P45,541	P38,117
Interest rate exposures	P5,419	P3,511	P5,419	P3,511
Equity exposures	–	–	–	–
Foreign exchange exposures	1,708	1,108	1,412	850
Total Market Risk-Weighted Assets	P7,127	P4,619	P6,831	P4,361
Capital Requirements	P713	P462	P683	P436
Total Operational Risk-Weighted Assets - Basic indicator	P80,922	P52,642	P60,374	P40,009
Capital Requirements	P8,092	P5,264	P6,037	P4,001



The total credit exposure broken down by type of exposures and risk weights follow (amounts in millions):

	Group 2022					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱9,873	₱9,873	₱9,873	₱ –	₱ –	₱ –
Checks and other cash items	18	18	18	–	–	4
Due from BSP	94,630	94,630	94,630	–	–	–
Due from other banks	46,254	46,254	43,111	3,144	–	22,893
Financial assets at FVTPL	39	39	–	39	–	39
Financial assets at FVOCI	80,679	69,443	49,460	19,983	–	24,253
Financial assets at amortized cost	248,372	248,372	228,213	20,159	–	27,287
Loans and receivables	461,304	459,917	91,711	361,647	6,560	407,172
SPURRA	23,565	3,323	3,323	–	–	–
Sales contract receivable (SCR)	2,162	2,162	–	1,039	1,123	2,724
ROPA	5,297	5,297	–	–	5,297	7,946
Other assets	39,045	39,045	–	39,045	–	39,045
Total risk-weighted on-books assets not covered by CRM	1,011,238	978,373	520,339	445,056	12,980	531,363
Total risk-weighted on-books assets covered by CRM	–	32,864	32,864	–	–	3,450
	₱1,011,238	₱1,011,237	₱553,203	₱445,056	₱12,980	₱534,813
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱4,536	₱–	₱–	₱4,536	₱–	₱4,536
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	4,600	–	–	2,300	–	2,300
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	17,873	–	–	3,574	–	3,574
	₱27,009	₱–	₱–	₱10,410	₱–	₱10,410
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱97,000	₱18,770	₱18,302	₱468	₱–	₱9,619
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱1,115	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	107,982	2,413	1,685	728	–	1,523
Total	₱109,097	₱2,413	₱1,685	₱728	₱–	₱1,523



	Group					
	2021					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱8,893	₱8,893	₱8,893	₱ –	₱ –	₱ –
Checks and other cash items	10	10	10	–	–	2
Due from BSP	103,413	103,413	103,413	–	–	–
Due from other banks	54,287	54,287	52,378	1,909	–	27,510
Financial assets at FVTPL	38	38		38	–	38
Financial assets at FVOCI	66,230	48,510	27,306	21,204	–	21,925
Financial assets at amortized cost	169,602	169,602	150,330	19,272	–	26,753
Loans and receivables	340,587	340,465	44,197	288,980	7,288	318,599
SPURRA	23,421	4,684	4,684	–	–	–
Sales contract receivable (SCR)	1,421	1,421	–	134	1,286	2,064
ROPA	5,891	5,891	–	–	5,891	8,837
Other assets	27,058	27,058	2	27,056	–	27,056
Total risk-weighted on-books assets not covered by CRM	800,851	764,272	391,213	358,593	14,465	432,784
Total risk-weighted on-books assets covered by CRM	–	36,579	36,579	1	–	3,747
	₱800,851	₱800,851	₱427,792	₱358,594	₱14,465	₱436,531
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱2,884	₱–	₱–	₱2,884	₱–	₱2,884
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	2,656	–	–	1,328	–	1,328
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	32,436	–	–	6,487	–	6,487
	₱37,976	₱–	₱–	₱10,699	₱–	₱10,699
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱23,575	₱4,902	₱4,144	₱758	₱–	₱2,830
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱2,550	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	59,150	1,764	1,010	754	–	1,249
Credit Derivatives	512	27	27	–	–	14
Total	₱62,212	₱1,791	₱1,037	₱754	₱–	₱1,263



	Parent Bank					
	2022					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱8,924	₱8,924	₱8,924	₱ –	₱ –	₱–
Due from BSP	66,595	66,595	66,595	–	–	–
Due from other banks	42,278	42,278	40,929	1,348	–	20,007
Financial assets through other comprehensive income	80,384	69,148	49,392	19,756	–	24,015
Financial assets at amortized cost	239,143	239,143	218,985	20,159	–	27,269
Loans and receivables	379,934	378,629	90,084	286,201	2,344	324,589
SPURRA	14,645	1,539	1,539	–	–	–
SCR	2,063	2,063	–	989	1,074	2,600
ROPA	3,839	3,839	–	–	3,839	5,759
Other assets	26,189	26,189	–	26,189	–	26,189
Total risk-weighted on-books assets not covered by CRM	863,994	838,347	476,448	354,642	7,257	430,428
Total risk-weighted on-books assets covered by CRM	–	25,647	25,647	–	–	3,439
	₱863,994	₱863,994	₱502,095	₱354,642	₱7,257	₱433,867
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱4,536	₱–	₱–	₱4,536	₱–	₱4,536
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	4,600	–	–	2,300	–	2,300
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	17,826	–	–	3,565	–	3,565
	₱26,962	₱–	₱–	₱10,401	₱–	₱10,401
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱97,000	₱18,770	₱18,302	₱468	₱–	₱9,619
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱1,115	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	107,982	2,413	1,685	728	–	1,523
Total	₱109,097	₱2,413	₱1,685	₱728	₱–	₱1,523



	Parent Bank					
	2021					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱7,989	₱7,989	₱7,989	₱ –	₱ –	₱ –
Due from BSP	67,480	67,480	67,480	–	–	–
Due from other banks	51,337	51,337	50,924	413	–	25,287
Financial assets through other comprehensive income	66,083	48,363	27,159	21,204	–	21,906
Financial assets at amortized cost	165,377	165,377	146,105	19,272	–	26,735
Loans and receivables	284,490	284,424	42,890	237,699	3,834	261,484
SPURRA	15,541	3,108	3,108	–	–	–
SCR	1,352	1,352	–	101	1,251	1,977
ROPA	4,359	4,359	–	–	4,359	6,538
Other assets	18,731	18,731	–	18,731	–	18,731
Total risk-weighted on-books assets not covered by CRM	682,739	652,520	345,655	297,420	9,444	362,658
Total risk-weighted on-books assets covered by CRM	–	30,220	30,219	1	–	3,740
	₱682,739	₱682,740	₱375,874	₱297,421	₱9,444	₱366,398
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱2,884	₱–	₱–	₱2,884	₱–	₱2,884
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	2,656	–	–	1,328	–	1,328
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	32,345	–	–	6,469	–	6,469
	₱37,885	₱–	₱–	₱10,681	₱–	₱10,681
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱23,575	₱4,902	₱4,144	₱758	₱–	₱2,830
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱2,550	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	59,150	1,764	1,010	754	–	1,249
Credit Derivatives	512	27	27	–	–	14
Total	₱62,212	₱1,791	₱1,037	₱754	₱–	₱1,263

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government and those guarantors and exposures with the highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations and Corporates.



Minimum Capital Requirement

Under the relevant provisions of current BSP regulations, the required minimum capitalization of a universal bank is ₱20.0 billion both as of December 31, 2022 and 2021. As of those dates, the Bank is in compliance with these regulations.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The details of the BLR as of December 31, 2022 and 2021 follow (amounts in millions, except for percentages):

	Consolidated		Parent Bank	
	2022	2021	2022	2021
Tier 1 Capital	₱72,817	₱83,042	₱51,658	₱69,094
Exposure Measure	1,035,178	820,457	888,335	702,738
BLR	7.03%	10.12%	5.82%	9.83%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Ensuring Sufficient Capital

On January 15, 2009, the BSP issued Circular No. 639, which articulates the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks, as well as maintain capital adequate to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which only covers credit, market and operational risks. On December 29, 2009, the BSP issued Circular No. 677 that effectively extends the implementation of the ICAAP from January 2010 to January 2011.

Cognizant of the importance of a strong capital base to meet strategic and regulatory requirements, the Parent Bank has adopted a robust ICAAP on a group-wide level that is consistent with its risk philosophy and risk appetite. The ICAAP Document embodies the Group's risk philosophy, risk appetite, and risk governance framework and structure, and integrates these with: (a) the Group's strategic objectives and long-term strategies; (b) the five-year financial and business plans; and, (c) the capital plan and dividend policy.

The ICAAP's objective is to ensure that the BOD and senior management actively and promptly identify and manage the material risks arising from the general business environment, and that an appropriate level of capital is maintained to cover these risks.

On January 4, 2018, the BSP issued Circular No. 989 which mandates the conduct of stress testing exercise of banks. The Group's ICAAP Document considered the impact of severe but plausible scenarios on the Group's capital position. The results are thoroughly discussed during RMC meetings, and reported to the Board. In the course of its discussions, the BOD and senior management may request for additional stress testing scenarios or revisions to the test assumptions in order to better align these to current trends and forecasts.



The Group has a cross-functional ICAAP technical team, comprised of representatives from the core risk management units - credit, market, operational, information technology, and emerging risks; corporate planning; financial controllership; treasury; internal audit; and compliance. This ensures a well-coordinated approach to the development, documentation, implementation, review, improvement, and maintenance of the various sub-processes included in the ICAAP.

The key members of the ICAAP technical team are enrolled in further training as well as various fora and briefings to enhance their knowledge and expertise particularly on the subjects of ICAAP, Basel III, and their interface with PFRS.

The Group's ICAAP Document is subjected each year to an independent review by the Internal Audit Division (IAD) to provide reasonable assurance that the Group has met the regulatory requirements. For the 2022 ICAAP Document submission, the results of the audit assessment were presented to the Audit Committee and the BOD.

Based on IAD's assessment of the ICAAP document, its related supporting documents, and existing processes and structures, IAD reported that the Group has satisfactorily complied with the minimum requirements prescribed in BSP Circular No. 639. Presence of a proper governance and oversight function of the ICAAP, comprehensive risk management framework, and sound capital management process were verified in the audit process. For 2022, the Group and Parent Bank's ICAAP Document was submitted to the BSP on April 11, 2022.

6. Segment Reporting

Business Segments

The Group's main operating businesses are organized and managed separately according to the nature of products and services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities. The Group's main business segments are presented below.

(a) Consumer Banking

This segment principally handles individual customers' deposits and provides consumer type loans, such as automobiles and mortgage financing, credit card facilities and funds transfer facilities.

(b) Corporate and Commercial Banking

This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional, small and medium enterprises, and middle market customers.

(c) Treasury and Trust

This segment is principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives. The segment also includes trust, asset management and fiduciary services provided by the Bank to its customers.

(d) Headquarters

This segment includes corporate management, support and administrative units not specifically identified with Consumer Banking, Corporate and Commercial Banking or Treasury.



These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

Analysis of Segment Information

Segment information of the Group as of and for the years ended December 31, 2022, 2021 and 2020 follow (amounts in millions):

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2022					
Results of operations					
Net interest income and other income	₱33,984	₱8,965	₱6,445	₱2,806	₱52,200
Other expenses	(16,890)	(3,330)	(2,026)	(9,282)	(31,528)
Income before credit losses and income tax	₱17,094	₱5,635	₱4,419	(₱6,476)	20,672
Provision for credit losses					(4,068)
Tax expense					(3,931)
Net income					₱12,673
Segment resources	₱355,635	₱234,622	₱350,252	₱152,229	₱1,092,738
Segment liabilities	₱527,698	₱129,613	₱216,889	₱70,396	₱944,596
Other information:					
Depreciation and amortization	₱1,100	₱10	₱12	₱486	₱1,608
Capital expenditures	974	273	140	2,779	4,166

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2021					
Results of operations					
Net interest income and other income	₱19,574	₱10,070	₱14,078	₱1,394	₱45,116
Other expenses	(11,314)	(2,754)	(1,870)	(8,382)	(24,320)
Income before credit losses and income tax	₱8,260	₱7,316	₱12,208	(₱6,988)	20,796
Provision for credit losses					(5,811)
Tax expense					(2,407)
Net income					₱12,578
Segment resources	₱225,696	₱211,258	₱343,716	₱50,425	₱831,095
Segment liabilities	₱397,983	₱132,848	₱121,784	₱66,267	₱718,882
Other information:					
Depreciation and amortization	₱995	₱9	₱9	₱611	₱1,624
Capital expenditures	398	342	7	2,583	3,330



Segment Reporting and Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities

- 78 -

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2020					
Results of operations					
Net interest income and other income	₱17,244	₱10,776	₱14,558	(₱481)	₱42,097
Other expenses	(9,839)	(2,556)	(2,046)	(6,932)	(21,373)
Income before credit losses and income tax	₱7,405	₱8,220	₱12,512	(₱7,413)	20,724
Provision for credit losses					(8,382)
Tax expense					(781)
Net income					₱11,561
Segment resources	₱198,004	₱191,700	₱263,197	₱121,558	₱774,459
Segment liabilities	₱325,529	₱142,167	₱137,240	₱64,371	₱669,307
Other information:					
Depreciation and amortization	₱984	₱3	₱7	₱413	₱1,407
Capital expenditures	370	163	19	1,030	1,582

7. Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities

Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.



When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

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

The financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

a) Financial instruments measured at fair value

Group

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱6,996,559	₱–	₱–	₱6,996,559
Equity securities	39,338	411,050	31,000	481,388
Derivative assets	–	1,122,881	52,688	1,175,569
Trust fund assets	–	60,109	–	60,109
Financial assets at FVOCI				
Debt securities	79,489,027	–	–	79,489,027
Equity securities	–	–	272,735	272,735
<i>Liabilities</i>				
Derivative liabilities	–	1,546,773	–	1,546,773
	December 31, 2021			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱4,334,697	₱30,343	₱–	₱4,365,040
Equity securities	37,735	140,800	31,000	209,535
Derivative assets	–	1,017,236	48,194	1,065,430
Trust fund assets	–	62,802	–	62,802
Financial assets at FVOCI				
Debt securities	65,475,025	–	–	65,475,025
Equity securities	–	–	197,585	197,585
<i>Liabilities</i>				
Derivative liabilities	–	750,009	–	750,009

Parent Bank

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱6,996,559	₱–	₱–	₱6,996,559
Equity securities	–	411,050	–	411,050
Derivative assets	–	1,122,881	52,688	1,175,569
Financial assets at FVOCI				
Debt securities	79,421,431	–	–	79,421,431
Equity securities	–	–	46,247	46,247
<i>Liabilities</i>				
Derivative liabilities	–	1,546,773	–	1,546,773



December 31, 2021				
	Level 1	Level 2	Level 3	Total
Resources				
Financial assets at FVTPL				
Debt securities	P4,334,697	P30,343	P–	P4,365,040
Equity securities	–	140,800	–	140,800
Derivative assets	–	1,017,236	48,194	1,065,430
Financial assets at FVOCI				
Debt securities	65,329,018	–	–	65,329,018
Equity securities	–	–	41,673	41,673
Liabilities				
Derivative liabilities	–	750,009	–	750,009

b) *Financial instruments measured at amortized cost and investment properties for which fair value is disclosed*

Group

December 31, 2022					
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
Financial Assets					
Financial assets at amortized cost	P244,627,904	P219,164,614	P–	P–	P219,164,614
Loans and other receivables	479,657,898	–	–	473,119,154	473,119,154
Nonfinancial Assets					
Investment properties	8,258,873	–	–	16,767,610	16,767,610
Liabilities					
Financial Liabilities					
Deposit liabilities	711,303,942	–	–	711,341,525	711,341,525
Bills payable	132,846,789	–	127,994,547	–	127,994,547
Notes and bonds payable	51,644,325	–	48,770,253	–	48,770,253

December 31, 2021					
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
Financial Assets					
Financial assets at amortized cost	P166,362,179	P164,087,461	P–	P–	P164,087,461
Loans and other receivables	359,774,631	–	–	368,384,627	368,384,627
Nonfinancial Assets					
Investment properties	8,673,344	–	–	17,735,995	17,735,995
Liabilities					
Financial Liabilities					
Deposit liabilities	570,500,892	–	–	570,599,091	570,599,091
Bills payable	51,168,138	–	50,737,318	–	50,737,318
Notes and bonds payable	69,853,986	–	70,223,779	–	70,223,779

Parent Bank

December 31, 2022					
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
Financial assets at amortized cost	P235,400,671	P210,794,053	P–	P–	P210,794,053
Loans and other receivables	393,765,594	–	–	387,226,850	387,226,850
Investment properties	7,124,049	–	–	16,572,598	16,572,598
Liabilities					
Deposit liabilities	623,921,032	–	–	623,958,615	623,958,615
Bills payable	99,309,124	–	94,456,882	–	94,456,882
Notes and bonds payable	51,644,325	–	48,770,253	–	48,770,253



	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
Financial assets at amortized cost	₱162,139,448	₱159,885,712	₱–	₱–	₱159,885,712
Loans and other receivables	291,118,202	–	–	299,728,198	299,728,198
Investment properties	7,435,877	–	–	16,498,528	16,498,528
<i>Liabilities</i>					
Deposit liabilities	493,059,181	–	–	493,157,380	493,157,380
Bills payable	28,577,774	–	28,146,954	–	28,146,954
Notes and bonds payable	69,789,836	–	70,159,629	–	70,159,629

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years. Certain disclosures required for financial instruments measured at fair value and classified as Level 3 are not presented as these financial instruments are comprised of derivative assets and unquoted equity securities that are not material to the financial statements.

Below information provided about how the fair values of the Group's classes of financial instruments are determined.

- (a) *For Cash and other cash items, Due from BSP and other banks, Interbank loans receivable, SPURRA (included under loans and other receivable) and Returned checks and other cash items, and Other liabilities such as Manager's checks, Bills purchased, Accounts payable, Accrued interest payable, Payment orders payable and Due to Treasurer of the Philippines* Management considers that the carrying amounts approximate their fair value due to their short-term nature. Accordingly, these are not presented in the tables above.
- (b) *Debt securities*
Fair values of debt securities under Level 1, composed of government securities issued by the Philippine government and other foreign governments and private debt securities, are determined based on quoted prices at the close of business as appearing on Bloomberg. Fair values of debt securities under Level 2 composed of government securities, determined based on observable input prices of similar securities appearing on Bloomberg.
- (c) *Derivatives*
The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation (see Note 3). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.
- (d) *Equity securities*
Instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL. These securities are valued based on their closing prices published by the Philippine Stock Exchange.

Club shares classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.



Equity instruments included in Level 3 are UIC's investment in unquoted equity securities valued using the adjusted net asset method. The adjusted net asset method involves deriving the fair value of the investee's equity instruments by reference to the fair value of its assets and liabilities. Adjustments in the fair value of the investee's net assets, such as discount for the lack of liquidity, were also considered in the valuation. The Level 3 unquoted equity instruments are not material to the consolidated financial statements.

(e) *Loans and receivables, Deposit liabilities and Bills payable*

The Group maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(f) *Notes and bonds payable*

Fair values of notes and bonds payable under Level 2 are determined based on quoted prices at the close of business as appearing on PDEX and Bloomberg. These are classified as Level 2 due to absence of an active market.

(g) *Investment properties*

The fair values of the Group's investment properties are determined on the basis of the appraisals performed by internal appraisers (for investment properties with values below ₱5 million) and independent appraisal companies acceptable to the BSP (for investment properties with fair values above ₱5 million), with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process is conducted by the appraisers with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, appraisal companies take into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair values of investment properties are determined using the market data approach that reflects observable and recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable property in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value will be the lower level of the hierarchy or Level 3. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

There has been no change to the valuation techniques used by the Group during the year for its investment properties.

Offsetting Financial Assets and Financial Liabilities

Certain financial assets and financial liabilities of the Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2022 and 2021 are subject to offsetting, enforceable master netting arrangements and similar agreements. However, there were no financial assets and financial liabilities presented at net in the statements of financial position.



Fair Value Measurement, Offsetting of Financial Assets and Financial Liabilities and Cash and Balances with the BSP

- 83 -

Presented below is the financial assets and financial liabilities subject to offsetting but the related amounts are not set-off in the statements of financial position.

	Group							
	December 31, 2022				December 31, 2021			
	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position			Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		
		Financial Instruments	Collateral Received	Net Exposure		Financial Instruments	Collateral Received	Net Exposure
Financial assets								
Derivative assets								
Currency forwards	₱807,279	₱379,452	₱–	₱427,827	₱468,358	₱344,744	₱–	₱123,614
Cross currency interest rate swaps	315,602	21,550	–	294,052	547,012	88,973	–	458,039
Loans and receivables	23,948,338	–	23,948,338	–	23,841,824	–	23,841,824	–
Total financial assets	₱25,071,219	₱401,002	₱23,948,338	₱721,879	₱24,857,194	₱433,717	₱23,841,824	₱581,653
Financial liabilities								
Derivative liabilities								
Currency forwards	₱1,306,506	₱379,452	₱–	₱927,054	₱260,235	₱344,744	₱–	(₱84,509)
Cross currency swaps	240,267	21,550	–	218,717	489,774	88,973	–	400,801
Deposit liabilities	652,651	331,529	–	321,122	585,863	421,082	–	164,781
Bills Payable	23,553,973	23,553,973	–	–	23,420,742	23,420,742	–	–
Total financial liabilities	₱25,753,397	₱24,286,504	₱–	₱1,466,893	₱24,756,614	₱24,275,541	₱–	₱481,073

	Parent Bank							
	December 31, 2022				December 31, 2021			
	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position			Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		
		Financial Instruments	Collateral Received	Net Exposure		Financial Instruments	Collateral Received	Net Exposure
Financial assets								
Derivative assets								
Currency forwards	₱807,279	₱379,452	₱–	₱427,827	₱468,358	₱344,744	₱–	₱123,614
Cross currency interest rate swaps	315,602	21,550	–	294,052	547,012	88,973	–	458,039
Loans and receivables	14,966,340	–	14,966,340	–	15,946,079	–	15,946,079	–
Total financial assets	₱16,089,221	₱401,002	₱14,966,340	₱721,879	₱16,961,449	₱433,717	₱15,946,079	₱581,653
Financial liabilities								
Derivative liabilities								
Currency forwards	₱1,306,506	₱379,452	₱–	₱927,054	₱260,235	₱344,744	₱–	(₱84,509)
Cross currency swaps	240,267	21,550	–	218,717	489,774	88,973	–	400,801
Deposit liabilities	610,047	331,529	–	278,518	564,035	404,783	–	159,252
Bills Payable	14,634,811	14,634,811	–	–	15,541,296	15,541,296	–	–
Total financial liabilities	₱16,791,631	₱15,367,342	₱–	₱1,424,289	₱16,855,340	₱16,379,796	₱–	₱475,544

8. Cash and Balances with the BSP

These accounts are composed of the following as of December 31:

	Group		Parent Bank	
	2022	2021	2022	2021
Cash and other cash items	₱9,891,536	₱8,904,903	₱8,924,249	₱7,988,517
Due from BSP				
Mandatory reserves	₱62,263,916	₱46,511,088	₱59,250,130	₱44,334,946
Non-mandatory reserves	32,346,392	56,896,858	7,337,991	23,143,443
	₱94,610,308	₱103,407,946	₱66,588,121	₱67,478,389

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Group and the Parent Bank's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches that were received after the Group and the Parent Bank's clearing cut-off time until the close of the regular banking hours.



Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 21). Due from BSP bears annual interest rates ranging from 1.50% to 5.00% in 2022, from 1.50% to 2.00% in 2021, and from 1.50% to 4.30% in 2020, except for the amounts within the required reserve as determined by the BSP. Total interest income on Due from BSP recognized by the Group amounted to ₱896,452, ₱665,311, and ₱962,515, in 2022, 2021, and 2020, respectively, while the total interest income on Due from BSP recognized by the Parent Bank amounted to ₱487,778, ₱325,236, and ₱709,244, in 2022, 2021, and 2020, respectively.

Under Section 254 of the MORB, a bank shall keep its required reserves in the form of deposits placed in the bank's demand deposit account with the BSP. Section 254.1 of the MORB further provides that such deposit account with the BSP is not considered as a regular current account as drawings against such deposits shall be limited to: (a) settlement of obligation with the BSP, and (b) withdrawals to meet cash requirements.

9. Due from Other Banks

The balance of this account consists of regular deposits with the following:

	Group		Parent Bank	
	2022	2021	2022	2021
Foreign banks	₱41,686,572	₱51,138,501	₱41,686,572	₱51,009,025
Local banks	4,553,392	3,119,964	576,957	299,958
	₱46,239,964	₱54,258,465	₱42,263,529	₱51,308,983

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2022	2021	2022	2021
U.S. dollars	₱39,093,926	₱48,927,115	₱38,909,437	₱48,946,007
Philippine pesos	4,362,703	3,262,944	570,757	294,570
Other currencies	2,783,335	2,068,406	2,783,335	2,068,406
	₱46,239,964	₱54,258,465	₱42,263,529	₱51,308,983

Annual interest rates on these deposits range from 0.00% to 2.30% in 2022, from 0.00% to 2.00% in 2021, and from 0.00% to 3.00% in 2020. Total interest income on Due from other banks earned by the Group amounted to ₱103,736, ₱14,429, and ₱59,459 in 2022, 2021, and 2020, respectively, while total interest income earned by the Parent Bank amounted to ₱97,199, ₱7,634, and ₱46,791 in 2022, 2021, and 2020, respectively.

Due from other banks is net of allowance for credit losses amounting to ₱18,447 and ₱32,407, as of December 31, 2022 and 2021, respectively.



10. Interbank Loans Receivable and Securities Purchased under Repurchase Agreements

Interbank loans receivable consists of foreign currency-denominated loans granted to other banks with terms ranging from 1 to 68 days in 2022 and from 3 to 63 days in 2021. SPURRA represents short-term placements with the BSP and private entities where the underlying securities cannot be sold or re-pledged to parties other than the contracting party.

Interest income on interbank loans amounted to ₱260,343, ₱23,256, and ₱95,857 in 2022, 2021, and 2020, respectively, for the Group, and ₱259,183, ₱22,170, and ₱95,451 in 2022, 2021, and 2020, respectively, for the Parent Bank. Interest income on SPURRA amounted to ₱566,019, ₱300,764, and ₱444,275 in 2022, 2021, and 2020, respectively, for the Group, and ₱393,663, ₱204,381, and ₱273,324 in 2022, 2021, and 2020, respectively, for the Parent Bank.

Annual interest rates on interbank loans receivable range from 0.05% to 5.03% in 2022, from 0.01% to 2.00% in 2021, and 0.01% to 4.00% in 2020. SPURRA bears nominal annual interest ranging from 0.00% to 5.23% in 2022, from 0.10% to 3.05% in 2021, and from 0.21% to 3.05% in 2020.

11. Financial Assets at Fair Value through Profit or Loss

The Group's and Parent Bank's financial assets at FVTPL as of December 31, 2022 and 2021 consist of the following:

	Group		Parent Bank	
	2022	2021	2022	2021
Debt securities held for trading	₱6,996,559	₱4,365,040	₱6,996,559	₱4,365,040
Equity securities designated at FVTPL	481,388	209,535	411,050	140,800
Derivative assets	1,175,569	1,065,430	1,175,569	1,065,430
	₱8,653,516	₱5,640,005	₱8,583,178	₱5,571,270

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2022	2021	2022	2021
U.S. dollars	₱3,348,270	₱4,514,447	₱3,348,270	₱4,514,447
Philippine pesos	5,304,291	1,125,261	5,233,953	1,056,526
Others	955	297	955	297
	₱8,653,516	₱5,640,005	₱8,583,178	₱5,571,270

The Group recognized fair value gains (losses) on financial assets at FVTPL amounting to (₱281,559), (₱440,044), and ₱809,253 in 2022, 2021, and 2020, respectively, while the Parent Bank recognized fair value gains (losses) on financial assets at FVTPL amounting to (₱282,465), (₱440,453), and ₱811,217 in 2022, 2021, and 2020, respectively, and included as part of Gains (losses) on trading and investment securities at FVTPL and FVOCI in the statement of income.



Interest income generated from these financial assets amounted to ₱203,766, ₱244,587, and ₱524,261 in 2022, 2021, and 2020, respectively, of both the Group and the Parent Bank. In 2022, annual interest rates on these financial assets range from 2.38% to 9.25% and from 1.38% to 9.63% for securities denominated in Philippine peso and U.S. dollars, respectively. In 2021, annual interest rates on these financial assets range from 2.38% to 4.62% and from 1.38% to 10.63% for securities denominated in Philippine peso and U.S. dollars, respectively. In 2020, annual interest rates on these financial assets range from 1.38% to 5.88% and from 0.96% to 7.03% for securities denominated in Philippine peso and U.S. dollars, respectively.

Derivative instruments include warrants, foreign exchange forwards and swaps and cross-currency interest rate swaps. These derivative instruments represent commitments to purchase/sell/exchange foreign currency or bonds on a future date at an agreed price, exchange rate and/or interest rates.

Equity securities include PSE listed securities, club shares and unquoted equity securities.

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and liabilities of the Group and the Parent Bank are set out below.

	December 31, 2022		
	Notional	Fair Values	
	Amount	Assets	Liabilities (Note 24)
Currency forwards			
Bought	₱74,853,141	₱288,247	₱1,263,097
Sold	25,708,489	519,032	43,409
Cross currency interest rate swaps			
Payer	3,751,347	15,823	234,509
Receiver	3,917,497	299,779	5,758
Warrants	5,017,950	52,688	—
		₱1,175,569	₱1,546,773
December 31, 2021			
Currency forwards			
Bought	₱31,946,925	₱ 466,591	₱36,806
Sold	22,392,884	1,767	223,429
Cross currency interest rate swaps			
Payer	2,548,063	296,467	207,593
Receiver	2,540,260	250,545	282,181
Warrants	7,649,850	50,060	—
		₱1,065,430	₱750,009



12. Financial Assets at Amortized Cost

The Group's and the Parent Bank's financial assets at amortized cost as of December 31, 2022 and 2021 consist of the following:

	Group		Parent Bank	
	2022	2021	2022	2021
Government bonds and other debt securities	₱242,659,492	₱163,748,924	₱233,522,259	₱159,616,193
Private bonds and commercial papers	2,273,341	2,862,393	2,183,341	2,772,393
	244,932,833	166,611,317	235,705,600	162,388,586
Allowance for impairment (Note 20)	(304,929)	(249,138)	(304,929)	(249,138)
	₱244,627,904	₱166,362,179	₱235,400,671	₱162,139,448

Investment securities of both the Group and the Parent Bank with an aggregate principal amount of ₱103,659,400 and ₱23,664,920 of December 31, 2022 and 2021, respectively, were pledged as collaterals for bills payable under repurchase agreements (see Note 22).

The breakdown of this account as to currency as of December 31, 2022 and 2021 follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Philippine pesos	₱211,267,150	₱133,898,721	₱202,039,917	₱129,675,990
U.S. dollars	31,492,475	30,644,377	31,492,475	30,644,377
Others	1,868,279	1,819,081	1,868,279	1,819,081
	₱244,627,904	₱166,362,179	₱235,400,671	₱162,139,448

Financial assets at amortized cost denominated in Philippine pesos have annual fixed interest rates ranging from 2.38% to 18.25% in 2022, from 1.03% to 18.25% in 2021, and from 1.69% to 18.25% in 2020, while financial assets at amortized cost denominated in U.S. dollars and Euros have annual fixed interest rates ranging from 3.25% to 9.5% in 2022 and 2021, and from 2.31% to 7.11% in 2020. These bonds have remaining maturities of 1 year to 31 years as at December 31, 2022 and 2021 and 1 year to 29 years as at December 31, 2020.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to ₱9,731,453, ₱5,865,798, and ₱7,202,846 in 2022, 2021, and 2020, respectively, by the Group, and ₱9,330,858, ₱5,777,352, and ₱7,061,489 in 2022, 2021, and 2020, respectively, by the Parent Bank. This is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statement of income.

Government bonds with aggregate face value of ₱1.2 billion and ₱1.0 billion as of December 31, 2022, and 2021, respectively, are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 31).



The Parent Bank sold investment securities classified as Investment securities at amortized cost with carrying amount of ₱1.7 billion, ₱47.4 billion, and ₱57.8 billion in 2022, 2021, and 2020, respectively, resulting in gains totaling ₱0.10 billion, ₱8.45 billion, and ₱5.11 billion in 2022, 2021, and 2020, respectively (see Note 3).

Reclassification of Financial assets Measured at Fair Value Through Other Comprehensive Income to Financial Assets at Amortized Cost for prudential reporting

In response to the effects on the financial markets of the COVID-19 pandemic, the BSP has issued BSP Memorandum No. M-2020-022 dated April 8, 2020 allowing BSP-supervised financial institutions to reclassify its investments in debt securities that are booked under a fair value category to amortized cost category. For valuation purposes, under the BSP relief, banks can choose until April 30, 2020 to reclassify its debt securities using any value date from March 1, 2020 to April 30, 2020; and choose to reclassify subsequent to April 30, 2020 to September 30, 2020 using the value date as of the date when the reclassification is made.

In 2020, the Bank availed of the BSP relief for prudential reporting purposes and reclassified the Bank's FCDU's debt financial assets at FVTPL and at FVOCI to Financial assets at amortized cost classification with fair market values of ₱5.6 billion and ₱6.0 billion, respectively, using March 5, 2020 as valuation date. To maintain full compliance with PFRS, the Bank retained the original classification of its debt financial assets consistent with the requirements of PFRS 9 in its general purpose financial statements prepared under PFRS.

As of December 31, 2020, the amortized cost and fair value of the outstanding reclassified securities for prudential reporting amounted to ₱5.66 billion and ₱5.75 billion, respectively. Had these securities not been reclassified from FVTPL and FVOCI to Financial assets at amortized cost for prudential reporting purposes, the net unrealized gain recognized in profit or loss and OCI for the year ended December 31, 2020 would have increased by ₱69.52 million and ₱22.09 million, respectively.

Under BSP Memorandum No. M-2021-011, the BSP-supervised financial institution that intends to revert to PFRS 9 for prudential reporting purposes shall classify its outstanding debt securities as of the start of the financial reporting period when such a decision was made. On January 1, 2021, the Bank decided to revert to PFRS 9 for prudential reporting purposes and accordingly, reversed the reclassification for prudential reporting effective January 1, 2021.

13. Financial Assets at Fair Value Through Other Comprehensive Income

The Group's and the Parent Bank's financial assets at FVOCI as of December 31, 2022 and 2021 consist of the following:

	Group		Parent Bank	
	2022	2021	2022	2021
Debt securities:				
Government bonds	₱62,104,853	₱47,097,138	₱62,095,606	₱47,046,877
Private bonds and commercial papers	17,384,174	18,377,887	17,325,825	18,282,141
Equity securities	272,735	197,585	46,247	41,673
	₱79,761,762	₱65,672,610	₱79,467,678	₱65,370,691



The breakdown of this account as to currency as of December 31, 2022 and 2021 follows:

	Group		Parent Bank	
	2022	2021	2022	2021
U.S. dollars	₱56,151,879	₱46,793,028	₱55,925,392	₱46,637,115
Philippine pesos	23,609,883	18,879,582	23,542,286	18,733,576
	₱79,761,762	₱65,672,610	₱79,467,678	₱65,370,691

The Group has designated the above equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. Unquoted equity securities pertain to golf club shares and investments in non-marketable equity securities.

Debt securities denominated in Philippine pesos have annual interest rates ranging from 2.88% to 9.25% for 2022, from 2.88% to 6.88% for 2021, and from 3.70% to 5.33% for 2020, while debt securities denominated in U.S. dollars have annual interest rates ranging from 1.25% to 9.63% in 2022, from 1.13% to 9.63% in 2021, and from 1.03% to 8.43% in 2020. Interest income, including amortization of premium or discount, amounted to ₱2,758,288 and ₱2,752,764 in 2022 for the Group and Parent Bank, respectively, ₱1,840,975 and ₱1,833,323 in 2021 for the Group and Parent Bank, respectively, and ₱881,817 and ₱875,707 in 2020 for the Group and Parent Bank, respectively, and is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statement of income.

In 2022, 2021 and 2020, the Group and the Parent Bank recognized gains from the sale of investments securities at FVOCI amounting to ₱0.10 billion, ₱0.66 billion, and ₱3.02 billion, respectively. The amounts are included under Gains on trading and investments securities at FVTPL and FVOCI in the statement of income.

As of December 31, 2022 and 2021, allowance for credit losses credited against other comprehensive income amounted to ₱12,287 and ₱12,031, respectively.



14. Loans and Other Receivables

The Group's and the Parent Bank's loans and other receivables as of December 31, 2022 and 2021 consist of the following:

	Group		Parent Bank	
	December 31		December 31	
	2022	2021	2022	2021
Receivables from customers:				
Loans and discounts	₱459,972,123	₱325,222,919	₱372,906,505	₱265,140,532
Customers' liabilities under acceptances and trust receipts	11,616,859	11,051,652	11,616,859	11,051,652
Bills purchased	3,180,968	458,312	3,180,968	458,312
Accrued interest receivable	5,725,612	3,155,283	2,892,184	2,323,363
	480,495,562	339,888,166	390,596,516	278,973,859
Unearned discounts	(2,204,459)	(1,417,089)	(204,265)	(158,506)
Allowance for impairment (Note 20)	(14,038,685)	(13,435,022)	(9,177,037)	(10,035,885)
	464,252,418	325,036,055	381,215,214	268,779,468
Other receivables:				
Accounts receivable	9,316,601	7,106,075	6,718,338	2,742,044
Accrued interest receivable	4,244,524	3,186,024	4,063,998	3,072,794
Sales contracts receivable	2,319,031	1,518,579	2,215,959	1,446,756
Unquoted debt securities classified as loans	–	1,538	–	–
Installment contracts receivable	2,188	3,451	–	–
	15,882,344	11,815,667	12,998,295	7,261,594
Allowance for impairment (Note 20)	(476,864)	(497,833)	(447,915)	(464,156)
	15,405,480	11,317,834	12,550,380	6,797,438
	₱479,657,898	₱336,353,889	₱393,765,594	₱275,576,906

Restructured loans amounted to ₱2,766,595 and ₱1,307,006 as of December 31, 2022 and 2021, respectively, for the Group, and ₱2,733,513 and ₱1,250,276 as of December 31, 2022 and 2021, respectively, for the Parent Bank. Interest income on these restructured loans amounted to ₱136,650, ₱38,733, and ₱9,067 in 2022, 2021, and 2020, respectively, for the Group, and ₱136,129, ₱25,189, and ₱6,126 in 2022, 2021, and 2020, respectively, for the Parent Bank.

The maturity profile of loans and other receivables (net of unearned discounts) follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Less than one year	₱206,542,153	₱102,745,416	₱197,799,858	₱89,910,665
One year to less than five years	169,116,975	147,755,010	97,237,602	97,636,022
Beyond five years	118,514,319	99,786,318	108,353,086	98,530,260
	₱494,173,447	₱350,286,744	₱403,390,546	₱286,076,947

Loans and other receivables bear annual interest ranging from 4.25% to 14.00% in 2022, and from 4% to 14% in 2021 and 2020.



The breakdown of loans (receivable from customers excluding accrued interest receivable) as to type of interest rate follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Variable interest rates	₱274,129,500	₱248,928,907	₱274,129,500	₱248,924,378
Fixed interest rates	200,640,450	87,803,976	113,574,832	27,726,118
	₱474,769,950	₱336,732,883	₱387,704,332	₱276,650,496

The amounts of interest income per type of loans and receivables for each reporting period are as follows:

	Group		
	2022	2021	2020
Receivables from customers	₱32,404,519	₱24,686,931	₱28,287,521
Other receivables:			
Sales contracts receivable	141,615	101,402	118,611
Installment contracts receivable	286	318	514
Others	3,458,294	2,583,798	18
	₱36,004,714	₱27,372,449	₱28,406,664

	Parent Bank		
	2022	2021	2020
Receivables from customers	₱23,773,696	₱17,402,061	₱19,689,313
Sales contracts receivable	133,692	95,200	113,383
	₱23,907,388	₱17,497,261	₱19,802,696

15. Investments in Subsidiaries and Associates

Investment in Subsidiaries

This account in the Parent Bank's financial statements pertains to investments in the following subsidiaries, which are accounted for using the equity method:

	% Interest	2022	2021
Acquisition costs:			
CSB	99.79%	₱6,746,861	₱6,746,861
CFSI (Note 1)	100%	5,073,025	—
UnionDigital (Note 1)	100%	3,000,000	1,000,000
UBX	100%	1,100,000	1,100,000
UIC	100%	924,861	924,861
FUPI	100%	290,002	290,002
UBPSI	100%	5,000	5,000
UDC	100%	3,125	3,125
		₱17,142,874	₱10,069,849



The movement of investments in subsidiaries is shown below:

	2022	2021	2020
Acquisition costs:			
Beginning balances	₱10,069,849	₱8,573,349	₱7,870,847
Additional investments (Note 1)	7,073,025	1,500,000	702,502
Others	—	(3,500)	—
	17,142,874	10,069,849	8,573,349
Accumulated equity in total comprehensive income:			
Beginning balances	13,013,106	13,294,638	12,652,786
Share in net profit (Note 28)*	1,712,086	1,173,016	953,082
Dividends	(188,000)	(1,496,811)	—
Impairment on investment in FUPI (Note 28)	—	—	(290,002)
Share in other comprehensive income (loss) (Note 29)	82,778	38,774	(21,228)
Others	(4,384)	3,489	—
	14,615,586	13,013,106	13,294,638
Net investment in subsidiaries	₱31,758,460	₱23,082,955	₱21,867,987

*The share in net profit for CSB in 2021 and 2020 is net of goodwill impairment charge of ₱529.6 million and ₱223.2 million, respectively.

The Parent Bank's direct subsidiaries are all incorporated in the Philippines. The principal place of business of these subsidiaries is in Metro Manila, Philippines except for CSB, which has its principal place of operations in Cebu, Philippines.

Acquisition of shares of CFSI

Citicorp Financial Services and Insurance Brokerage Philippines, Inc. is a domestic corporation organized to engage in the business of marketing insurance products and to act as a broker of debt and equity securities of every kind and description. CFSI is engaged in the brokerage of debt securities, third-party investment funds, and insurance products. On December 23, 2021, the CFSI's shareholders sold to Union Bank of the Philippines their respective ownership totaling to 100% of the shares as part of the acquisition, which was completed on August 1, 2022 (see Note 1).

Purchase of preferred shares issued by FUPI

In October 2020, the Parent Bank subscribed to FUPI's non-voting, non-cumulative and redeemable preferred shares for a total consideration of ₱290.0 million. The subscription was used to support FUPI in meeting its maturing pre-need plans during 2020. As of December 31, 2020, the Parent Bank assessed that the preferred shares will not be redeemed or settled in the foreseeable future, as FUPI will not be generating additional income or revenues moving forward. In 2020, the Parent Bank provided a full valuation allowance of ₱290.0 million, presented under Miscellaneous expense (see Note 28). This transaction is eliminated in consolidation and has no impact on the consolidated financial statements.

Acquisition of Bangko Kabayan

In February 2019, CSB and UIC acquired 70% ownership, with CSB owning 49% and UIC owning 21% (See Note 1). For convenience purposes, the Group used March 31, 2020 as the date of business combination.



The acquisition resulted in goodwill as follows (amounts in thousands):

Purchase price		₱681,745
Share in fair value of net assets acquired:		
Final fair values of net assets acquired	808,009	
Less: Proportionate share of non-controlling interest	242,403	565,606
Final Goodwill		₱116,139

The goodwill arising from the acquisition is attributed to expected synergies in the operations of the Group and Bangko Kabayan and the planned expansion of network to rural areas and extend the digital products offered by the Parent Bank. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of the loans and receivables acquired as part of the business combination amounted to ₱1.95 billion, with gross contractual amount of ₱2.04 billion. Net cash outflow related to the acquisition of Bangko Kabayan amounted to ₱38.09 million, net of cash acquired.

Acquisition of PBI

On January 5, 2018, CSB and UIC acquired 75% ownership of PBI (see Note 1).

The acquisition resulted in a gain on bargain purchase as follows (amounts in thousands):

Purchase price		₱58,000
Share in fair value of net assets acquired:		
Final fair values of net assets acquired	₱111,054	
Less: Proportionate share of non-controlling interest	27,763	83,291
Gain on Bargain Purchase (Note 28)		₱25,291

The fair value of the loans and receivables acquired as part of the business combination amounted to ₱252.41 million, with gross contractual amount of ₱360.56 million. Net cash inflow related to the acquisition of PBI amounted to ₱140.47 million, net of cash acquired.

UBX and UBX SG Investment Transactions

On November 27, 2020, the Parent Bank's BOD approved the additional capital infusion of ₱500 million into UBX. The capital infusion was approved by the BSP on February 15, 2021. The additional capital is intended to grow UBX' business operations and venture platforms.

Investments in Pacific Payments Pte. Ltd

On February 21, 2020, UBX SG acquired 25% of Pacific Payments Pte. Ltd. (PPPL)'s outstanding capital for a total consideration amounting to \$1.6 million (₱50.0 million). PPPL is a holding company that was incorporated in Singapore in November 2014.

On June 18, 2021, UBX SG sold its 25% stake in Pacific Payments Pte. Ltd.'s for a total consideration of \$5.4 million (₱262.4 million) resulting in a gain on sale of investment in associate amounting to \$3 million (₱156.0 million). UBX SG will use the proceeds to pursue growth and investments opportunities.



Investments in Integra Partners' Fund

On January 31, 2021, UBX SG subscribed \$2.5 million in Integra Partners' Fund II as a Limited Partner. Out of the \$2.5 million subscribed, UBX SG has paid \$286 thousands (P13.7 million) or around 10% ownership. Integra Partners is a venture Capital (VC) firm based out of Singapore and is considered one of SE Asia's premier Fintech and Healthtech VC funds. UBX SG's investment in the fund indicates its commitment to invest in the fintech space and drive healthcare and financial inclusion in Southeast Asia. Additionally, the partnership further cements the existing strategic relationship with Integra Partners.

Investments in CC Mobile Financial Services Philippines, Inc.

On September 6, 2019, UBX acquired 35% of CC Mobile Financial Services Philippines, Inc. (CCPH) outstanding capital stock for a total consideration amounting to P50.0 million. CCPH was incorporated in the Philippines to engage in the business of a financing company by extending credit facilities, by discounting or factoring commercial paper or accounts receivable, by sales finance, by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by financial or operating leasing of movable as well as immovable property, and real estate mortgages, without engaging in quasi-banking functions or trust operations. CCPH is accounted for as an investment in associate in the Group's financial statements.

On June 11, 2021, UBX sold its 35% equity ownership in CC Mobile Financial Services Philippines, Inc. to Fintech Platform Ventures Pte Ltd. (FPV) pursuant to a corporate restructuring of the Finscore Group intended to consolidate the ownership of all its subsidiaries under one Singaporean holding company – FPV. UBX PH has agreed to assign the receivable from FPV arising from the sale to UBX SG. In exchange, UBX SG issued 64,760 Class A Redeemable Preferred Shares (RPS) ("UBX shares") at an issue price of \$1.04 million (P53.03 million) to UBX PH. UBX SG has, in turn, entered into a Subscription and Shareholders' Agreement dated June 4, 2021 wherein it subscribed to 1,350,000 shares (31.98% equity ownership) in FPV, free from any encumbrances, for the aggregate subscription consideration of \$1.39 million (P70.88 million). As of December 31, 2021, UBX SG has 31.98% ownership in FPV, which in turn has 100% ownership in CC Mobile Financial Services Philippines, Inc.

Investments with NYK Ventures Pte Ltd.

On August 2, 2021, UBX SG subscribed to 811 non-cumulative, non-convertible preference shares of NYK Ventures Pte Ltd. (NYK) at a price of \$317.79 per share or a total of \$0.26 million (P12.80 million) in addition to its exiting interest in NYK. This additional subscription was an exercise of UBX SG's pro rata rights to maintain an equity stake in NYK's wholly-owned subsidiary, PDAX, Inc. of 2.58%.

Investment in Associates

As of December 31, 2022 and 2021, the Group has investment in associates with aggregate carrying amounts of P123,396 and P142,355, respectively. The aggregate share in losses on these associates amounted to P30,125, P14,186, and P3,665 in 2022, 2021, and 2020, respectively.

Subscription was an exercise of UBX SG's pro rata rights to maintain an equity stake in NYK's wholly-owned subsidiary, PDAX, Inc. of 2.58%.



Investment in Associates

As of December 31, 2022 and 2021, the Group has investment in associates with aggregate carrying amounts of ₱123,396 and ₱142,355, respectively. The aggregate share in losses on these associates amounted to ₱30,125, ₱14,186, and ₱3,665 in 2022, 2021, and 2020, respectively.

Summarized Financial Information

The following table presents the financial information for CSB, UnionDigital, PETNET, UBX, CFSI, UIC, Bangko Kabayan, FAIR Bank, and PBI as of and for the years ended December 31, 2022 and 2021:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2022				
CSB	₱131,980,351	₱112,633,815	₱13,335,969	₱2,649,777
UnionDigital	12,908,553	10,357,201	408,801	(426,016)
PETNET	1,608,759	439,900	1,032,183	235,901
UBX	1,087,251	392,437	280,430	(220,944)
CFSI	1,511,034	204,336	295,014	117,317
UIC	1,145,003	70,566	173,615	88,894
Bangko Kabayan	3,597,388	3,027,477	435,462	76,853
FAIR Bank	299,029	226,998	72,518	(15,098)
PBI	180,755	185,658	45,098	(14,920)
	Assets	Liabilities	Revenues	Net Profit (Loss)
2021				
CSB	₱119,142,549	₱102,472,266	₱10,748,877	₱1,142,631
UnionDigital	1,000,000	29,000	—	(29,000)
PETNET	1,323,318	221,018	762,178	125,231
UBX	1,034,660	170,004	338,857	64,032
UIC	1,134,027	128,363	134,682	53,708
Bangko Kabayan	3,357,782	2,870,298	336,203	46,706
FAIR Bank	359,699	244,493	70,863	(28,314)
PBI	243,553	289,492	70,698	(114,293)

16. Bank Premises, Furniture, Fixtures and Equipment

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment as of December 31, 2022 and 2021 are shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold Rights and Improvements	Total
December 31, 2022						
Cost	₱850,660	₱5,070,587	₱5,314,628	₱3,416,378	₱1,852,361	₱16,504,614
Accumulated depreciation and amortization	—	(929,215)	(3,477,933)	(2,112,457)	(1,278,390)	(7,797,995)
Net carrying amounts	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619
December 31, 2021						
Cost	₱850,660	₱3,061,143	₱4,946,472	₱2,817,848	₱1,748,553	₱13,424,676
Accumulated depreciation and amortization	—	(814,284)	(3,095,504)	(1,623,221)	(1,125,896)	(6,658,905)
Net carrying amounts	₱850,660	₱2,246,859	₱1,850,968	₱1,194,627	₱622,657	₱6,765,771



	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold Rights and Improvements	
December 31, 2022						
Cost	₱248,301	₱4,574,015	₱3,878,962	₱2,751,126	₱904,476	₱12,356,880
Accumulated depreciation and amortization	–	(671,565)	(2,348,595)	(1,682,023)	(418,663)	(5,120,846)
Net carrying amounts	₱248,301	₱3,902,450	₱1,530,367	₱1,069,103	₱485,813	₱7,236,034
December 31, 2021						
Cost	₱248,301	₱2,621,552	₱3,650,598	₱2,177,921	₱824,212	₱9,522,584
Accumulated depreciation and amortization	–	(596,994)	(2,027,948)	(1,221,229)	(340,087)	(4,186,258)
Net carrying amounts	₱248,301	₱2,024,558	₱1,622,650	₱956,692	₱484,125	₱5,336,326

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of this account (including right-of-use assets) is shown below:

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2022, net of accumulated depreciation and amortization	₱850,660	₱2,246,859	₱1,850,968	₱1,194,627	₱622,657	₱6,765,771
Additions	–	15,282	454,858	523,806	81,451	1,075,397
Disposals	–	–	(24,849)	–	–	(24,849)
Reclassifications/adjustments	–	23,476	(2,784)	136,607	(23,309)	133,990
Depreciation and amortization charges for the year	–	(96,708)	(494,052)	(620,499)	(152,494)	(1,363,753)
Effects of business combination (Note 1)	–	1,952,463	52,554	69,380	45,666	2,120,063
Balances at December 31, 2022, net of accumulated depreciation and amortization	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2021, net of accumulated depreciation and amortization	₱859,082	₱2,331,896	₱1,931,401	₱1,126,620	₱645,769	₱6,894,768
Additions	–	2,202	400,807	666,029	102,596	1,171,634
Disposals	(8,422)	(9,833)	(19,024)	–	–	(37,279)
Reclassifications/adjustments	–	(12,761)	(4,003)	(385)	(572)	(17,721)
Depreciation and amortization charges for the year	–	(64,645)	(458,213)	(597,637)	(125,136)	(1,245,631)
Balances at December 31, 2021, net of accumulated depreciation and amortization	₱850,660	₱2,246,859	₱1,850,968	₱1,194,627	₱622,657	₱6,765,771



	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2022, net of accumulated depreciation and amortization	₱248,301	₱2,024,558	₱1,622,650	₱956,692	₱484,125	₱5,336,326
Additions	—	—	273,418	514,000	34,597	822,015
Disposals	—	—	(17,318)	—	—	(17,318)
Reclassifications/adjustments	—	—	(1,393)	(250)	—	(1,643)
Depreciation and amortization charges for the year	—	(74,571)	(399,334)	(464,534)	(78,575)	(1,017,014)
Effects of business combination (Note 1)	—	1,952,463	52,344	63,195	45,666	2,113,668
Balances at December 31, 2022, net of accumulated depreciation and amortization	₱248,301	₱3,902,450	₱1,530,367	₱1,069,103	₱485,813	₱7,236,034
Balances at January 1, 2021, net of accumulated depreciation and amortization	₱248,301	₱2,084,184	₱1,732,358	₱935,946	₱524,577	₱5,525,366
Additions	—	—	285,567	431,171	31,824	748,562
Disposals	—	—	(13,643)	—	—	(13,643)
Reclassifications/adjustments	—	(15,062)	—	170	—	(14,892)
Depreciation and amortization charges for the year	—	(44,564)	(381,632)	(410,595)	(72,276)	(909,067)
Balances at December 31, 2021, net of accumulated depreciation and amortization	₱248,301	₱2,024,558	₱1,622,650	₱956,692	₱484,125	₱5,336,326

The Group has leases for branch offices, parking lots, stalls for specific events, signage and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a ROU asset and a lease liability.

Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contracts are cancellable upon mutual agreement of the parties or renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5% to 10%. As of December 31, 2022 and 2021, the Group has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

The Group's leasing activities qualified to recognize ROU assets mainly comprise of branch offices and parking lots with remaining lease terms ranging from 1 to 10 years.

The details of depreciation and amortization in the consolidated statements of income follow:

	Group		
	2022	2021	2020
Bank premises, furniture, fixtures and equipment*	₱743,254	₱647,994	₱658,806
Investment properties (Note 17)	370,290	406,421	358,351
Computer software (Note 19)	349,683	405,150	286,680
Foreclosed machineries and chattel	144,646	164,114	103,063
	₱1,607,873	₱1,623,679	₱1,406,900

*Excluding depreciation of ROU asset presented in Occupancy amounting to ₱620,499 and ₱597,637 in 2022 and 2021, respectively.



Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

- 98 -

	Parent Bank		
	2022	2021	2020
Bank premises, furniture, fixtures and equipment*	₱552,480	₱498,472	499,189
Investment properties (Note 17)	358,600	394,241	350,290
Computer software (Note 19)	252,365	253,745	159,428
Foreclosed machineries and chattel	4,119	—	—
	₱1,167,564	₱1,146,458	₱1,008,907

*Excluding depreciation of ROU asset presented in Occupancy amounting to ₱464,534 and ₱410,595 in 2022 and 2021, respectively.

In 2022, 2021, and 2020 depreciation charges amounted to ₱620.50 million, ₱597.64 million, and ₱521.52 million, respectively, for the ROU asset of the Group and ₱464.53 million, ₱410.60 million, and ₱438.31 million, respectively, for ROU of the Parent Bank. This is shown as part of Occupancy in the consolidated and parent bank statements of income.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the Parent Bank's unimpaired capital. As of December 31, 2022 and 2021, the Parent Bank has satisfactorily complied with this requirement.

17. Investment Properties

The Group's and the Parent Bank's investment properties include several parcels of land and buildings held for rentals and foreclosed properties. The composition of and movements in this account under the cost model are shown below.

	Group		Parent	
	As at December 31		As at December 31	
	2022	2021	2022	2021
Cost	₱11,432,533	₱11,700,174	₱10,129,917	₱10,288,745
Accumulated depreciation	(3,101,955)	(2,930,403)	(2,934,165)	(2,756,443)
Accumulated impairment loss	(71,705)	(96,427)	(71,703)	(96,425)
Net carrying amounts	₱8,258,873	₱8,673,344	₱7,124,049	₱7,435,877

The movements in the Group's and the Parent Bank's investment properties are shown below.

	Group		
	2022		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,533,566	₱9,166,608	₱11,700,174
Reclassifications / adjustments	—	(41,189)	(41,189)
Additions	—	842,881	842,881
Disposals	—	(1,069,333)	(1,069,333)
Balances at December 31	2,533,566	8,898,967	11,432,533
Accumulated depreciation and amortization			
Balances at January 1	736,553	2,193,850	2,930,403
Reclassifications / adjustments	434	(9,042)	(8,608)
Depreciation	52,738	317,552	370,290
Disposals	—	(190,130)	(190,130)
Balances at December 31	789,725	2,312,230	3,101,955
Accumulated impairment losses			
Balance at January 1	—	96,427	96,427
Reversals on provision for impairment	—	(24,722)	(24,722)
Balances at December 31	—	71,705	71,705
Net book values	₱1,743,841	₱6,515,032	₱8,258,873



	Group 2021		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,506,566	₱9,217,408	₱11,723,974
Reclassifications / adjustments	—	(785)	(785)
Additions	27,000	303,167	330,167
Disposals	—	(353,182)	(353,182)
Balances at December 31	2,533,566	9,166,608	11,700,174
Accumulated depreciation and amortization			
Balances at January 1	684,038	1,956,551	2,640,589
Reclassifications / adjustments	(20)	(66)	(86)
Depreciation	52,535	353,886	406,421
Disposals	—	(116,521)	(116,521)
Balances at December 31	736,553	2,193,850	2,930,403
Accumulated impairment losses			
Balance at January 1	—	161,019	161,019
Reclassifications / adjustments	—	57	57
Reversals on provision for impairment	—	(64,649)	(64,649)
Balances at December 31	—	96,427	96,427
Net book values	₱1,797,013	₱6,876,331	₱8,673,344

	Parent Bank 2022		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,198,110	₱8,090,635	₱10,288,745
Reclassification	—	(1,224)	(1,224)
Additions	—	831,156	831,156
Disposals	—	(988,760)	(988,760)
Balances at December 31	2,198,110	7,931,807	10,129,917
Accumulated depreciation and amortization			
Balances at January 1	603,427	2,153,016	2,756,443
Depreciation	45,854	312,746	358,600
Disposals	—	(180,878)	(180,878)
Balances at December 31	649,281	2,284,884	2,934,165
Accumulated impairment losses			
Balances at January 1 and December 31	—	96,425	96,425
Reversals on provision for impairment	—	(24,722)	(24,722)
Balances at December 31	—	71,703	71,703
Net book values	₱1,548,829	₱5,575,220	₱7,124,049

	Parent Bank 2021		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,171,110	₱8,128,628	₱10,299,738
Additions	27,000	261,438	288,438
Disposals	—	(299,431)	(299,431)
Balances at December 31	2,198,110	8,090,635	10,288,745
Accumulated depreciation and amortization			
Balances at January 1	557,796	1,918,321	2,476,117
Depreciation	45,631	348,610	394,241
Disposals	—	(113,915)	(113,915)
Balances at December 31	603,427	2,153,016	2,756,443
Accumulated impairment losses			
Balances at January 1 and December 31	—	161,074	161,074
Reversals on provision for impairment	—	(64,649)	(64,649)
Balances at December 31	—	96,425	96,425
Net book values	₱1,594,683	₱5,841,194	₱7,435,877



Real property taxes related to these investment properties paid by the Group and recognized as expense in 2022, 2021, and 2020 totaled ₱41,242, ₱33,676, and ₱44,653, respectively, and are presented as part of Taxes and licenses account under Other expenses in the statements of income.

Rent income earned by the Group on its investment properties under operating leases amounted to ₱209,600, ₱108,047, and ₱142,033, in 2022, 2021, and 2020, respectively, and is included as part of Rental account under Miscellaneous income in the statements of income (see Note 28).

The gain from foreclosure of loan collaterals, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱466.39 million, ₱135.31 million, and ₱153.88 million, in 2022, 2021, and 2020, respectively, for the Group and the Parent Bank.

The gain (loss) on disposal of foreclosed properties, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱1,224.04 million, (₱43.69 million), and ₱229.15 million, in 2022, 2021, and 2020, respectively, for the Group, and ₱1,193.00 million, ₱207.36 million, and ₱195.47 million in 2022, 2021, and 2020, respectively, for the Parent Bank.

Information about the fair value of investment properties is presented in Note 7.

18. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value arising from the acquisitions of (a) former iBank's in April 2006; (b) CSB in January 2013, (c) PR Savings Bank by CSB in June 2018, (d) PETNET in December 2018, (e) Bangko Kabayan in March 2020, and (f) Citigroup Inc.'s consumer banking business in the Philippines in August 2022 (see Note 1).

For the 2022 acquisition of Citigroup's consumer banking business, the Group has provisionally determined the fair value of assets and liabilities acquired and the related goodwill, including determining any goodwill that is expected to be deductible for income tax purposes.

For impairment testing purposes, the goodwill of the Group acquired through business combinations is allocated to the following CGUs:

- a. With respect to acquisition of iBank, to the Parent Bank's Retail Banking and Parent Bank's Corporate and Commercial Banking;
- b. With respect to the goodwill from the acquisition of CSB and PR Savings Bank, to CSB's DepEd salary loans business and motorcycle loans business, respectively;
- c. With respect to the goodwill from the acquisition of PETNET, the separate cash generating unit of PETNET at entity level;
- d. With respect to the goodwill from the acquisition of Bangko Kabayan, the separate cash generating unit of Bangko Kabayan at entity level; and,
- e. With respect to the goodwill from the acquisition of Citigroup Inc.'s consumer banking business in the Philippines, the separate cash generating unit of (i) a group of CGU within the Consumer Banking Group; and (ii) CFSI at entity level



The following presents the movement of goodwill of the Group for 2022 and 2021:

	Group	
	2022	2021
Beginning balance	₱14,818,932	₱15,348,531
Acquisition of business and subsidiary (Note 1)	47,491,355	–
Impairment during the year (Note 28)	–	(529,599)
Ending balance	₱62,310,287	₱14,818,932

The goodwill of the Group is allocated to the following CGUs:

	Group		Parent Bank	
	2022	2021	2022	2021
Parent Bank				
Parent Bank's Consumer Banking Business	₱43,772,364	₱–	₱43,772,364	₱–
Parent Bank's Corporate and Commercial Banking	3,208,998	3,208,998	3,208,998	3,208,998
Parent Bank's Retail Banking	4,677,900	4,677,900	4,677,900	4,677,900
	51,659,262	7,886,898	51,659,262	7,886,898
CSB				
CSB's DepEd Salary Loans Business*	3,371,353	3,371,353	–	–
CSB's Motorcycle Loans Business**	2,729,424	2,729,424	–	–
	6,100,777	6,100,777	–	–
PETNET	715,118	715,118	–	–
CFSI	3,718,991	–	–	–
Bangko Kabayan	116,139	116,139	–	–
	₱62,310,287	₱14,818,932	₱51,659,262	₱7,886,898

*Arising from the acquisition of CSB amounting to ₱3.37 billion

**Arising from the acquisition of PR Savings Bank amounting to ₱3.48 billion. Goodwill impairment recognized for CSB's motorcycle loans business amounted to ₱529.60 million and ₱223.17 million in 2021 and 2020, respectively

Refer to Note 15 for the discussions on the acquisition of and merger with PR Savings Bank and acquisition of Bangko Kabayan
Refer to Note 1 for the discussion on the acquisition of the Citigroup Inc.'s consumer banking business

The Parent Bank's Consumer banking business relates to a group of CGUs which comprises of the consumer banking business acquired from Citibank N.A. (see Note 1), the Parent Bank's credit card banking business, and the asset backed-lending business. As of December 31, 2022, the Bank has yet to complete the allocation of goodwill to the individual CGUs. As allowed by PFRS, the Bank allocated the goodwill to the aggregation of the group of CGUs which are expected to benefit from the synergies arising from the acquisition. The Parent Bank expects to finalize the allocation of goodwill within 1 year from the acquisition date.

The Group performed its annual impairment test in December of each year, unless indicators for impairment warrant earlier reassessment. The Group considers various internal and external sources of information in assessing whether there is any indication that goodwill is impaired including if there are significant changes with an adverse effect on the CGUs that have taken place during the period in the technological, market, economic or legal environment in which the Group operates.

As a result of the ongoing economic uncertainty brought about by the COVID-19 pandemic, the results of the motorcycle lending business were lower than expected.

The volume of loan releases was lower and the motorcycle loans reported higher NPLs, indicating a potential impairment of goodwill.



The recoverable amount of the motorcycle loans' CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to loan growth rate and discount rate. Future cash flows and growth rates were based on historical experiences and strategies developed, including assessment of impact of the COVID-19 pandemic. The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to a comparable entity, market observable inputs and assumptions consistent with the valuation practice. Refer to Note 3 for the disclosure of assumptions used in the impairment assessment.

As a result of this analysis, management has recognized an impairment charge of ₱529.6 million in 2021 against goodwill with a carrying amount of ₱3,259.0 million as of December 31, 2020 and ₱223.2 million in 2020 against goodwill with a carrying amount of ₱3,482.2 million as of December 31, 2019. The impairment charge is recorded under Miscellaneous expenses in the statement of income. In 2022, the Group performed its annual impairment test and noted that there is no additional impairment to recognize for the motorcycle CGU.

19. Other Resources

The composition of Other resources account as of December 31 follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Deferred tax assets (Note 30)	₱7,923,240	₱7,046,605	₱5,964,897	₱5,677,282
Software under development	6,190,999	3,366,928	6,190,999	3,366,928
Computer software – net	3,989,158	2,335,558	1,499,300	1,722,139
Advances and other investments	1,755,564	1,640,920	1,754,866	1,597,023
Creditable withholding taxes	1,604,581	1,114,195	1,400,877	1,061,256
Prepaid expenses	985,548	701,181	804,153	427,183
Deferred charges	561,734	378,832	–	–
Documentary stamps	363,585	406,610	329,892	222,117
Non-current assets held for sale	331,476	333,917	–	–
Trust fund assets	61,681	62,802	–	–
Net retirement asset (Note 29)	31,955	62,899	–	–
Returned checks and other cash items	29,999	169,164	29,999	169,164
Miscellaneous	2,555,092	1,628,501	1,663,750	1,091,950
	26,384,612	19,248,112	19,638,733	15,335,042
Allowance for impairment (Note 20)	(42,783)	(66,449)	(3,298)	(26,964)
	₱26,341,829	₱19,181,663	₱19,635,435	₱15,308,078

Trust fund assets are maintained to cover pre-need liabilities of FUPI for pre-need plans computed based on the provisions of PAS 37 as required by the IC and validated by a qualified actuary in compliance with the rules and regulations of the IC based on the amended PNUCA. The trust fund assets are managed by the Parent Bank's Trust and Investment Services Group (TISG).



The details of FUPI's trust fund assets as of December 31 follow:

	2022	2021
Due from other banks*	₱2,362	₱16,241
Financial assets at FVTPL	44,901	33,519
Financial assets at FVOCI	14,320	14,450
Miscellaneous – net	98	(1,408)
	₱61,681	₱62,802

*As of December 31, 2022 and 2021, due from other banks included under trust fund assets comprising placements with the Parent Bank and not included in the above amounted to ₱11.61 million and ₱17.05 million, respectively.

Financial assets at FVTPL comprise of investments in shares of listed companies, government securities and other corporate debt instruments. The trust fund generated income (loss) of (₱1.30 million), ₱0.21 million, and (₱14.98 million) in 2022, 2021, and 2020, respectively (see Note 28).

The movements in the Computer software account follow:

	Group		Parent Bank	
	2022	2021	2022	2021
Balance at beginning of year	₱2,335,558	₱1,495,492	₱1,722,139	₱1,013,475
Additions	2,027,117	1,255,269	29,528	962,409
Amortization charges for the year	(349,683)	(405,150)	(252,365)	(253,745)
Reclassifications	(23,834)	(10,053)	(2)	–
Balance at end of year	₱3,989,158	₱2,335,558	₱1,499,300	₱1,722,139

Miscellaneous includes foreclosed machineries, chattels, motorcycle and automobiles, security deposits and ongoing improvements on the Group's and the Parent Bank's branches and offices.

20. Allowance for Impairment

The breakdown of allowance for impairment is shown in the table below:

	Group		Parent Bank	
	2022	2021	2022	2021
Receivable from customers (Note 14)	₱14,038,685	₱13,435,022	₱9,177,037	₱10,035,885
Other receivables (Note 14)	476,864	497,833	447,915	464,156
Investments and placements (Notes 9, 12 and 13)	335,663	293,576	331,543	289,455
Others	114,488	162,876	75,001	123,389
	₱14,965,700	₱14,389,307	₱10,031,496	₱10,912,885

Allowance for impairment of investments and placements include the Group's and the Parent Bank's financial assets at amortized cost, debt financial assets at FVOCI, due from other banks and interbank loans receivables. Others refer to allowance for impairment of investment properties and other resources.

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



The reconciliation of allowance for the total receivables from customers follows.

Total Receivables from Customers - Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱1,460,927	₱861,913	₱11,112,182	₱13,435,022
Newly originated assets that remained in Stage 1 as at December 31, 2022	1,658,539	–	–	1,658,539
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	632,846	1,893,670	2,526,516
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,313,814)	795,907	(910,571)	(1,428,478)
Amounts written-off	1,202,776	(498,644)	(704,132)	–
Transfers to Stage 1	619,827	(447,721)	(172,106)	–
Transfers to Stage 2	(356,893)	(213,335)	570,228	–
Transfers to Stage 3	(779,436)	(88,775)	1,348,038	479,827
Impact on ECL of exposures transferred between stages	(16,799)	(4,383)	(2,611,559)	(2,632,741)
Balances at end of year	₱2,475,127	₱1,037,808	₱10,525,750	₱14,038,685

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱1,789,161	₱784,234	₱7,900,469	₱10,473,864
Newly originated assets that remained in Stage 1 as at December 31, 2021	969,433	–	–	969,433
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	101,461	1,927,323	2,028,784
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,922,757)	(400,158)	2,445,450	122,535
Amounts written-off	–	–	(1,659,357)	(1,659,357)
Transfers to Stage 1	1,383,303	(61,985)	(1,321,318)	–
Transfers to Stage 2	(32,285)	490,466	(458,181)	–
Transfers to Stage 3	(88,197)	(59,047)	147,244	–
Impact on ECL of exposures transferred between stages	(637,731)	6,942	2,130,552	1,499,763
Balances at end of year	₱1,460,927	₱861,913	₱11,112,182	₱13,435,022



Total Receivables from Customers – Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱522,406	₱758,099	₱8,755,380	₱10,035,885
Newly originated assets that remained in Stage 1 as at December 31, 2022	1,020,405	–	–	1,020,405
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	448,013	1,081,563	1,529,576
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,367,151)	732,291	(991,410)	(1,626,270)
Transfers to Stage 1	1,199,324	(495,056)	(704,268)	–
Transfers to Stage 2	638,024	(466,129)	(171,895)	–
Transfers to Stage 3	458,270	(59,499)	(398,771)	–
Impact on ECL of exposures transferred between stages	(773,454)	(88,554)	1,347,808	485,800
Amounts written-off	(21)	(3)	(2,268,335)	(2,268,359)
Balances at end of year	₱1,697,803	₱829,162	₱6,650,072	₱9,177,037

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱695,641	₱696,176	₱6,299,830	₱7,691,647
Newly originated assets that remained in Stage 1 as at December 31, 2021	421,378	–	–	421,378
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	–	4,296	1,381,647	1,385,943
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(537,120)	22,868	1,085,105	570,853
Transfers to Stage 1	639,247	(55,944)	(583,303)	–
Transfers to Stage 2	(31,408)	126,184	(94,776)	–
Transfers to Stage 3	(27,600)	(42,423)	70,023	–
Impact on ECL of exposures transferred between stages	(637,732)	6,942	2,130,553	1,499,763
Amounts written-off	–	–	(1,533,699)	(1,533,699)
Balances at end of year	₱522,406	₱758,099	₱8,755,380	₱10,035,885



Reconciliation of the allowance for impairment by class follows:

Corporate Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱109,824	₱595,309	₱1,436,992	₱2,142,125
Newly originated assets that remained in Stage 1 as at December 31, 2022	26,340	—	—	26,340
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	—	3,564	16,182	19,746
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(87,059)	(273,367)	(285,686)	(646,112)
Transfers to Stage 1	96,869	(96,869)	—	—
Transfers to Stage 2	(1,708)	1,708	—	—
Transfers to Stage 3	—	—	—	—
Impact on ECL of exposures transferred between stages	(95,755)	2,952	—	(92,803)
Amounts written-off	—	—	(1,025,902)	(1,025,902)
Balances at end of year	₱48,511	₱233,297	₱141,586	₱423,394

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱120,932	₱511,583	₱781,968	₱1,414,483
Newly originated assets that remained in Stage 1 as at December 31, 2021	89,983	—	—	89,983
Newly originated assets that moved to Stage 3 as at December 31, 2021	—	—	—	—
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(73,593)	(35,708)	401,514	292,213
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	(27,478)	49,144	(21,666)	—
Transfers to Stage 3	(20)	—	20	—
Impact on ECL of exposures transferred between stages	—	70,290	275,156	345,446
Amounts written-off	—	—	—	—
Balances at end of year	₱109,824	₱595,309	₱1,436,992	₱2,142,125



Commercial Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱236,600	₱140,537	₱2,202,547	₱2,579,684
Newly originated assets that remained in Stage 1 as at December 31, 2022	308,773	—	—	308,773
Newly originated assets that moved to Stage 2 & 3 as at December 31, 2022	—	235,401	180,066	415,467
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(224,944)	(125,034)	247,975	(102,003)
Transfers to Stage 1	85,256	(533)	(84,723)	—
Transfers to Stage 2	—	42,776	(42,776)	—
Transfers to Stage 3	(5,527)	(4,863)	10,390	—
Impact on ECL of exposures transferred between stages	(85,109)	(42,757)	383,315	255,449
Amounts written-off	—	—	—	—
Balances at end of year	₱315,049	₱245,527	₱2,896,794	₱3,457,370

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱171,096	₱60,333	₱1,808,878	₱2,040,307
Newly originated assets that remained in Stage 1 as at December 31, 2021	230,047	—	—	230,047
Newly originated assets that moved to Stage 3 as at December 31, 2021	—	—	—	—
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(163,661)	81,053	191,398	108,790
Transfers to Stage 1	28,653	(15)	(28,638)	—
Transfers to Stage 2	(57)	57	—	—
Transfers to Stage 3	(1,183)	(953)	2,136	—
Impact on ECL of exposures transferred between stages	(28,295)	62	273,770	245,537
Amounts written-off	—	—	(44,997)	(44,997)
Balances at end of year	₱236,600	₱140,537	₱2,202,547	₱2,579,684

In 2022, there were no write-offs for corporate loans.



Home Loans - Group and Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱28,163	₱13,510	₱2,147,296	₱2,188,969
Newly originated assets that remained in Stage 1 as at December 31, 2022	322,534	—	—	322,534
Newly originated assets that moved to Stage 3 as at December 31, 2022	—	4,492	49,243	53,735
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	112,530	2,082	(730,590)	(615,978)
Transfers to Stage 1	491,523	(7,213)	(484,310)	—
Transfers to Stage 2	(196)	90,171	(89,975)	—
Transfers to Stage 3	(390)	(2,998)	3,388	—
Impact on ECL of exposures transferred between stages	(478,968)	(66,213)	355,503	(189,678)
Amounts written-off	—	—	(2,899)	(2,899)
Balances at end of year	₱475,196	₱33,831	₱1,247,656	₱1,756,683

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱44,774	₱49,512	₱1,503,801	₱1,598,087
Newly originated assets that remained in Stage 1 as at December 31, 2021	18,009	—	—	18,009
Newly originated assets that moved to Stage 3 as at December 31, 2021	—	1,470	49,035	50,505
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(33,025)	(5,794)	336,434	297,615
Transfers to Stage 1	509,549	(26,268)	(483,281)	—
Transfers to Stage 2	(376)	63,544	(63,168)	—
Transfers to Stage 3	(1,877)	(16,321)	18,198	—
Impact on ECL of exposures transferred between stages	(508,891)	(52,633)	841,529	280,005
Amounts written-off	—	—	(55,252)	(55,252)
Balances at end of year	₱28,163	₱13,510	₱2,147,296	₱2,188,969



Consumer Products - Group and Parent Bank

Consumer Products include auto loans, business line, credit cards and the acquired credit card and the acquired credit card and personal loan portfolio from Citibank.

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱24,322	₱4,732	₱2,362,695	₱2,391,749
Newly originated assets that remained in Stage 1 as at December 31, 2022	270,921	—	—	270,921
Newly originated assets that moved to Stage 3 as at December 31, 2022	—	59,936	824,492	884,428
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,059,607)	1,129,937	(133,045)	(62,715)
Transfers to Stage 1	524,413	(390,089)	(134,324)	—
Transfers to Stage 2	639,929	(601,577)	(38,352)	—
Transfers to Stage 3	468,188	(50,749)	(417,439)	—
Impact on ECL of exposures transferred between stages	(112,417)	15,913	573,457	476,953
Amounts written-off	(20)	(3)	(896,785)	(896,808)
Balances at end of year	₱755,729	₱168,100	₱2,140,699	₱3,064,528

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱286,507	₱64,162	₱1,699,675	₱2,050,344
Newly originated assets that remained in Stage 1 as at December 31, 2021	6,257	—	—	6,257
Newly originated assets that moved to Stage 3 as at December 31, 2021	—	256	1,257,487	1,257,743
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(249,073)	(15,855)	217,392	(47,536)
Transfers to Stage 1	94,047	(25,223)	(68,823)	—
Transfers to Stage 2	(2,165)	8,374	(6,209)	—
Transfers to Stage 3	(17,393)	(20,053)	37,445	—
Impact on ECL of exposures transferred between stages	(93,858)	(6,929)	646,997	546,210
Amounts written-off	—	—	(1,421,269)	(1,421,269)
Balances at end of year	₱24,322	₱4,732	₱2,362,695	₱2,391,749



Other Consumer Products - Citi

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances as of acquisition date	P—	P—	P—	P—
Newly originated assets that remained in Stage 1 as at December 31, 2022	53,523	—	—	53,523
Newly originated assets that moved to Stage 3 as at December 31, 2022	—	11,561	211	11,772
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,430,693)	1,131,267	548,439	249,013
Transfers to Stage 1	407,167	(389,656)	(17,511)	—
Transfers to Stage 2	640,004	(604,393)	(35,611)	—
Transfers to Stage 3	468,620	(49,947)	(418,673)	—
Impact on ECL of exposures transferred between stages	—	—	—	—
Amounts written-off	—	—	—	—
Balances at end of year	₱138,621	₱98,832	₱76,855	₱314,308

CSB Salary Loans – Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱157,803	₱86,678	₱644,341	₱888,822
Newly originated assets that remained in Stage 1 as at December 31, 2022	217,944	—	—	217,944
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	—	156,532	187,114	343,646
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	4,882	(37,605)	(83,561)	(116,284)
Transfers to Stage 1	2,576	(2,446)	(130)	—
Transfers to Stage 2	(15,629)	16,043	(414)	—
Transfers to Stage 3	(80,335)	(40,447)	120,782	—
Amounts written-off	(16,441)	(4,258)	(18,996)	(39,695)
Balances at end of year	₱270,800	₱174,497	₱849,136	₱1,294,433



	2021			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱84,326	₱23,036	₱272,213	₱379,575
Newly originated assets that remained in Stage 1 as at December 31, 2021	128,013	—	—	128,013
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021	—	85,014	120,267	205,281
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(150,515)	(47,869)	489,963	291,579
Transfers to Stage 1	153,373	(1,469)	(151,904)	—
Transfers to Stage 2	(428)	40,567	(40,139)	—
Transfers to Stage 3	(56,966)	(12,601)	69,567	—
Amounts written-off	—	—	(115,626)	(115,626)
Balances at end of year	₱157,803	₱86,678	₱644,341	₱888,822

Other Receivables from CustomersGroup

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱904,215	₱21,145	₱2,318,313	₱3,243,673
Newly originated assets that remained in Stage 1 as at December 31, 2022	512,027	—	—	512,027
Newly originated assets that moved to Stage 3 as at December 31, 2022	—	172,921	636,573	809,494
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(59,616)	99,894	74,336	114,614
Transfers to Stage 1	2,139	(1,494)	(645)	—
Transfers to Stage 2	(2,569)	3,158	(589)	—
Transfers to Stage 3	(738,829)	(114,278)	853,107	—
Impact on ECL of exposures transferred between stages	(7,187)	1,330	35,763	29,906
Amounts written-off	(338)	(122)	(666,977)	(667,437)
Balances at end of year	₱609,842	₱182,554	₱3,249,881	₱4,042,277



	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱1,081,526	₱75,608	₱1,833,934	₱2,991,068
Newly originated assets that remained in Stage 1 as at December 31, 2021	497,124	—	—	497,124
Newly originated assets that moved to Stage 3 as at December 31, 2021	—	14,720	500,534	515,254
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,252,889)	(375,985)	808,748	(820,126)
Transfers to Stage 1	597,683	(9,010)	(588,673)	—
Transfers to Stage 2	(1,782)	328,780	(326,998)	—
Transfers to Stage 3	(10,759)	(9,119)	19,878	—
Impact on ECL of exposures transferred between stages	(6,688)	(3,849)	93,103	82,566
Amounts written-off	—	—	(22,213)	(22,213)
Balances at end of year	₱904,215	₱21,145	₱2,318,313	₱3,243,673

Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱123,498	₱4,009	₱605,851	₱733,358
Newly originated assets that remained in Stage 1 as at December 31, 2022	91,837	—	—	91,837
Newly originated assets that moved to Stage 3 as at December 31, 2022	—	144,620	11,580	156,200
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(108,071)	(1,327)	(90,064)	(199,462)
Transfers to Stage 1	1,263	(352)	(911)	—
Transfers to Stage 2	(1)	793	(792)	—
Transfers to Stage 3	(4,001)	(889)	4,890	—
Impact on ECL of exposures transferred between stages	(1,205)	1,551	35,533	35,879
Amounts written-off	(1)	—	(342,749)	(342,750)
Balances at end of year	₱103,319	₱148,405	₱223,338	₱475,062



	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱72,332	₱10,586	₱505,508	₱588,426
Newly originated assets that remained in Stage 1 as at December 31, 2021	77,082	—	—	77,082
Newly originated assets that moved to Stage 3 as at December 31, 2021	—	2,569	75,125	77,694
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(17,766)	(828)	(61,635)	(80,229)
Transfers to Stage 1	6,999	(4,438)	(2,561)	—
Transfers to Stage 2	(1,333)	5,065	(3,732)	—
Transfers to Stage 3	(7,128)	(5,096)	12,224	—
Impact on ECL of exposures transferred between stages	(6,688)	(3,849)	93,103	82,566
Amounts written-off	—	—	(12,181)	(12,181)
Balances at end of year	₱123,498	₱4,009	₱605,851	₱733,358

Investments and PlacementsGroup

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱58,265	₱235,311	₱—	₱293,576
Newly originated assets that remained in Stage 1 as at December 31, 2022	392	—	—	392
Effect of collections and other movements in receivable balance (excluding write-offs)	(14,481)	56,176	—	41,695
Impact of changes in ECL model and assumptions	—	—	—	—
Balances at end of year	₱44,176	₱291,487	₱—	₱335,663

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱47,489	₱320,249	₱—	₱367,738
Newly originated assets that remained in Stage 1 as at December 31, 2021	22,046	—	—	22,046
Effect of collections and other movements in receivable balance (excluding write-offs)	—	235,311	—	235,311
Impact of changes in ECL model and assumptions	(11,270)	(320,249)	—	(331,519)
Balances at end of year	₱58,265	₱235,311	₱—	₱293,576



Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱54,144	₱235,311	₱–	₱289,455
Newly originated assets that remained in Stage 1 as at December 31, 2022	392	–	–	392
Newly originated assets that moved to Stage 2 as at December 31, 2022	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	(14,480)	56,176	–	41,696
Amounts written-off	–	–	–	–
Impact of changes in ECL model and assumptions	–	–	–	–
Balances at end of year	₱40,056	₱291,487	₱–	₱331,543

	2021			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱43,368	₱320,249	₱–	₱363,617
Newly originated assets that remained in Stage 1 as at December 31, 2021	22,046	–	–	22,046
Newly originated assets that moved to Stage 2 as at December 31, 2021	–	235,311	–	235,311
Effect of collections and other movements in receivable balance (excluding write-offs)	(11,270)	(320,249)	–	(331,519)
Amounts written-off	–	–	–	–
Impact of changes in ECL model and assumptions	–	–	–	–
Balances at end of year	₱54,144	₱235,311	₱–	₱289,455

21. Deposit Liabilities

The breakdown of deposit liabilities account follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Due to banks:				
Demand	₱1,729,960	₱1,678,258	₱1,729,960	₱1,677,428
Savings	195,453	248,022	195,396	218,560
Time	159,893	283,161	157,364	241,148
Long-term certificate of deposits	10,000	10,000	10,000	10,000
	2,095,306	2,219,441	2,092,720	2,147,136
Due to customers:				
Demand	230,351,833	202,882,728	231,635,193	204,576,762
Savings	194,825,277	136,181,999	188,285,189	131,856,271
Time	281,041,526	226,226,724	198,917,930	151,489,012
Long-term certificate of deposits	2,990,000	2,990,000	2,990,000	2,990,000
	709,208,636	568,281,451	621,828,312	490,912,045
	₱711,303,942	₱570,500,892	₱623,921,032	₱493,059,181



The breakdown of deposit liabilities account as to currency follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Philippine pesos	₱619,749,669	₱474,511,262	₱532,366,759	₱397,069,551
Foreign currencies	91,554,273	95,989,630	91,554,273	95,989,630
	₱711,303,942	₱570,500,892	₱623,921,032	₱493,059,181

Deposit liabilities bear annual interest rates ranging from 0.00% to 7.00% in 2022, from 0.00% to 8.00% in 2021, and from 0.00% to 9.5% in 2020 for the Group and from 0.00% to 5.75% in 2022, from 0.00% to 5.75% in 2021, and from 0.39% to 1.65% in 2020 for the Parent Bank. Demand and savings deposits usually have either fixed or variable interest rates while time deposits have fixed interest rates.

Long Term Negotiable Certificate of Deposits (LTNCD)

On December 12, 2017, the MB of the BSP approved the Parent Bank's issuance of up to ₱20,000,000 of Long-term Negotiable Certificate of Deposits (LTNCD). Out of the approved amount, ₱3,000,000 were issued on February 21, 2018 at a fixed coupon rate of 4.375% per annum, payable quarterly and will mature on August 21, 2023. The net proceeds were utilized to further improve the Parent Bank's maturity profile and support business expansion plans.

Interest expense on the deposit liabilities amounted to ₱6,021,671, ₱2,967,692, and 5,616,821, in 2022, 2021, and 2020 respectively, in the Group's statements of income, and ₱4,196,509, ₱1,805,424, and ₱4,256,480 in 2022, 2021, and 2020, respectively, in the Parent Bank's statements of income.

Under existing BSP regulations, non-FCDU deposit liabilities of the Bank are subject to unified reserve requirement equivalent to 14.0% (under BSP Circulars 1041, 1056 and 1063) as at December 31, 2019. In 2020, BSP Circulars 1082 and 1092 were issued reducing the reserve requirement to 12.0%, 3.0% and 2.0% for universal and commercial banks, thrift banks, and rural banks, respectively. BSP Circulars 1083, 1087, and 1100 were issued in 2020 to provide guidelines allowing the use of eligible loans to MSME and large enterprises for alternative compliance to required reserves for deposit liabilities.

LTNCDs are subject to required reserves of 4.0% under BSP Circular 1041. As of December 31, 2022 and 2021, the Group is in compliance with such regulations.

Regular reserves as of December 31, 2022 and 2021 amounted to ₱62,263,916 and ₱46,511,088, respectively, for the Group, and ₱59,250,130 and ₱44,334,946, respectively, for the Parent Bank (see Note 8).

22. Bills Payable

Bills payable consist of borrowings from:

	Group		Parent Bank	
	2022	2021	2022	2021
Banks, other financial institutions and individuals	₱131,571,232	₱47,399,884	₱98,043,240	₱26,323,437
Others	1,275,557	3,768,254	1,265,884	2,254,337
	₱132,846,789	₱51,168,138	₱99,309,124	₱28,577,774



Bills payable to banks and other financial institutions consist mainly of amortized cost balance of short-term borrowings. Certain bills payable to banks and other financial institutions are collateralized by investment securities (see Notes 12 and 38).

Other bills payable of the Group mainly pertain to availments of short-term loan lines from certain related parties (see Note 32).

The breakdown of bills payable as to currency follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Foreign currencies	₱99,303,162	₱28,569,107	₱99,303,162	₱28,569,107
Philippine pesos	33,543,627	22,599,031	5,962	8,667
	₱132,846,789	₱51,168,138	₱99,309,124	₱28,577,774

The breakdown of interest expense on bills payable, which is presented as part of Interest expense on bills payable and other liabilities account in the statements of income, follows:

	Group			Parent Bank		
	2022	2021	2020	2022	2021	2020
Banks, other financial institutions and individuals	₱3,002,685	₱1,229,757	₱1,628,474	₱1,621,975	₱175,039	₱702,463
BSP	—	21	52,614	—	21	52,614
Others	485	762	1,211	485	762	1,211
	₱3,003,170	₱1,230,540	₱1,682,299	₱1,622,460	₱175,822	₱756,288

In November 2022, the Parent Bank raised \$358 million 3-year syndicated loan facility. The proceeds will be used to partially refinance the USD Senior Medium Term Notes, which matured on November 29, 2022 (see Note 23).

The range of interest rates of bills payable per currency follows:

	Group and Parent Bank		
	2022	2021	2020
Philippine pesos	1.00% to 8.37%	1.00% to 8.28%	3.34% to 4.50%
Foreign currencies	1.06% to 5.23%	0.10% to 3.05%	0.04% to 3.05%



23. Notes and Bonds Payable

The Group's and the Parent Bank's notes and bonds payable as of December 31, 2022 and 2021 consist of the following:

	Coupon Interest	Principal Amount	Outstanding Balance		Issue Date	Maturity Date	Redemption Date
			December 31, 2022	December 31, 2021			
USD Senior Medium Term Notes Due 2022	3.369%	₱27,877,500	₱–	₱25,488,553	November 29, 2017	November 29, 2022	
USD Senior Medium Term Notes Due 2025	2.125%	16,726,500	16,659,943	15,219,465	October 22, 2020	October 22, 2025	
Peso Digital Bonds	3.250%	11,000,000	10,937,832	–	June 2, 2022	December 2, 2023	
Peso Senior Series C Bonds Due 2023	2.750%	8,115,000	8,097,039	8,073,690	December 9, 2020	December 9, 2023	December 9, 2023
USD Social Bonds Due 2028	4.061%*	8,363,250	8,312,899	7,589,032	July 23, 2021	July 23, 2028	
Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025	5.250%	6,800,000	6,756,565	6,750,838	February 24, 2020	May 24, 2030	May 24, 2030
Peso Senior Series B Bonds Due 2022	6.000%	5,800,000	–	5,790,951	June 3, 2019	June 3, 2022	June 3, 2022
Peso Senior Series D Bonds Due 2026	3.375%	885,000	880,047	877,307	December 9, 2020	March 9, 2026	March 9, 2026
Total for Parent Bank		85,567,250	51,644,325	69,789,836			
Loans payable	5.750%	150,000	–	64,150	May 31, 2018	May 31, 2023	
Total for Group		₱85,717,250	₱51,644,325	₱69,853,986			

*floating interest rate based on LIBOR

USD Senior Medium Term Notes Due 2022

The USD500 million Senior Medium Term Notes Due 2022 were issued under the Parent Bank's USD One Billion Medium Term Note (MTN) Programme and were rated Baa2 by Moody's.

The Notes were listed on the Singapore Exchange Securities Trading Limited (SGX-ST) and constitute direct, unconditional, unsubordinated and unsecured obligations of the Parent Bank and will rank *pari passu* among themselves and equally with all other unsecured obligations of the Parent Bank from time to time outstanding. In November 2022, the Notes have matured and were refinanced through a syndicated loan facility (see Note 22).

USD Senior Medium Term Notes Due 2025

These USD300 million Senior Medium Term Notes Due 2025 were issued under the updated USD 2 Billion MTN Programme of the Parent Bank and were also rated Baa2 by Moody's. The Notes were also listed on the SGX-ST.

The Notes will constitute direct, unconditional, unsubordinated and (subject to the Terms and Conditions of the issuance) unsecured obligations of the Parent Bank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Parent Bank from time to time outstanding.



Peso Digital Bonds Due 2023

On June 2, 2022, the Parent Bank successfully issued the country's first-ever offering of Peso Digital Bonds amounting to ₱11.0 billion. The Digital Bonds with a tenor of 1.5 years and a fixed rate of 3.25% per annum were issued out of the Bank's existing ₱39 billion Bond Program. The Digital Bonds were listed and available for trading on PDEX.

A first for the Philippines, this digital public bond offering and issuance marks a milestone and the success of this Proof of Concept and paves the way for future utilization of Distributed Ledger / Blockchain Technology towards more automated and operationally efficient local capital markets. The Digital Bonds were issued through the digital registry and digital depository of the Phil. Depository & Trust Corp. utilizing infrastructure powered by #STACS blockchain and which new digital infrastructure is kept interoperable with the traditional trading to clearing infrastructure of the Phil. Dealing & Exchange Corp. Fixed Income Market.

Peso Senior Series C Bonds Due 2023

The ₱8.12 billion worth of fixed rate Senior Series C Bonds were issued as part of the dual-tranche issuance of the Bank on December 9, 2020 under its existing ₱39 Billion Bond Program. The bonds were listed on the PDEX.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date.

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

USD Social Bonds Due 2028

The International Finance Corporation (IFC) invested in a USD 150 million social bond issued by the Bank under its sustainable finance framework. The social bond carries a floating rate interest and is unsecured. It is the first social bond by the Parent Bank and its longest-term USD-denominated bond to date. Proceeds from the bond will be used to finance loans to micro, small and medium-sized enterprises (MSMEs).

The Parent Bank shall at all times maintain, and abstain from any action which may result in the breach of, several financial parameters provided in the subscription agreement with IFC.

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.



Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting “Tier 2” capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting “Tier 1” capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

Peso Senior Series B Bonds Due 2022

These ₱5.8 billion worth of Senior Corporate Series B Bonds were issued under the Parent Bank’s ₱39 Billion Corporate Bonds Program. These fixed rate Bonds were issued in scripless form and were listed in the PDEX.

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

The Bank may redeem the Bonds in whole and not only in part on the Early Redemption Date at the face value of the Bonds, plus accrued and unpaid interest as of but excluding the Early Redemption Date. The Bonds were redeemed at par on maturity date on June 3, 2022.

Peso Senior Series D Bonds Due 2026

These fixed rate Senior Series Bonds Due 2026 worth ₱885.0 million formed part of the Bank’s dual-tranche issuance on December 9, 2020. The Bonds were issued under the existing ₱39 Billion Corporate Bonds Program of the Bank.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date.

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Bank.



Loans Payable

On May 31, 2018, UIC availed of a term loan in the amount of ₱150,000 with a local bank. The loan is unsecured and carries a fixed interest rate of 5.75% per annum payable semi-annually. The term of the loan is five (5) years and is payable in seven (7) equal semi-annual amortization commencing at the end of the second year from availment. UIC prepaid the remaining balance of the loan before its maturity date on November 29, 2022.

The interest expense on notes and bonds payable amounted to ₱2,490,116, ₱2,197,668, and ₱2,431,837 in 2022, 2021, and 2020, respectively, for the Group, and ₱2,465,079, ₱2,173,188, and ₱2,408,257 in 2022, 2021, and 2020, respectively, for the Parent Bank. These are included under Interest Expense on Bills payable and other liabilities account in the statements of income.

As of December 31, 2022 and 2021, the Group is in compliance with all the debt covenants on the above notes and bonds.

24. Other Liabilities

Other liabilities consist of the following as of December 31:

	Group		Parent Bank	
	2022	2021	2022	2021
Accounts payable	₱15,322,620	₱5,799,285	₱13,765,817	₱4,827,329
Accrued taxes and other expenses	10,718,444	5,663,843	8,825,604	4,611,427
Manager's checks	7,333,511	6,894,499	7,319,745	6,894,499
Bills purchased - domestic and foreign	3,180,968	458,312	3,180,968	458,312
Other dormant credits	2,831,198	2,330,284	2,742,792	2,235,569
Derivative liabilities (Note 11)	1,546,773	750,009	1,546,773	750,009
Lease liabilities	1,424,530	1,382,880	1,177,555	1,043,850
Post-employment defined benefit obligation (Note 29)	998,997	1,026,250	910,109	893,028
Unearned income - bancassurance (Note 32)	715,710	733,333	715,710	733,333
Payment orders payable	614,557	485,268	614,557	485,268
Withholding taxes payable	451,502	183,284	358,269	142,249
Pre-need reserves	12,346	15,127	—	—
Miscellaneous	3,649,330	1,636,843	3,488,317	1,357,936
	₱48,800,486	₱27,359,217	₱44,646,216	₱24,432,809

The unearned income represents the unamortized portion of the Exclusive Access Fees (EAF) arising from the Parent Bank's bancassurance agreement with a related party (see Note 32).

Set out below is the carrying amount of lease liabilities and the movements during the year:

	Group		Parent Bank	
	2022	2021	2022	2021
As at January 1	₱1,382,880	₱1,219,584	₱1,043,850	₱1,004,057
Payments	(659,030)	(579,065)	(496,312)	(446,112)
Additions	567,389	673,608	514,000	431,142
Accretion of interest (Note 34)	67,851	68,753	56,240	54,763
Effect of business combination (Note 1)	65,440	—	59,777	—
As at December 31	₱1,424,530	₱1,382,880	₱1,177,555	₱1,043,850



Accretion of interest is included as part of Interest expense on bills payable and other liabilities account in the statements of income.

As at December 31, 2022 and 2021, the Group has no lease commitments which have not yet commenced.

The breakdown of Accrued taxes and other expenses account follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Accrued interest payable	₱1,801,913	₱787,447	₱1,418,309	₱626,544
Accrued income and other taxes	1,044,520	613,119	663,356	330,028
Other accruals	7,872,011	4,263,277	6,743,939	3,654,855
	₱10,718,444	₱5,663,843	₱8,825,604	₱4,611,427

Other accruals represent mainly fringe and other personnel benefits.

25. Capital Funds

Capital Stock

The Parent Bank's capital stock as of December 31, 2022 and 2021 consists of the following:

	Shares		Amount	
	2022	2021	2022	2021
Common – ₱10 par value				
Authorized	2,530,785,238	2,530,785,238	₱25,307,852	₱25,307,852
Issued and outstanding				
As at beginning of the year	1,219,362,818	1,218,471,467	12,193,628	12,184,715
Shares issued	922,743,946	891,351	9,227,440	8,913
As at end of the year	2,142,106,764	1,219,362,818	21,421,068	12,193,628
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱10,000,000
Issued and outstanding	–	–	–	–

On June 29, 1992, the Bank was originally listed with the then Makati Stock Exchange, now PSE. A total of 89.7 million shares were issued at an issue price of ₱22.50. As of December 31, 2022 and 2021, there are 2,139.6 million shares and 1,219.4 million shares listed at the PSE. The number of holders and the closing price of the said shares is 4,961 and ₱86.10 per share as of December 31, 2022, respectively, and 4,949 and ₱99.50 per share as of December 31, 2021, respectively.

Issuance of Shares under the Employee Stock Plan

The Bank issued 199,964 and 516,435 common shares on January 28, 2022 and February 4, 2022, respectively, 891,351 common shares on January 29, 2021, and 861,906 common shares on January 24, 2020, to qualified employees under the Parent Bank's Employee Stock Payment Plan.



Distribution of Stock Dividends

On January 5, 2022, the Parent Bank issued 304,838,842 common shares at par value of ₱10 for whole shares and paid ₱0.14 million for 1,862.5 fractional shares in relation to the 25% stock dividends approved by the Bank's BOD and stockholders on June 25, 2021 and August 11, 2021, respectively.

Issuance of Shares through Stock Rights

On May 16, 2022, the Parent Bank issued approximately 617.2 million common shares priced at ₱64.81 per share. The shares were offered to eligible shareholders as of record date of April 11, 2022 at a ratio of 1 right share for every 2.4707 existing common shares. The newly issued shares were listed at the PSE on the same date. Net proceeds to the Parent Bank from the Offer amounted to ₱39.80 billion.

Surplus Free

On August 11, 2021, the Parent Bank held a special stockholders meeting and approved the following matters:

- a. Amendment of the Parent Bank's Articles of Incorporation (AOI) to increase the authorized capital stock from ₱23.1 billion to ₱35.3 billion, with the increase of ₱12.2 billion equivalent to 1,219,362,818 common shares with a par value of ₱10.00.
- b. Declaration of 25% stock dividends in the amount of ₱3.0 billion equivalent to 304,840,705 common shares with a par value of ₱10.00, to comply with the required 25% subscription of the increase in authorized capital stock.

The stock dividend is presented as Stock dividend distributable in the statement of financial position as of December 31, 2021.

On October 14, 2021 and November 17, 2021, the Parent Bank obtained the BSP and the SEC approval, respectively, for the increase in the authorized capital stock and for the issuance of common shares to stockholders of record as of December 9, 2021 and payment date on January 5, 2022 (see Note 36).

Fractional shares resulting from the stock dividend declaration will be paid in cash based on the closing rate of ₱74.90 as of June 25, 2021, the date of approval by the BOD of the stock dividend declaration and computed up to two (2) decimal places.

The following is a summary of the cash dividends declared and distributed by the Parent Bank in 2022, 2021, and 2020:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
January 28, 2022	February 14, 2022	N/A	March 2, 2022	₱2.80	1,524,918,059	₱4,269,771
January 29, 2021	February 15, 2021	N/A	March 4, 2021	3.50	1,219,362,818	4,267,770
January 24, 2020	February 7, 2020	N/A	February 24, 2020	3.50	1,218,471,467	4,264,650

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



Surplus Reserves

The amended PNUCA requires that the portion of retained earnings representing Trust fund income of FUPI be automatically restricted to payments of benefits of plan holders and related payments as allowed in the amended PNUCA. The accumulated Trust Fund income, net of releases representing the amount of Trust fund income that pertains to the matured and pre-terminated plans of planholders which have been withdrawn from the trust fund during the year, should be appropriated and presented separately as Surplus Reserves in the statements of changes in capital funds. FUPI transferred out ₱55.79 million, ₱0.66 million, and ₱1,458.7 million from appropriated reserves for the years ended December 31, 2022, 2021, and 2020, respectively.

In compliance with BSP regulations, a portion of the Group's income from trust operations is setup as Surplus Reserves. For the years ended December 31, 2022, 2021, and 2020, the Group and the Parent Bank appropriated ₱31.7 million, ₱24.0 million, and ₱17.1 million, respectively.

Included in this account is the difference between the 1% general loan loss provision (GLLP) over the computed ECL allowance for credit losses related to Stage 1 accounts, as a required BSP appropriation. As of December 31, 2022 and 2021, surplus reserves related to the difference between GLLP over ECL allowance amounted to ₱2.12 billion and ₱2.44 billion, respectively, for the Group and, ₱1.7 billion and ₱2.02 billion, respectively, for the Parent Bank.

26. Maturity Profile of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Group					
	2022			2021		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	₱9,891,536	₱–	₱9,891,536	₱8,904,903	₱–	₱8,904,903
Due from BSP	94,610,308	–	94,610,308	103,407,946	–	103,407,946
Due from other banks	46,258,411	–	46,258,411	54,290,872	–	54,290,872
IBLR	–	–	–	17,492,657	–	17,492,657
SPURRA	23,553,973	–	23,553,973	23,420,742	–	23,420,742
Trading and investment securities						
at FVTPL	8,653,516	–	8,653,516	5,640,005	–	5,640,005
at amortized cost - gross	431,164	244,501,669	244,932,833	3,956,003	162,655,314	166,611,317
at FVOCI	6,127,961	73,633,801	79,761,762	36,405	65,636,205	65,672,610
Loans and receivables - net of unearned discounts	206,542,153	287,631,294	494,173,447	102,745,416	247,541,328	350,286,744
Other resources	245,340	1,787,617	2,032,957	233,374	1,702,411	1,935,785
	396,314,362	607,554,381	1,003,868,743	320,128,323	477,535,258	797,663,581

(Forward)



	Group					
	2022			2021		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Nonfinancial Assets						
Investment in associates	P–	P123,396	P123,396	P–	P142,355	P142,355
Bank premises, furniture, fixtures and equipment	–	16,504,614	16,504,614	–	13,424,676	13,424,676
Investment properties	–	11,432,533	11,432,533	–	11,700,174	11,700,174
Goodwill	–	62,310,287	62,310,287	–	14,818,932	14,818,932
Other resources	2,953,714	21,397,941	24,351,655	2,653,680	14,658,647	17,312,327
	2,953,714	111,768,771	114,722,485	2,653,680	54,744,784	57,398,464
	<u>P399,268,076</u>	<u>P719,323,152</u>	<u>P1,118,591,228</u>	<u>P322,782,003</u>	<u>P532,280,042</u>	<u>P855,062,045</u>
Allowance for credit losses and impairment (Notes 20)			14,953,413			14,377,276
Accumulated depreciation (Notes 16 and 17)			10,899,950			9,589,308
			25,853,363			23,966,584
			<u>P1,092,737,865</u>			<u>P831,095,461</u>
Financial Liabilities						
Deposit liabilities	P649,537,302	P61,766,640	P711,303,942	P509,088,972	P61,411,920	P570,500,892
Bills payable	107,029,992	25,816,797	132,846,789	37,518,356	13,649,782	51,168,138
Notes and bonds payable	8,097,039	43,547,286	51,644,325	31,279,504	38,574,482	69,853,986
Other liabilities	38,313,521	4,625,903	42,939,424	20,074,647	1,787,707	21,862,354
	802,977,854	135,756,626	938,734,480	597,961,479	115,423,891	713,385,370
Nonfinancial Liabilities						
Accrued income and other taxes	1,044,520	–	1,044,520	613,119	–	613,119
Other liabilities	451,502	4,365,040	4,816,542	183,284	4,700,460	4,883,744
	1,496,022	4,365,040	5,861,062	796,403	4,700,460	5,496,863
	<u>P804,473,876</u>	<u>P140,121,666</u>	<u>P944,595,542</u>	<u>P598,757,882</u>	<u>P120,124,351</u>	<u>P718,882,233</u>

	Parent Bank					
	2022			2021		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	P8,924,249	P–	P8,924,249	P7,988,517	P–	P7,988,517
Due from BSP	66,588,121	–	66,588,121	67,478,389	–	67,478,389
Due from other banks	42,277,856	–	42,277,856	51,337,269	–	51,337,269
IBLR	–	–	–	17,492,657	–	17,492,657
SPURRA	14,634,811	–	14,634,811	15,541,296	–	15,541,296
Trading and investment securities						
at FVTPL	8,583,178	–	8,583,178	5,571,270	–	5,571,270
at amortized cost - gross	356,113	235,349,487	235,705,600	3,877,699	158,510,888	162,388,587
at FVOCI	6,108,089	73,359,589	79,467,678	–	65,370,691	65,370,691
Loans and receivables - net of unearned discounts	197,799,858	205,590,687	403,390,545	89,910,665	196,166,281	286,076,946
Other resources	183,757	1,754,866	1,938,623	169,164	1,597,023	1,766,187
	345,456,032	516,054,629	861,510,661	259,366,926	421,644,883	681,011,809

(Forward)



Maturity Profile of Assets and Liabilities and Service Charges, Fees and Commissions

- 125 -

	Parent Bank					
	2022			2021		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Nonfinancial Assets						
Investment in subsidiaries	P=	P31,758,460	P31,758,460	P=	P23,082,955	P23,082,955
Bank premises, furniture, fixtures and equipment	—	12,356,880	12,356,880	—	9,522,584	9,522,584
Investment properties	—	10,129,917	10,129,917	—	10,288,745	10,288,745
Goodwill	—	51,659,262	51,659,263	—	7,886,898	7,886,898
Other resources	2,534,922	15,165,189	17,700,111	2,141,413	11,427,442	13,568,855
	2,534,922	121,069,708	123,604,630	2,141,413	62,208,624	64,350,037
	<u>P347,990,954</u>	<u>P637,124,337</u>	<u>P985,115,291</u>	<u>P261,508,339</u>	<u>P483,853,507</u>	<u>P745,361,846</u>
Allowance for credit losses and impairment			10,019,209			10,900,854
Accumulated depreciation (Notes 16 and 17)			8,055,011			6,942,701
			<u>18,074,220</u>			<u>17,843,555</u>
			<u>P967,041,071</u>			<u>P727,518,291</u>
Financial Liabilities						
Deposit liabilities	584,787,370	39,133,662	623,921,032	443,573,142	49,486,039	P493,059,181
Bills payable	88,265,362	11,043,762	99,309,124	23,646,105	4,931,669	28,577,774
Notes and bonds payable	8,097,039	43,547,286	51,644,325	31,279,504	38,510,332	69,789,836
Other liabilities	35,164,978	4,255,586	39,420,564	18,271,686	1,362,008	19,633,694
	716,314,749	97,980,296	814,295,045	516,770,437	94,290,048	611,060,485
Nonfinancial Liabilities						
Accrued income and other taxes	663,356	—	663,356	330,028	—	330,028
Other liabilities	358,269	4,204,027	4,562,296	142,249	4,326,838	4,469,087
	1,021,625	4,204,027	5,225,652	472,277	4,326,838	4,799,115
	<u>P717,336,374</u>	<u>P102,184,323</u>	<u>P819,520,697</u>	<u>P517,242,714</u>	<u>P98,616,886</u>	<u>P615,859,600</u>

27. Service Charges, Fees and Commissions

This account is broken down as follows:

	Group			Parent Bank		
	2022	2021	2020	2022	2021	2020
Service charges	P5,308,086	P2,817,479	P1,402,768	P4,812,508	P1,850,655	P1,040,199
Commissions from bancassurance (Note 32)	528,592	230,570	148,338	528,592	230,570	148,338
Bank commissions	241,109	189,630	190,677	218,555	157,510	128,194
Others	703,884	535,632	604,856	126,107	253,621	406,889
	<u>P6,781,671</u>	<u>P3,773,311</u>	<u>P2,346,639</u>	<u>P5,685,762</u>	<u>P2,492,356</u>	<u>P1,723,620</u>

Others include various commission income from securities brokering and management fees.



28. Miscellaneous Income and Expenses

Miscellaneous Income

Miscellaneous income is composed of the following:

	Group		
	2022	2021	2020
Foreign exchange gains - net	₱2,151,194	₱1,295,539	₱535,536
Gain (loss) on sale of investment properties (Note 17)	1,224,045	(43,689)	229,148
Recoveries from charged-off assets	579,130	164,270	94,523
Gain on foreclosure of investment properties (Note 17)	466,388	135,309	153,876
Income from trust operations (Note 31)	316,939	239,994	171,271
Fines and penalties	289,138	175,877	209,382
Rental (Notes 17 and 34)	218,019	116,450	154,077
Gain (loss) on sale of property and equipment	(14,849)	18,108	(8,641)
Dividend	6,076	145,789	200,671
Trust fund income (loss) (Note 19)	(1,301)	212	(14,976)
Gain on sale of investments in associates and subsidiary (Note 15)	—	167,332	—
Gain from bargain purchase (Note 15)	—	—	25,291
Others	1,363,805	446,624	328,838
	₱6,598,584	₱2,861,815	₱2,078,996

	Parent Bank		
	2022	2021	2020
Share in net profit of subsidiaries (Note 15)	₱1,712,086	₱1,173,016	₱953,082
Foreign exchange gains – net	1,523,650	869,122	242,388
Gain on sale of investment properties (Note 17)	1,193,004	207,360	195,471
Recoveries from charged-off assets	533,616	131,843	48,258
Gain on foreclosure of investment properties (Note 17)	466,388	135,309	153,876
Income from trust operations (Note 31)	316,939	239,994	171,271
Fines and penalties	289,138	175,877	209,382
Rental (Notes 17 and 34)	154,907	132,734	164,177
Dividend	2,768	145,789	200,671
Gain (loss) on sale of property and equipment	(429)	1,900	6,236
Others	1,305,788	329,884	220,236
	₱7,497,855	₱3,542,828	₱2,565,048

Miscellaneous Expenses

The breakdown of miscellaneous expenses follows:

	Group		
	2022	2021	2020
Information technology	₱3,115,086	₱1,559,722	₱1,072,710
Advertising and publicity	2,653,507	1,078,193	657,220
Insurance	1,353,558	1,095,425	1,085,667
Outside services	1,260,553	1,304,352	882,658
Management and professional fees	1,062,648	424,333	421,616
Card related expenses	730,958	493,255	326,021
Supervision and compliance costs	684,576	597,197	579,870
Communication	460,209	434,029	279,268
Provision for impairment of non-current assets held for sale	372,323	383,288	181,410
Stationery and supplies	360,432	369,415	221,047
Transportation and travel	334,164	175,810	177,591
Litigation	183,726	73,377	189,844
Repairs and maintenance	169,308	129,711	168,584
Fines and penalties	87,503	65,679	49,665
Representation and entertainment	74,712	43,165	39,516
Reversal of impairment on investment properties (Note 17)	(24,695)	(64,649)	—
Impairment on goodwill (Note 18)	—	529,599	223,172
Others	1,873,129	1,585,169	1,193,207
	₱14,751,697	₱10,277,070	₱7,749,066



	Parent Bank		
	2022	2021	2020
Information technology	₱2,937,704	₱1,475,863	₱1,015,784
Advertising and publicity	2,585,483	1,052,145	619,558
Insurance	1,176,892	952,327	967,995
Outside services	863,284	706,927	607,103
Card related expenses	730,958	493,255	326,021
Management and professional fees	676,020	337,332	320,891
Supervision and compliance costs	660,929	517,116	553,058
Communication	324,773	287,329	143,293
Stationery and supplies	292,157	322,034	173,489
Transportation and travel	171,298	80,497	92,934
Litigation	170,532	69,306	189,347
Repairs and maintenance	124,642	92,144	122,550
Representation and entertainment	63,983	36,471	34,107
Reversal of impairment on investment properties (Note 17)	(24,722)	(64,649)	—
Provision for impairment of investment in subsidiaries (Note 15)	—	—	290,002
Others	1,147,982	789,174	670,331
	₱11,901,915	₱7,147,271	₱6,126,463

29. Salaries and Employee Benefits

Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are as follows:

	Group		
	2022	2021	2020
Short-term benefits:			
Salaries and wages	₱5,581,557	₱4,378,637	₱4,042,160
Bonuses and fringe benefits	3,304,037	3,279,091	2,964,199
Social security costs	267,273	209,543	172,358
Other benefits	200,104	250,263	175,912
Post-employment and other long-term benefits	677,742	529,168	454,575
	₱10,030,713	₱8,646,702	₱7,809,204

	Parent Bank		
	2022	2021	2020
Short-term benefits:			
Salaries and wages	₱4,234,232	₱3,167,844	₱2,958,540
Bonuses and fringe benefits	2,480,198	2,712,001	2,359,984
Social security costs	164,995	123,634	101,542
Other benefits	159,729	160,551	114,174
Post-employment and other long-term benefits	513,582	427,390	376,741
	₱7,552,736	₱6,591,420	₱5,910,981

Post-employment Defined Benefit Plan and Defined Contribution Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains funded, tax-qualified, noncontributory pension plans covering all regular full-time employees that are being administered by appointed trustee banks, including the Parent Bank's TISG, for the Parent Bank, UIC, CSB, FUIFAI, Bangko Kabayan, PBI, and PETNET. Under these pension plans, all covered employees are entitled to cash benefits after satisfying certain age and service requirements.



The Group maintains various retirement plans. Two of which are being maintained for UnionBank and former iBank employees, hence, the Parent Bank presents pension information in its financial statements separately for the three plans. The other pension plans are for UIC, CSB, FUIFAI, Bangko Kabayan, PBI, PETNET, CFSI and former Citigroup Inc.'s consumer banking business employees.

UnionBank Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 55, or age 50 with the completion of at least ten years of service. However, late retirement is subject to the approval of the Parent Bank's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly salary for each year of credited service.

Former iBank Plan

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement subject to the approval of the Parent Bank's BOD on a case-to-case basis. Normal retirement benefit is an amount equivalent to 125% of the final monthly covered compensation for every year of credited service.

UIC Plan

The optional retirement age is 60 and the compulsory retirement age is 65. Both must have a minimum of five years of credited service. Both have retirement benefit equal to one-half month's salary as of the date of retirement multiplied by the employee's year of service. Upon retirement of an employee, whether optional or compulsory, his services may be continued or extended on a case to case basis upon agreement of management and employee.

This is based on the retirement plan benefits provided in the Retirement Law (R.A. No. 7641). Under the law, unless the parties provide for broader inclusions, the term one-half (1/2) month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than (5) days of service incentive leaves.

CSB Plan

The normal retirement age is 60 or completion of 30 years of service whichever is earlier. The service of any member, however, may be extended from year-to-year beyond the normal retirement date, provided such an extension of service is with the consent of the member and the express approval of CSB. The plan also provides for an early retirement after completion of at least ten years of service. Normal retirement benefit is an amount equivalent to 100% of the final basic monthly salary multiplied by the number of years of service prior to January 1, 2008 and 150% of the final basic monthly salary for services rendered starting January 1, 2008.

FUIFAI Plan

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of FUIFAI's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.



PETNET Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement beyond age 60. However, early and late retirement are subject to the approval of the company. Retirement benefit is an amount equivalent to 92% of the final monthly salary for each year of continuous service.

Bangko Kabayan Plan

The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 100%, 125% or 150% of the latest basic monthly salary for each year of credited service if the years of service is 10 years but less than 15 years, 15 years but less than 20 years, and 20 years or more, respectively.

PBI Plan

The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 22.5 days pay for every year of credited service.

Former Citibank, N.A., PH Consumer Business PlansFund B and Fund C

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of continuous service. Normal retirement benefit is an amount equivalent to 200% of the final average covered monthly salary for each year of credited service.

The Parent Bank and Citigroup, Inc. agreed that the previous tenure of Citi employees will be continued upon joining with the Group.

(b) Characteristics of the Defined Contribution Plans

The Group maintains a defined contribution plan covering all regular and permanent employees. Starting on the date of membership of an employee in the Plan, the employer shall contribute to the retirement fund 8% of the member's salary as defined every month. As this plan operates in the Philippines, it is subject to R.A. No. 7641, which requires a minimum benefit equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Former Citibank, N.A., PH Consumer Business PlanFund D

Fund D is an allocated fund established to hold contributions on behalf of and made by the employees and the corresponding earnings and losses on such contributions. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of continuous service. Normal retirement benefit is an amount equivalent to the sum of (a) 100% of the balance in the Member's Individual Account Balances (IAB) attributable to the employer's contributions as of most recent valuation prior to his retirement date adjusted for subsequent contributions and earnings and (b) 100% of the balance in the Member's IAB attributable to the employee's contributions as of most recent valuation prior to his retirement date adjusted for subsequent contributions and earnings.



CFSI Plan

The unfunded, contributory defined contribution retirement plan covers all regular full-time employees. Contribution to the plan is equal to 8% of the annual basic salary of each covered employee.

(c) Analysis of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the subsequent pages are based on the actuarial valuation reports obtained from independent actuaries in 2022 and 2021.

The amounts of post-employment defined benefit obligation (net retirement asset) recognized in the statements of financial position are determined as follows (see Notes 19 and 24):

	Group	
	2022	2021
Present value of the obligation	₱6,194,063	₱5,285,027
Fair value of plan assets	5,227,021	4,321,676
	₱967,042	₱963,351

As of December 31, 2022 and 2021, the net retirement obligation amounting to ₱967,042 and ₱963,351 is separately shown as Net retirement asset of ₱31,955 and ₱62,899, respectively (see Note 19), and as Post-employment defined benefit obligation of ₱998,997 and ₱1,026,250, respectively (see Note 24).

	Parent Bank – UnionBank Plan	
	2022	2021
Present value of the obligation	₱3,669,196	₱3,876,193
Fair value of plan assets	2,958,901	3,017,887
	₱710,295	₱858,306

	Parent Bank – Former iBank Plan	
	2022	2021
Present value of the obligation	₱564,801	₱638,772
Fair value of plan assets	538,071	604,050
	₱26,730	₱34,722

	Parent Bank – Former Citibank PH Consumer Business Plans	
	2022	
Present value of the obligation	₱1,234,712	
Fair value of plan assets	1,061,628	
	₱173,084	



The movements in the present value of the post-employment benefit obligation recognized in the financial statements are as follows:

	Group		
	2022	2021	2020
Balance at beginning of year	₱5,285,027	₱5,225,149	₱3,912,530
Current service cost	579,173	529,168	456,544
Interest expense	244,198	158,374	182,222
Past service cost	—	—	(1,969)
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	(917,442)	(524,992)	747,764
Experience adjustments	27,707	60,611	(190)
Changes in demographic assumptions	(3,246)	977	4,095
Benefits paid	(375,742)	(164,260)	(157,627)
Effects of business combinations*(Note 1)	1,354,388	—	81,780
Balance at end of year	₱6,194,063	₱5,285,027	₱5,225,149

* represents retirement obligation of employees from the acquired business at the date of business combination

	Parent Bank - UnionBank Plan		
	2022	2021	2020
Balance at beginning of year	₱3,876,193	₱3,861,379	₱2,862,263
Current service cost	382,470	393,374	347,923
Interest expense	176,416	135,011	126,301
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	(599,271)	(400,963)	601,247
Experience adjustments	1,911	74,233	7,076
Changes in demographic assumptions	—	—	7,660
Benefits paid	(168,523)	(186,841)	(91,091)
Balance at end of year	₱3,669,196	₱3,876,193	₱3,861,379

	Parent Bank - Former iBank Plan		
	2022	2021	2020
Balance at beginning of year	₱638,772	₱683,325	₱550,665
Current service cost	30,598	34,016	28,818
Interest expense	28,868	22,387	24,807
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	(86,572)	(71,578)	108,630
Experience adjustments	(3,563)	6,241	1,006
Changes in demographic assumptions	—	1,134	(5,280)
Benefits paid	(43,302)	(36,753)	(25,321)
Balance at end of year	₱564,801	₱638,772	₱683,325

	Parent Bank – Former Citibank PH Consumer Business Plans	
	2022	
Balance at beginning of year	₱—	
Effect of business combination (Note 1)	1,332,245	
Current service cost	46,423	
Interest expense	30,592	
Remeasurements:		
Actuarial losses (gains) arising from		
Changes in financial assumptions	(191,487)	
Experience adjustments	16,939	
Balance at end of year	₱1,234,712	



The movements in the fair value of plan assets are presented below.

	Group		
	2022	2021	2020
Balance at beginning of year	₱4,321,676	₱4,113,808	₱3,572,539
Interest income	208,245	118,247	167,778
Return on plan asset (excluding amounts included in net interest)	(520,217)	39,271	117,046
Contributions to the plan	417,379	219,028	353,473
Benefits paid	(261,690)	(168,678)	(157,625)
Effects of business combinations (Note 1)	1,061,628	—	60,597
Balance at end of year	₱5,227,021	₱4,321,676	₱4,113,808

	Parent Bank - UnionBank Plan		
	2022	2021	2020
Balance at beginning of year	₱3,017,887	₱2,857,169	₱2,471,361
Interest income	143,174	96,851	111,781
Return on plan asset (excluding amounts included in net interest)	(426,421)	20,665	109,553
Contributions to the plan	392,784	230,043	255,565
Benefits paid	(168,523)	(186,841)	(91,091)
Balance at end of year	₱2,958,901	₱3,017,887	₱2,857,169

	Parent Bank - Former iBank Plan		
	2022	2021	2020
Balance at beginning of year	₱604,050	₱582,491	₱541,311
Interest income	27,177	18,888	24,212
Return on plan asset (excluding amounts included in net interest)	(73,813)	16,291	22,019
Contributions to the plan	23,959	23,133	20,270
Benefits paid	(43,302)	(36,753)	(25,321)
Balance at end of year	₱538,071	₱604,050	₱582,491

	Parent Bank - Former Citibank PH Consumer Business Plans	
	2022	
Balance at beginning of year	₱—	
Effect of business combination (Note 1)	1,061,628	
Interest income	25,088	
Return on plan asset (excluding amounts included in net interest)	(25,088)	
Balance at end of year	₱1,061,628	



The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	Group	
	2022	2021
Bank deposits	₱403,505	₱453,805
Quoted equity securities:		
Financial and insurance activities	2,614,648	2,114,621
Real estate activities	68,099	159,786
Electricity, gas and water	35,533	15,192
Wholesale and retail trade	13,376	7,366
Others	123,645	160,451
	2,855,301	2,457,416
Debt securities:		
Corporate bonds	813,103	1,123,070
Philippine government bonds	40,124	132,660
	853,227	1,255,730
Receivable related to the plan assets of the employees from the acquired business (Note 1)	1,061,628	—
Others	53,360	154,725
	₱5,227,021	₱4,321,676

	Parent Bank - UnionBank Plan	
	2022	2021
Bank deposits	₱337,013	₱382,607
Quoted equity securities:		
Financial and insurance activities	1,854,600	1,408,610
Real estate activities	54,953	130,001
Electricity, gas and water	21,170	7,264
Wholesale and retail trade	10,799	5,815
Others	99,570	137,445
	2,041,092	1,689,135
Debt securities:		
Corporate bonds	552,495	867,833
Philippine government bonds	20,364	65,640
	572,859	933,473
Others	7,937	12,672
	₱2,958,901	₱3,017,887

	Parent Bank - Former iBank Plan	
	2022	2021
Bank deposits	₱43,396	₱39,799
Quoted equity securities:		
Financial intermediation	353,260	350,903
Real estate activities	13,143	29,781
Wholesale and retail trade	2,577	1,551
Others	29,351	22,916
	398,331	405,151
Debt securities:		
Corporate bonds	95,256	150,598
Philippine government bonds	—	7,508
	95,256	158,106
Others	1,088	994
	₱538,071	₱604,050



Equity securities under the fund are primarily investments in corporations listed in the PSE, which include ₱352,208 and ₱277,114 investments in the shares of stocks of the Parent Bank as of December 31, 2022 and 2021, respectively, while debt securities represent investments in government and corporate bonds, which include ₱354,516 and ₱479,891 investment in the notes of the Parent Bank as of December 31, 2022 and 2021, respectively (see Note 32).

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The retirement fund neither provides any guarantee or surety for any obligation of the Parent Bank nor its investments in the Bank's shares of stocks covered by any restriction and liens. Bank deposits are maintained with reputable financial institutions, which include ₱348,462 and ₱394,281 deposits with the Parent Bank as of December 31, 2022 and 2021, respectively (see Note 32).

Actual returns on plan assets amounted to (₱311,972) in 2022, ₱157,518 in 2021, and ₱284,824 in 2020 for the Group. Actual returns on plan assets amounted to (₱283,247) in 2022, ₱117,517 in 2021, and ₱221,334 in 2020 for UnionBank Plan and (₱46,636) in 2022, ₱35,179 in 2021, and ₱46,231 in 2020 for Former iBank Plan.

The amounts recognized in the statements of income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2022	2021	2020
Current service cost	₱579,173	₱529,168	₱456,544
Past service cost	—	—	(1,969)
Net interest expense (income)	35,953	40,127	14,444
	₱615,126	₱569,295	₱469,019
Parent Bank - UnionBank Plan			
	2022	2021	2020
Current service cost	₱382,470	₱393,374	₱347,923
Net interest expense (income)	33,242	38,160	14,520
	₱415,712	₱431,534	₱362,443
Parent Bank - Former iBank Plan			
	2022	2021	2020
Current service cost	₱30,598	₱34,016	₱28,818
Net interest expense (income)	1,691	3,499	595
	₱32,289	₱37,515	₱29,413
Parent Bank - Former Citibank PH Consumer Business Plans			
	2022		
Current service cost	₱46,423		
Net interest expense (income)	5,504		
	₱51,927		



The amounts recognized in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2022	2021	2020
Actuarial losses (gains) arising from changes in:			
Financial assumption	(P917,442)	(P524,992)	P747,764
Experience adjustments	27,707	60,611	(190)
Demographic assumptions	(3,246)	977	4,095
Return on plan assets (excluding amounts included in net interest)	520,217	(39,271)	(117,046)
	(P372,764)	(P502,675)	P634,623
	Parent Bank - UnionBank Plan		
	2022	2021	2020
Actuarial losses (gains) arising from changes in:			
Financial assumption	(P599,271)	(P400,963)	P601,247
Experience adjustments	1,911	74,233	7,076
Demographic assumptions	—	—	7,660
Return on plan assets (excluding amounts included in net interest)	426,421	(20,665)	(109,553)
	(P170,939)	(P347,395)	P506,430
	Parent Bank - Former iBank Plan		
	2022	2021	2020
Actuarial losses (gains) arising from changes in:			
Financial assumption	(P86,572)	(P71,578)	P108,630
Experience adjustments	(3,563)	6,241	1,006
Demographic assumptions	—	1,134	(5,280)
Return on plan assets (excluding amounts included in net interest)	73,813	(16,291)	(22,019)
	(P16,322)	(P80,494)	P82,337
	Parent Bank - Former Citibank PH Consumer Business Plans		
	2022		
Actuarial losses (gains) arising from changes in:			
Financial assumption			(P191,487)
Experience adjustments			16,939
Return on plan assets (excluding amounts included in net interest)			25,088
			(P149,460)

In addition to the above items, the Parent Bank also recognized its share of the other comprehensive income of subsidiaries in respect of the post-employment defined benefit plan amounting to P30,406 gain, P38,907 gain, and P21,228 loss in 2022, 2021, and 2020, respectively (see Note 15).

The Group and the Parent Bank expect to contribute P715,489 and P609,131, respectively, in 2023.



In determining the retirement benefits, the following actuarial assumptions were used:

	Group		
	2022	2021	2020
Retirement age	60	60	60
Average remaining working life	5-26 years	6-27 years	6-19 years
Discount rate	4.00%-7.56%	3.88%-5.15%	3.37%-3.98%
Expected rate of salary increase	2.00%-7.00%	2.00%-6.00%	3.50%-6.00%
Employee turnover rate	0%-26%	0%-22%	0%-22%

	Parent Bank - UnionBank Plan		
	2022	2021	2020
Retirement age	60	60	60
Average remaining working life	10 years	10 years	10 years
Discount rate	7.23%	5.02%	3.80%
Expected rate of salary increase	6.00%	6.00%	6.00%
Employee turnover rate	0%-18%	0%-18%	0%-18%

	Parent Bank - Former iBank Plan		
	2022	2021	2020
Retirement age	60	60	60
Average remaining working life	9 years	9 years	9 years
Discount rate	7.05%	4.87%	3.47%
Expected rate of salary increase	6.00%	6.00%	6.00%
Employee turnover rate	0%-15%	0%-15%	0%-16%

	2022
Retirement age	60
Average remaining working life	8 to 15 years
Discount rate	7.25%
Expected rate of salary increase	7.00%
Employee turnover rate	0%-16%

Assumptions regarding future mortality and disability are based on published statistics and mortality tables. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(d) Risk Associated with the Retirement Plan

The plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

- *Investment and Interest Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plans are mostly invested in equity securities. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.



- *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(e) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

- *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

Group

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	+/-1.0%	(P828,743)	P1,028,688
Salary growth rate	+/-1.0%	1,082,018	(913,920)
Turn-over rate	+/-20.0%	218,908	(219,330)
December 31, 2021			
Discount rate	+/-1.0%	(P380,097)	P445,039
Salary growth rate	+/-1.0%	485,262	(441,600)
Turn-over rate	+/-20.0%	(77,292)	86,152

UnionBank Plan

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	+/-1.0%	(P408,525)	P535,066
Salary growth rate	+/-1.0%	567,417	(448,200)
Turn-over rate	+/-20.0%	(11,449)	10,234
December 31, 2021			
Discount rate	+/-1.0%	(P277,799)	P322,564
Salary growth rate	+/-1.0%	334,843	(293,992)
Turn-over rate	+/-20.0%	(30,641)	32,356



Former iBank Plan

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	+/-1.0%	(P33,091)	P33,091
Salary growth rate	+/-1.0%	39,756	(36,030)
Turn-over rate	+/-20.0%	2,295	(2,488)
December 31, 2021			
Discount rate	+/-1.0%	(P43,844)	P49,790
Salary growth rate	+/-1.0%	51,843	(46,517)
Turn-over rate	+/-20.0%	(2,388)	2,568

Former Citibank Consumer PH Business Plans

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	+/-1.0%	(80,949)	106,031
Salary growth rate	+/-1.0%	109,062	(84,810)
Turn-over rate	+/-20.0%	(11,035)	12,894

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

- *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Retirement Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets as of December 31, 2022 and 2021 consists of equity securities and bonds, although the Group also invests in bank deposits. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a diversified portfolio of investments in corporations listed in the PSE.



There has been no change in the Group's strategies to manage its risks from previous periods.

- *Funding Arrangements and Expected Benefit Payment*

There is no minimum funding requirement in the country.

The maturity profile of undiscounted expected benefits payments from the plan follows:

Group

	2022	2021
Within one year	₱1,048,430	₱829,934
More than one year to five years	1,813,795	1,732,138
More than five years to ten years	3,162,944	2,900,740
More than ten years to 15 years	3,496,334	3,232,845
More than 15 years to 20 years	4,245,541	3,803,723
More than 20 years	9,593,251	8,990,049
	₱23,360,295	₱21,489,429

UnionBank Plan

	2022	2021
Within one year	₱855,865	₱680,507
More than one year to five years	1,445,904	1,364,443
More than five years to ten years	2,488,192	2,296,339
More than ten years to 15 years	2,555,103	2,425,424
More than 15 years to 20 years	2,973,476	2,586,973
More than 20 years	7,092,184	6,584,739
	₱17,410,724	₱15,938,425

Former iBank Plan

	2022	2021
Within one year	₱111,905	₱92,016
More than one year to five years	200,496	215,090
More than five years to ten years	366,961	345,267
More than ten years to 15 years	337,843	328,879
More than 15 years to 20 years	256,911	286,944
More than 20 years	104,205	156,389
	₱1,378,321	₱1,424,585

Former Citibank Consumer PH Business Plans

	2022
Within one year	₱129,138
More than one year to five years	443,752
More than five years to ten years	842,952
More than ten years to 15 years	1,385,234
More than 15 years to 20 years	1,723,058
More than 20 years	3,321,125
	₱7,845,259

The weighted average duration of the defined benefit obligation is 16 years in 2022 and 19 years in 2021.



Current and Deferred Income Taxes

	Group		
	2022	2021	2020
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax	₱2,231,917	₱1,269,860	₱1,162,262
Regular corporate income tax (RCIT)	1,333,468	826,288	706,944
MCIT	1,467	74,426	295,570
	3,566,852	2,170,574	2,164,776
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	364,589	236,495	(1,383,396)
	₱3,931,441	₱2,407,069	₱781,380
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	₱93,191	₱193,286	(₱190,387)
	Parent Bank		
	2022	2021	2020
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax	₱2,029,648	₱1,158,225	₱991,134
RCIT	108,513	35,941	18,358
MCIT	—	74,108	292,860
	2,138,161	1,268,274	1,302,352
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	789,832	420,188	(1,232,987)
	₱2,927,993	₱1,688,462	₱69,365
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	₱84,180	₱174,589	(₱176,630)



The reconciliation of the statutory income tax rate and the effective income tax rate follows:

	Group		
	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	30.00%
Adjustment for income subjected to lower income tax rates	(3.20)	(2.11)	(3.04)
CREATE related adjustments	—	6.25	—
Tax effects of:			
FCDU income before tax	(1.73)	(17.72)	(15.04)
Non-taxable income	(0.89)	(0.76)	(17.04)
Non-deductible expenses	3.20	3.06	5.77
Others	1.29	2.34	5.69
Effective income tax rate	23.67%	16.06%	6.34%

	Parent Bank		
	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	30.00%
Adjustment for income subjected to lower income tax rates	(3.15)	(1.97)	(2.94)
CREATE related adjustments	—	5.68	—
Tax effects of:			
FCDU income before tax	(1.86)	(18.79)	(16.38)
Non-taxable income	(3.68)	(0.27)	(18.56)
Non-deductible expenses	3.31	2.07	5.69
Others	(0.68)	(0.23)	2.80
Effective income tax rate	18.94%	11.90%	0.61%

The components of the net deferred tax assets presented under Other resources (see Note 19) as of December 31, 2022, and 2021 follow:

	Group	
	2022	2021
Deferred tax assets:		
Allowance for impairment	₱4,088,549	₱3,154,151
Accrued other expenses	1,203,425	844,124
Net operating loss carry over (NOLCO)	477,682	1,031,132
Deferred service fees	405,965	313,598
Excess MCIT	368,069	589,621
Investment properties	353,181	312,034
Unrealized foreign exchange loss	169,644	107,845
Others	1,190,370	860,670
	8,256,885	7,213,175
Deferred tax liabilities:		
Unrealized foreign exchange gain	126,653	66,705
Capitalized interest	22,880	21,965
Others	184,112	77,900
	333,645	166,570
Net deferred tax assets	₱7,923,240	₱7,046,605



	Parent Bank	
	2022	2021
Deferred tax assets:		
Allowance for credit losses	₱3,055,124	₱2,359,049
Accrued other expenses	1,196,466	814,379
Net operating loss carry-over (NOLCO)	466,729	1,025,934
Excess MCIT	366,968	588,491
Investment properties	276,990	301,229
Unrealized foreign exchange loss	169,646	103,683
Others	690,645	614,327
	6,222,568	5,807,092
Deferred tax liabilities:		
Unrealized foreign exchange gain	123,159	66,705
Capitalized interest	22,880	21,965
Others	111,632	41,140
	257,671	129,810
Net deferred tax assets	₱5,964,897	₱5,677,282

Other deferred tax asset includes post-retirement obligation and other future deductible items.

The Parent Bank's NOLCO follows:

Year incurred	Amount	Expired	Applied	Balances	Availment period
2018	₱644,228	₱644,228	₱—	₱—	2019-2021
2019	1,736,818	—	1,736,818	—	2020-2022
2020	2,211,455	—	500,000	1,711,455	2021-2025*
2021	155,461	—	—	155,461	2022-2026*
	₱4,747,962	₱644,228	₱2,236,818	₱1,866,915	

*The NOLCO can be carried over as a deduction from gross income for the next five consecutive taxable years from the year it was incurred pursuant to Revenue Regulations No. 25-2020 (RR 25-2020), implementing Section 4(bbbb) of Republic Act No. 11494 or the Bayanihan to Recover as One Act.

The Parent Bank's MCIT follows:

Year incurred	Amount	Expired	Applied	Balances	Availment period
2018	₱182,501	₱182,501	₱—	₱—	2019-2021
2019	221,523	—	221,523	—	2020-2022
2020	214,453	—	—	214,453	2021-2023
2021	152,515	—	—	152,515	2022-2024
	₱770,992	₱182,501	₱221,523	₱366,968	

The Parent Bank's MCIT can be applied against regular corporate income tax liability for the next three consecutive years after the MCIT was incurred.

Relevant Tax Regulations

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

As a result of the changes brought about by CREATE, applicable tax rates for future taxable and deductible amounts for purposes of deferred tax measurement were reduced from 30% to 25%.



This resulted in a reduction in the provision for current income tax in 2021 by ₱156.36 million and by ₱78.41 million for the Group and the Parent Bank, respectively, that is recognized in the 2021 statement of income. In addition, as a result of the change in the tax rate, the deferred tax balances have been remeasured from 30% to 25%, resulting in reduction in net deferred tax asset of ₱1,156.01 million and ₱948.86 million for the Group and the Parent Bank, respectively, increase in provision for deferred income tax by ₱1,088.04 million and ₱881.24 million for the Group and the Parent Bank, respectively, in the 2021 statement of income, and decrease in other comprehensive income by ₱68.01 million and ₱67.62 million for the Group and the Parent Bank, respectively, in the 2021 statement of comprehensive income.

The following are the relevant tax regulations affecting the Group:

Income Tax

- (a) MCIT, computed at 1% gross income from July 1, 2020 to June 30, 2023, net of allowable deductions as defined under the tax regulations, or to RCIT of 25% effective July 1, 2020, whichever is higher;
- (b) FCDU transactions with non-residents of the Philippines are tax-exempt, while interest income on foreign currency loans from residents other than depository banks under the expanded system is subject to 10% income tax;
- (c) Withholding tax of 15% is imposed on interest earned under the expanded foreign currency deposit system; and,
- (d) NOLCO can be claimed as deductions against taxable income within three years after NOLCO is incurred. The excess of the MCIT over income tax due may be carried over to the three succeeding taxable years and credited against income tax due provided the Bank is in RCIT position. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Gross Receipts Tax

Banks are subject to gross receipts tax under Sec. 121 of the National Internal Revenue Code as amended.

Documentary Stamp Tax

Documentary stamp taxes (DST) (at varying rates) are imposed on the following:

- (a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
- (b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government of any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;
- (c) Acceptance of bills of exchange and letters of credit; and,
- (d) Bills of lading or receipt.



The significant provisions relating to DST under TRAIN are summarized below:

- (a) On every original issue of debt instruments, there shall be collected a DST of 1.50 on each 200 or fractional part thereof of the issue price of any such debt instrument; provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days; provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.
- (b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of 1.50 on each 200, or fractional part thereof, of the par value of such stock.
- (c) On all bills of exchange (between points within the Philippines) or drafts, there shall be collected a DST of 0.60 on each 200, or fractional part thereof, of the face value of any such bill of exchange or draft.
- (d) The following instruments, documents and papers shall be exempt from DST:
 - Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
 - Loan agreements or promissory notes, the aggregate of which does not exceed 250,000 or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
 - Sale, barter or exchange of shares of stock listed and traded through the local stock exchange (as amended by RA No. 9648);
 - Fixed income and other securities traded in the secondary market or through an exchange;
 - Derivatives including repurchase agreements and reverse repurchase agreements;
 - Bank deposit accounts without a fixed term or maturity; and,
 - Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

Itemized Deduction

In 2022, 2021 and 2020, the Parent Bank opted to claim itemized deductions.

31. Trust Operations

The following securities and other properties held by the Parent Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the accompanying statement of financial position since these are not properties of the Parent Bank.

	2022	2021
Investments	₱88,449,123	₱86,667,533
Others	3,199,964	3,308,879
	₱91,649,087	₱89,976,412



In compliance with the requirements of the General Banking Act relative to the Parent Bank's trust functions:

- (a) Investment in government securities with a total face value of ₱1,210,600 and ₱1,000,000 as of December 31, 2022 and 2021, respectively, are deposited with BSP as security for the Parent Bank's faithful compliance with its fiduciary obligations (see Note 12); and,
- (b) Ten percent of the Parent Bank's trust income is transferred to Surplus reserves. This yearly transfer is required until the surplus reserves for trust function is equivalent to 20% of the Parent Bank's authorized capital stock. No part of such reserves shall at anytime be paid out as dividends, but losses accruing in the course of business may be charged against such surplus. As of December 31, 2022 and 2021, the reserve for trust functions amounted to ₱336,655 and ₱304,961, respectively, and is included as part of Surplus reserves in the statements of financial position (see Note 25).

Income from trust operations of the Group and the Parent Bank amounted to ₱316,939, ₱239,994, and ₱171,271 in 2022, 2021 and 2020, respectively. These are shown as Income from trust operations account under Miscellaneous income in the statements of income (see Note 28).

32. Related Party Transactions

The Group's and Parent Bank's related parties include subsidiaries, stockholders, key management personnel and others as described below.

The Parent Bank's transactions with related parties, except deposit transactions, are reviewed and approved by the Bank's RPT Management Review Committee (for non-material transactions), endorsed by the RPT Board Committee, and ultimately approved or confirmed by the BOD. The terms and prices are benchmarked against market prices, non-RPT transactions and on a cost-plus basis as practiced by the market if market prices are not available. In other instances, valuations are made by appraisers and third party consultants in determining prices.

The summary of the Group's significant transactions with its related parties as of and for the years ended December 31, 2022 and 2021 are as follows:

Related Party Category	2022		2021		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Applicable to the Parent Bank					
Subsidiaries					
Lease of properties:					
Lease income	₱33,550	₱–	₱34,069	₱–	Lease renewed every 5 years with 5% escalation rate
Refundable deposits	2,356	2,356	1,959	1,959	
Management services	161,188	–	51,660	–	Project management fee, management services, commission and service charges paid to/by subsidiaries
Deposit liabilities:					
Outstanding balance	–	1,961,153	–	3,202,201	
Net movements	(1,241,048)	–	1,779,947	–	
Interest expense on deposits	76,410	–	2,530	–	With interest rate based on average daily bank deposit rate.

(Forward)



Related Party Category	2022	Outstanding Balance	2021	Outstanding Balance	Terms and Conditions/Nature
	Amount of Transaction		Amount of Transaction		
Receivables purchase agreements:					
Purchase of receivables	₱9,979,340	₱—	₱—	₱—	Purchase of DepEd receivables from CSB
Sale of receivables	6,682,351	—	—	—	Sale of qualified Quick Loan Accounts to UnionDigital
Interbank borrowing					
Net movements	3,000,521	—	—	—	Short-term borrowing with annual fixed rate ranging from 2.125% in 2022. No outstanding balances as of 2022 and 2021.
Interest expense	531	—	—	—	
Advances:					
Outstanding balance	—	79,573	—	71,201	Various expenses advanced by the Bank
Net movements	8,372	—	54,906	—	
Other liabilities	—	375,978	—	38,411	Various expenses and service fees
Applicable to the Group and the Parent Bank					
Stockholders and related parties under common ownership					
Deposit liabilities:					
Outstanding balance	—	6,709,215	—	25,459,765	With interest rate based on average daily bank deposit rate
Net movements	(18,750,550)	—	19,173,145	—	
Interest expense on deposits	37,919	—	12,714	—	
Bills payable:					
Outstanding balance	—	13,936	—	13,916	Long term liability with annual fixed rate of 4%
Net movements	20	—	19	—	
Interest expense	56,658	—	64,428	—	
Income from bancassurance business:					
Commission income	377,657	—	230,570	—	Income recognized on sale of insurance policies in accordance with the bancassurance agreement
Unearned income	—	715,710	—	733,333	Unearned income from Exclusive Access Fees arising from the bancassurance agreement
Sale of Investment properties					
Sales contract receivable	591,410	413,987	—	—	
Gain on disposal	226,901	—	—	—	Sale of foreclosed property
Unearned income	52,004	52,004	—	—	
Loans receivable	(8,829)	909	9,738	9,738	Secured borrowings with annual interest of 8.0% and 12.0% in 2022 and 2021
Key management personnel Directors, officers and other related interests:	2,973,832	—	2,460,301	—	Employee benefits related to key management personnel.
Loans	639,635	639,635	535,780	535,780	Employee fringe benefit loans with annual fixed interest rate from 0.00% to 8.0% in 2022 and 2021
Accounts receivable	156,659	156,659	144,509	144,509	Fringe benefits related to employee cars and laptop lease

Outstanding receivables from and payables to related parties, if any, arising from lease of properties, management services and advances are unsecured and generally settled in cash within 12 months or upon demand.



Lease of Properties

In February 2014, the Parent Bank entered into a lease agreement with UIC, whereby the latter, as a lessee, leases one of the Parent Bank's investment properties for a period of five years. In October 2019, the lease agreement was amended to reduce the area of UIC's leased premises upon the renewal of the lease agreement. In 2022, the lease agreement was further amended to reduce the area of UIC's leased premises, reduce the number of parking slots and reduce the rental rate upon the renewal of the lease agreement. UIC pays the Parent Bank a monthly rent of ₱100 with 5% annual escalation rate, exclusive of VAT.

CSB leases certain investment properties with the Parent Bank with lease term covering five years. CSB pays the Parent Bank a fixed monthly rent for its leases with 5% annual escalation rate. In May 2020, CSB renewed one of its lease agreements for another five years.

In June 2019, the Parent Bank entered into a lease agreement with UBX for a period of five years. UBX pays the Parent Bank a fixed monthly rent with 5% annual escalation rate.

Management Services

The Parent Bank entered into service agreements with CSB, UIC, FAIR Bank, PETNET, UBX, and UnionDigital to perform to perform various services including corporate accounting, human resource, legal, corporate secretarial, operations support, IT-related and data science.

Deposit Liabilities and Interest Expense

The deposit accounts of subsidiaries and stockholders with the Parent Bank generally earn interest based on daily bank deposit rates.

Advances

The Parent Bank also has advances to CSB, FUIFAI, UnionDigital, CFSI, PETNET and UBX as of December 31, 2022 and 2021. These are generally settled in cash upon demand.

Bills Payable and Interest Expense

In 2020, CSB availed of a loan with Aboitiz Foundation, Inc., amounting to ₱14 million which is payable in five years and bears an annual interest rate of 4.0%. This borrowing had an outstanding balance of ₱13.94 million and ₱13.92 million (net of unamortized debt issue costs) as of December 31, 2022 and 2021, respectively.

In 2022 and 2021, CSB availed of short-term borrowings from AEVI, Aboitiz Power Corporation, and Aboitiz and Co., Inc., related parties under common ownership, amounting to ₱2.10 billion, ₱23.82 billion, and nil, respectively, and ₱3.35 billion, ₱31.87 billion, and ₱12.64 billion, respectively. Availments have been paid in full as of end of the reporting period.

Bancassurance Agreement

On January 27, 2017, the Parent Bank and its subsidiary, CSB, entered into a bancassurance partnership (the Agreement) with Insular Life Assurance Company, Ltd. (Insular Life). Under the Agreement, Insular Life paid the Parent Bank an amount representing Exclusive Access Fee (EAF) with a term of 15 years. In the event that the cumulative annualized premium earned (APE) sold during the first five-year period is less than the agreed minimum amount, the Parent Bank shall refund the proportion of EAF that equals the proportion by which the cumulative APE is less the minimum amount. As of December 31, 2022, there are ongoing negotiations on a revised agreement and is currently being reviewed by the parties.



EAF recognized for 2022 is presented as Commission from bancassurance under Service charges, fees and commissions account in the statements of income. Unearned income arising from this transaction is presented as Unearned Income - bancassurance under Other liabilities account in the statements of financial position (see Note 24).

Under the distribution agreement, Insular Life will have exclusive access to the branch network of the Parent Bank and CSB. Additionally, the Parent Bank's sales force, composed of relationship managers and financial advisors, shall be trained and licensed to sell life insurance products. Under the same Agreement, the Parent Bank shall earn commissions on all insurance policies sold by the Parent Bank. Commissions earned in 2022 and 2021 are presented as part of Commissions from bancassurance under Service charges, fees and commissions account in the statements of income (see Note 27).

Receivables Purchase Agreements

Department of Education (DepEd) Loans

On February 28, 2022, the Parent Bank entered into an agreement with CSB to purchase, in a true sale and without recourse basis, and for cash consideration, certain DepEd loans in one or more tranches for up to a maximum outstanding principal amount of ₱10 billion. The Parent Bank completed the purchase of the first tranche of receivables with outstanding principal of ₱99.31 million on April 8, 2022, and the second tranche of receivables with outstanding principal of ₱9.98 billion on July 4, 2022.

Quick Loans

On August 1, 2022 (the "Effective Date"), the Parent Bank entered into an agreement (the "Agreement") with UnionDigital to sell, in a true sale and without recourse basis, and for cash consideration, loan accounts from the Parent Bank's Quick Loans portfolio that are existing and granted as of the Effective Date and during the Term of the Agreement, which pass the eligibility criteria including the credit score, borrower profile, loan tenors and terms acceptable to UnionDigital. The Agreement shall remain valid and subsisting until terminated by the Parties as defined and allowed under the Agreement. The total outstanding principal sold to UnionDigital in 2022 amounted to ₱6.68 billion.

Sale of Investment Properties

In June 2022, the Parent Bank sold to Lima Land, Inc., a related party under common ownership, parcels of foreclosed land with carrying value of ₱312.50 million for a consideration of ₱591.41 million, payable until 2027. The Bank recognized Gain on disposal of investment properties amounting to ₱226.91 million and Unearned income of ₱52.00 million on the date of sale. As of December 31, 2022, the sales contract receivable had an outstanding balance of ₱413.99 million.

Key Management Personnel Compensation

The compensation of key management personnel for the Group and Parent Bank follows:

	Group		
	2022	2021	2020
Short-term benefits	₱2,565,550	₱2,298,705	₱2,097,510
Post-employment benefits	197,044	91,915	103,265
Other long-term benefits	211,238	69,681	13,163
	₱2,973,832	₱2,460,301	₱2,213,938



	Parent Bank		
	2022	2021	2020
Short-term benefits	₱2,126,299	₱1,885,566	₱1,783,964
Post-employment benefits	182,200	74,477	87,882
Other long-term benefits	205,565	63,703	7,786
	₱2,514,064	₱2,023,746	₱1,879,632

Directors' fees incurred by the Group amounted to ₱130,788, ₱141,415, and ₱91,830 in 2022, 2021 and 2020, respectively, and by the Parent Bank amounted to ₱100,687, ₱118,039, and ₱80,010 in 2022, 2021 and 2020.

Loans and Other Transactions

In the ordinary course of business, the Group has loans, deposits and other transactions with its related parties and with certain DOSRI. Under the Group's existing policies, these transactions are made substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Group. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Group, whichever is lower.

The following additional information is presented relative to DOSRI loans:

	Group		Parent Bank	
	2022	2021	2022	2021
Total DOSRI loans	₱640,544	₱545,518	₱616,127	₱507,225
Unsecured DOSRI loans	272,992	247,341	263,012	223,880
% of DOSRI loans to total loan portfolio	0.13%	0.16%	0.16%	0.18%
% of unsecured DOSRI loans to total DOSRI loans	—%	—%	—%	—%
% of past due DOSRI loans to total DOSRI loans	—%	—%	—%	—%
% of non-accruing DOSRI accounts to total DOSRI loans	—%	—%	—%	—%

The total unsecured DOSRI loans above include loans extended to employees treated as fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB. Accordingly, the percentage of unsecured DOSRI loans to total DOSRI loans as presented above is nil.

On January 31, 2007, BSP issued Circular No. 560 which provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the Parent Bank's subsidiaries and affiliates shall not exceed 10% of bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank.

Transactions with the Retirement Plan

The retirement fund of the Group covered under defined benefit post-employment plan maintained for qualified employees is administered by the Retirement Committee. The members of the Retirement Committee are Senior Executives and officers of the Parent Bank as approved by the Chairman/Chief Executive Officer. Through its Retirement Committee, it has appointed TISG as one of its trustees for the retirement fund which is covered by trust agreements.



The composition of the retirement plan assets in the actuarial valuation reports of the Parent Bank and its subsidiaries as of December 31, 2022 and 2021 are disclosed in Note 29. As of December 31, 2022 and 2021, total assets of the retirement plan managed by the TISG of the Parent Bank as contained in the actuarial valuation reports amounted to ₱4.03 billion and ₱4.16 billion, respectively.

As of December 31, 2022 and 2021, the carrying value of the fund is equivalent to its fair value.

The Parent Bank and its subsidiaries' retirement plans have transactions directly and indirectly with the Parent Bank as of December 31, 2022 and 2021 as follows:

	2022		2021	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	₱75,094	₱352,208	₱90,904	₱277,114
Investments in Parent Bank notes payable:				
Outstanding balance	—	354,516	—	479,891
Net movements	(125,375)	—	35,792	—
Interest income	17,093	—	23,393	—
Accrued interest income	—	6,486	—	2,232
Deposit liabilities:				
Outstanding balance	—	348,462	—	394,281
Net movements	(45,819)	—	40,684	—
Interest income on deposits	11,397	—	12,427	—
Dividend income	9,064	—	9,064	—

The investment in Parent Bank shares are primarily held for re-sale and the Group's retirement fund does not intend to exercise its voting rights over those shares. The terms of the investment in notes payable are discussed in Note 23.

Group Health Insurance from a Related Party

The Parent Bank entered into a contract with Insular Life for its group health insurance. The group health insurance package amounted to ₱166,093 and ₱122,774, covering October 2021 to September 2022 and October 2020 to September 2021, respectively.

Receivable from Kingswood Project

UIC acts as the project and fund manager of Kingswood Project. As fund manager, UIC is responsible for the treasury and money management as well as arranging the necessary facilities and accounting for the development of the project. UIC also receives a certain percentage of the sales price related to Kingswood Project as sales commission and to compensate for the marketing expenses incurred. As of December 31, 2022 and 2021, the receivable of UIC from Kingswood Project amounted to ₱33.2 million and ₱29.30 million, respectively.



33. Earnings Per Share

In 2022, 2021 and 2020, the Group and the Parent Bank have no outstanding potentially dilutive securities, hence, basic earnings per share are equal to diluted earnings per share.

As a result of the stock dividends declared by the Parent Bank on August 11, 2021 to stockholders of record as of December 9, 2021 and paid on January 5, 2022 (see Notes 25 and 36), the weighted average number of outstanding common shares have been adjusted retrospectively. As required under PFRS, the Bank is required to adjust the weighted average number of shares for purposes of computing the basic earnings per share for all periods presented when there are stock dividends are issued after reporting period but before the financial statements have been authorized for issue.

The basic and diluted earnings per share were computed as follows:

	Group		
	2022	2021	2020
Net profit attributable to Parent Bank's stockholders	₱12,529,248	₱12,525,376	₱11,553,430
Divided by:			
Weighted average number of outstanding common shares	1,911,431	1,219,289	1,218,400
Adjustment related to stock dividend	—	304,839	304,839
Weighted average number of outstanding common shares, after adjustment for stock dividends	1,911,431	1,524,128	1,523,239
Basic and diluted earnings per share	₱6.55	₱8.22	₱7.58

	Parent Bank		
	2022	2021	2020
Net profit	₱12,529,248	₱12,525,376	₱11,263,423
Divided by:			
Weighted average number of outstanding common shares	1,911,431	1,219,289	1,218,400
Adjustment related to stock dividend	—	304,839	304,839
Weighted average number of outstanding common shares, after adjustment for stock dividends	1,911,431	1,524,128	1,523,239
Basic and diluted earnings per share	₱6.55	₱8.22	₱7.39



34. Commitments and Contingent Liabilities

Leases*Group as Lessee*

The Group leases various branch premises for an average period of seven years. The lease contracts are cancellable upon mutual agreement of the parties or renewable at the Parent Bank's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5%. Some leases include a clause to enable adjustment of the rental charge on an annual basis based on prevailing market rates. As of December 31, 2022 and 2021, the Parent Bank has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2022 and 2021 as required by PFRS 16:

	Group		Parent Bank	
	2022	2021	2022	2021
1 year or less	₱532,912	₱544,131	₱419,854	₱422,382
more than 1 years to 2 years	391,940	432,768	307,215	335,421
more than 2 years to 3 years	237,140	280,220	199,287	214,405
more than 3 years to 4 years	89,969	81,764	78,118	49,877
more than 5 years	22,077	33,895	16,331	324

The following are the amounts recognized in profit or loss for the years ended December 31, 2022 and 2021:

	Group		Parent Bank	
	2022	2021	2022	2021
Amortization expense of ROU assets (Note 16)	₱620,499	₱597,637	₱464,534	₱410,595
Interest expense on lease liabilities (Note 24)	67,851	68,753	56,240	54,763
Expenses relating to short term – leases	171,523	130,223	132,394	152,513
Total amount recognized in profit or loss	₱859,873	₱796,613	₱653,168	₱617,871

Group as Lessor

The Group has entered into commercial property leases on the Group's surplus offices. These non-cancellable leases have remaining non-cancellable lease terms of one to four years.

Total rent income earned included under Miscellaneous income account in the statements of income (see Note 28) by the Group and the Parent Bank for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Group	₱218,019	₱116,450	₱154,077
Parent Bank	154,907	132,734	164,177



The estimated minimum future annual rentals receivable under non-cancellable operating leases follows:

	Group	
	2022	2021
Within one year	₱142,891	₱121,058
Beyond one year but within five years	257,160	242,240
	₱400,051	₱363,298

	Parent Bank	
	2022	2021
Within one year	₱133,423	₱107,316
Beyond one year but within five years	246,878	229,575
	₱380,301	₱336,891

Others

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, which are not reflected in the accompanying financial statements. The Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2022, no additional material losses or liabilities are required to be recognized in the accompanying financial statements as a result of the above commitments and transactions.

There are several suits, assessments or notices and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.

35. Notes to the Statements of Cash Flows

Presented below is the supplemental information on the Group's and the Parent Bank's liabilities arising from financing activities:

	Group				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
Balances at January 1, 2022	₱3,000,000	₱51,168,138	₱69,853,986	₱1,382,880	₱125,405,004
Cash flows from financing activities:					
Additions	—	306,504,535	13,904,476	—	320,409,011
Repayment of borrowings	—	(225,725,630)	(38,183,199)	(659,030)	(264,567,859)
Non-cash financing activities:					
Effects of foreign exchange rate changes	—	899,746	5,982,985	—	6,882,731
New lease arrangements	—	—	—	567,389	567,389
Effect of business combination	—	—	—	65,440	65,440
Amortization of debt issue costs and accretion of interest	—	—	86,077	67,851	153,928
Balances as of December 31, 2022	₱3,000,000	₱132,846,789	₱51,644,325	₱1,424,530	₱188,915,644

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities



	Group				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
Balances at January 1, 2021	₱3,000,000	₱54,223,543	₱59,853,656	₱1,219,584	₱118,296,783
Cash flows from financing activities:					
Additions	—	127,075,530	11,057,895	—	138,133,425
Repayment of borrowings	—	(131,247,110)	(3,473,520)	(579,065)	(135,299,695)
Non-cash financing activities:					
Effects of foreign exchange rate changes	—	1,116,175	2,403,418	—	3,519,593
New lease arrangements	—	—	—	673,608	673,608
Amortization of debt issue costs and accretion of interest	—	—	12,537	68,753	81,290
Balances as of December 31, 2021	₱3,000,000	₱51,168,138	₱69,853,986	₱1,382,880	₱125,405,004

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

	Parent Bank				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
Balances at January 1, 2022	₱3,000,000	₱28,577,774	₱69,789,836	₱1,043,850	₱102,411,460
Cash flows from financing activities:					
Additions	—	247,352,242	10,932,289	—	258,284,531
Repayment of borrowings	—	(177,520,637)	(35,112,500)	(496,312)	(213,129,449)
Non-cash financing activities:					
Effects of foreign exchange rate changes	—	899,745	5,948,623	—	6,848,368
New lease arrangements	—	—	—	514,000	514,000
Effect of business combination	—	—	—	59,777	59,777
Amortization of debt issue costs and accretion of interest	—	—	86,077	56,240	142,317
Balances as of December 31, 2022	₱3,000,000	₱99,309,124	₱51,644,325	₱1,177,555	₱155,131,004

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

	Parent Bank				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
Balances at January 1, 2021	₱3,000,000	₱34,502,422	₱59,746,856	₱1,004,057	₱98,253,335
Cash flows from financing activities:					
Additions	—	62,765,158	7,650,000	—	70,415,158
Repayment of borrowings	—	(69,805,980)	—	(446,112)	(70,252,092)
Non-cash financing activities:					
Effects of foreign exchange rate changes	—	1,116,174	2,380,651	—	3,496,825
New lease arrangements	—	—	—	431,142	431,142
Amortization of debt issue costs and accretion of interest	—	—	12,329	54,763	67,092
Balances as of December 31, 2021	₱3,000,000	₱28,577,774	₱69,789,836	₱1,043,850	₱102,411,460

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

Non-cash investing activities of the Group for the years ended December 31, 2022 and 2021 include additions to investment properties in settlement of loans and receivables amounting to ₱376.49 million and ₱245.00 million, respectively, and disposals of properties with carrying values of ₱1,482.10 million and ₱87.63 million, respectively, through sales contract receivables.



36. Events After the End of the Reporting Period**Reclassification of Financial Assets at FVOCI into Financial Assets at Amortized cost**

The acquisition of Citigroup Inc.'s consumer banking business in the Philippines (the Acquisition) in August 2022 substantially altered the Parent Bank's balance sheet composition on both the asset and liability side. The Acquisition resulted in significant increase in the Parent Bank's consumer loan and the Parent Bank expects that its foray into consumer segment will continue to increase in the coming years. The Acquisition resulted in significant change in the FCDU deposit profile and together with the existing diversified funding structure in the FCDU resulted in the change in the management of financial assets in the FCDU moving forward and allowing the FCDU to hold investment securities to maturity.

These developments have led the Parent Bank to reevaluate its asset and liability management strategies and proactively manage its balance sheet and ensure that its capital remain adequate and stable. Existing bank assets, including those in the FVOCI Business Model have been reviewed on how they should be managed moving forward, including the re-assessment on their accounting classification and the related impact to capital. As a result of these substantial changes in the balance sheet, the Parent Bank has determined that there have been fundamental changes to its existing business model for managing FVOCI securities. As part of the Parent Bank's governance process, the business model change has been presented to the Market Risk Committee and Risk Management Committee for review, and for approval and endorsement to the BOD. In line with this, the Parent Bank's BOD in its meeting held on December 16, 2022, approved the reclassification of FCDU FVOCI (excluding the FX Liquidity sub-portfolio) to FCDU HTC.

As required by PFRS 9, the reclassification was effected prospectively on January 1, 2023, the first day of the reporting period following the change in business model. The reclassification on January 1, 2023 resulted in (1) the decrease in FCDU FVOCI securities with fair value of \$903.21 million (₱50.36 billion), (2) reversal of related net unrealized fair value losses on FVOCI amounting to \$185.36 million (₱10.33 billion) and (3) increase in FCDU HTC financial assets at amortized cost amounting to \$1.09 billion (₱60.69 billion), as if the investment securities had always been carried at amortized cost.

Dividend Declaration

On February 1, 2023, the Parent Bank's BOD approved the declaration of cash dividends at ₱2.00 per share for a total of ₱4,707,549 in favor of all stockholders of the Bank, payable from the unrestricted retained earnings of the Bank as of December 31, 2022. Record date for stockholders entitled to the cash dividend is February 15, 2023 and payment is expected to be made on February 27, 2023.

Issuance of Shares through Stock Rights

On February 6, 2023, the Bank issued approximately 210.97 million common shares priced at ₱56.88 per share. The shares were offered to eligible shareholders as of the record date of January 12, 2023 at a ratio of 1 rights share for every 10.1536 existing common shares. The newly issued shares were listed on the PSE on the same date.

Issuance of Shares under the Employee Stock Plan

The Parent Bank issued 697,339 common shares to qualified employees under the Parent Bank's Employee Stock Payment Plan on February 6, 2023.



37. Supplementary Information Required Under Revenue Regulations 15-2010

Presented below is the supplementary information required by the Bureau of Internal Revenue (BIR) under RR 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Gross Receipts Tax

In lieu of the value-added tax (VAT), the Parent Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Section 121 of the Tax Code.

The Parent Bank reported total GRT amounting to ₱1.81 billion in 2022 as shown under Taxes and Licenses account. Total GRT payable as of December 31, 2022 amounted to ₱0.64 billion and is included as part of Accrued taxes and other expenses under Other liabilities account in the 2022 statement of financial position.

Documentary Stamp Tax

The Bank is enrolled under the Electronic DST System. In general, the Parent Bank's DST transactions arise from the execution of debt instruments, security documents, and bills of exchange.

For the year ended December 31, 2022, DST affixed amounted to ₱2.20 billion.

Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2022 are shown below:

Final	₱1,221,197
Expanded	265,820
Compensation and benefits	1,356,221
	<u>₱2,843,238</u>

Taxes and Licenses

The details of taxes and licenses in 2022 of the Parent Bank are as follows:

GRT	₱1,805,035
DST	799,397
Real property tax	35,250
Fringe benefit tax (FBT)	59,041
Local and business permits	38,143
Miscellaneous	61,012
Less:	
FBT charged to employee benefits	59,041
	<u>₱2,738,837</u>

Excise Taxes

The Parent Bank does not have excise taxes accrued since it did not have any transactions subject to excise tax.

Other Required Tax Information

The Parent Bank has not paid or accrued any excise taxes or customs' duties and tariff fees as it had no importation for the year ended December 31, 2022.

The Parent Bank has no pending tax assessment and case in courts or other regulatory bodies outside of the BIR as at December 31, 2022.



38. Supplementary Information Required Under BSP Circular 1074

Presented below is the supplementary information required by the BSP under BSP Circular 1074.

Basic quantitative indicators of financial performance

Group	2022	2021	2020
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}^*}$	9.7%	11.6%	11.5%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}^*}$	1.3%	1.6%	1.5%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}^*}$	4.9%	4.6%	4.5%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	49.63%	53.9%	56.3%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	6.4:1	6.4:1	6.4:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	7.4:1	7.4:1	7.4:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	2.4:1	3.3:1	2.2:1

*Average amount is calculated based on current year-end and previous year-end balances



Parent Bank	2022	2021	2020
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds*}}$	9.7%	11.6%	11.1%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources*}}$	1.5%	1.6%	1.6%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources*}}$	4.2%	3.9%	4.0%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	48.51%	50.6%	55.4%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	5.5:1	5.5:1	5.6:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	6.5:1	6.5:1	6.6:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	2.8:1	4.3:1	2.5:1

*Average amount is calculated based on current year-end and previous year-end balances



Capital instruments issued

The Parent Bank's capital instruments consist of the following:

Capital stock

As of December 31, 2022 and 2021, the Parent Bank has outstanding capital stock shown below (peso amounts in thousands):

	Shares		Amount	
	2022	2021	2022	2021
Common – ₱10 par value				
Authorized	2,530,785,238	2,530,785,238	₱25,307,852	₱25,307,852
Issued and outstanding				
As at beginning of the year	1,219,362,818	1,218,471,467	12,193,628	12,184,715
Shares issued	922,743,946	891,351	9,227,440	8,913
As at end of the year	2,142,106,764	1,219,362,818	21,421,068	12,193,628
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱10,000,000
Issued and outstanding	–	–	–	–

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting “Tier 2” capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting “Tier 1” capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.



Concentration of credit exposures

An analysis of concentrations of credit risk for loans and other receivables and investment securities (grossed up for any allowance for credit losses and unearned discounts) of the Group and the Parent Bank by industry and by geographic location as of December 31, 2022 and 2021 is shown below (amounts in thousands):

	Group			
	2022			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
Concentration by industry				
Financial and insurance activities	₱34,819,473	7.07	₱451,417,807	₱486,237,280
Real estate activities	90,231,828	18.33	7,150,000	97,381,828
Information and communication	35,095,786	7.13	—	35,095,786
Wholesale and retail trade, repair of motor vehicles	32,282,632	6.56	—	32,282,632
Manufacturing	28,515,108	5.79	2,665,228	31,180,336
Transportation and storage	21,836,091	4.44	1,884,539	23,720,630
Arts, entertainment and recreation	12,627,793	2.57	—	12,627,793
Electricity, gas steam and air conditioning supply	13,090,565	2.66	24,106,204	37,196,769
Other service activities	15,924,128	3.24	2,845,681	18,769,809
Construction	6,110,416	1.24	—	6,110,416
Activities of households as employers and undifferentiated goods and services	4,320,351	0.88	—	4,320,351
Agriculture, forestry and fishing	2,284,137	0.46	—	2,284,137
Accommodation and food service activities	1,540,725	0.31	—	1,540,725
Professional, scientific and technical activities	472,896	0.10	—	472,896
Other consumption	97,556,795	19.82	—	97,556,795
Others	95,486,796	19.40	2,782,659	98,269,455
	₱492,195,520	100.00	₱492,852,118	₱985,047,638
Concentration by location				
Philippines	₱492,195,520	100.00	₱398,026,315	₱890,221,835
Others - Asia	—	—	23,944,279	23,944,279
South America	—	—	6,061,624	6,061,624
North America	—	—	7,441,164	7,441,164
United States	—	—	50,591,184	50,591,184
Europe	—	—	6,787,552	6,787,552
	₱492,195,520	100.00	₱492,852,118	₱985,047,638



	Group			
	2021			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
Concentration by industry				
Financial and insurance activities	₱31,360,342	9.00	₱369,049,548	₱400,409,890
Real estate activities	71,096,154	20.40	7,938,117	79,034,271
Information and communication	39,474,234	11.32	—	39,474,234
Wholesale and retail trade, repair of motor vehicles	31,380,275	9.00	—	31,380,275
Manufacturing	27,322,891	7.84	2,531,824	29,854,715
Transportation and storage	18,861,331	5.41	2,204,090	21,065,421
Arts, entertainment and recreation	14,639,649	4.20	—	14,639,649
Electricity, gas steam and air conditioning supply	13,690,875	3.93	25,214,821	38,905,696
Other service activities	7,918,474	2.27	—	7,918,474
Construction	4,337,687	1.24	—	4,337,687
Activities of households as employers and undifferentiated goods and services	2,384,261	0.68	—	2,384,261
Agriculture, forestry and fishing	1,679,982	0.48	—	1,679,982
Accommodation and food service activities	1,455,059	0.42	—	1,455,059
Professional, scientific and technical activities	702,425	0.20	—	702,425
Other consumption	11,947,034	3.43	—	11,947,034
Others	70,333,736	20.18	3,360,048	73,693,784
	₱348,584,409	100.00	₱410,298,448	₱758,882,857
Concentration by location				
Philippines	₱348,584,409	100.00	₱298,874,158	₱647,458,567
Others - Asia	—	—	29,545,178	29,545,178
South America	—	—	5,622,054	5,622,054
North America	—	—	9,725,349	9,725,349
United States	—	—	54,686,572	54,686,572
Europe	—	—	11,845,137	11,845,137
	₱348,584,409	100.00	₱410,298,448	₱758,882,857

	Parent Bank			
	2022			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱40,015,301	10.01	₱401,020,548	₱441,035,849
Other consumption	97,115,155	24.30	—	97,115,155
Real estate activities	89,587,397	22.42	7,150,000	96,737,397
Information and communication	35,091,072	8.78	—	35,091,072
Wholesale and retail trade, repair of motor vehicles	31,351,303	7.85	—	31,351,303
Manufacturing	28,359,410	7.10	2,665,228	31,024,638
Transportation and storage	21,735,910	5.44	1,884,539	23,620,449
Other service activities	15,761,449	3.94	2,845,681	18,607,130
Electricity, gas steam and air conditioning supply	13,090,425	3.28	24,106,204	37,196,629
Arts, entertainment and recreation	12,626,780	3.16	—	12,626,780
Construction	5,993,159	1.50	—	5,993,159
Activities of households as employers and undifferentiated goods and services	4,317,198	1.08	—	4,317,198
Accommodation and food service activities	1,347,158	0.34	—	1,347,158
Agriculture, forestry and fishing	1,193,414	0.30	—	1,193,414
Professional, scientific and technical activities	465,180	0.11	—	465,180
Others	1,542,640	0.39	2,782,659	4,325,299
	₱399,592,951	100.00	₱442,454,859	₱842,047,810
<i>Concentration by location</i>				
Philippines	₱399,592,951	100.00	₱347,629,056	₱747,222,007
Others - Asia	—	—	23,944,279	23,944,279
South America	—	—	6,061,624	6,061,624
North America	—	—	7,441,164	7,441,164
United States	—	—	50,591,184	50,591,184
Europe	—	—	6,787,552	6,787,552
	₱399,592,951	100.00	₱442,454,859	₱842,047,810



	Parent Bank			
	2021			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱31,284,376	11.05	₱325,797,652	₱357,082,028
Real estate activities	70,604,445	24.93	7,938,117	78,542,562
Information and communication	39,469,530	13.94	–	39,469,530
Wholesale and retail trade, repair of motor vehicles	30,431,511	10.74	–	30,431,511
Manufacturing	27,198,763	9.6	2,531,824	29,730,587
Transportation and storage	18,718,271	6.61	2,204,090	20,922,361
Arts, entertainment and recreation	14,638,343	5.17	–	14,638,343
Electricity, gas steam and air conditioning supply	13,690,729	4.83	25,214,821	38,905,550
Other service activities	7,730,986	2.73	–	7,730,986
Construction	4,251,467	1.50	–	4,251,467
Activities of households as employers and undifferentiated goods and services	2,325,684	0.82	–	2,325,684
Accommodation and food service activities	1,285,301	0.45	–	1,285,301
Professional, scientific and technical activities	700,048	0.25	–	700,048
Agriculture, forestry and fishing	372,018	0.13	–	372,018
Other consumption	11,752,569	4.15	–	11,752,569
Others	8,775,218	3.10	3,246,816	12,022,034
	₱283,229,259	100.00	₱366,933,320	₱650,162,579
<i>Concentration by location</i>				
Philippines	₱283,229,259	100.00	₱255,509,030	₱538,738,289
Others - Asia	–	–	29,545,178	29,545,178
South America	–	–	5,622,054	5,622,054
North America	–	–	9,725,349	9,725,349
United States	–	–	54,686,572	54,686,572
Europe	–	–	11,845,137	11,845,137
	₱283,229,259	100.00	₱366,933,320	₱650,162,579

Breakdown of total loans as to security and status**As to security**

The breakdown of total loans and other receivables (net of unearned discounts) as to secured, with corresponding collateral types, and unsecured loans follows (amounts in thousands):

	Group		Parent Bank	
	2022	2021	2022	2021
Secured:				
Real estate	₱12,265,747	₱10,306,870	₱10,408,920	₱8,781,142
Deposit hold-out	374,133	441,795	331,529	404,783
Chattel mortgage	84,735	484,577	–	430,580
Others	66,576,638	35,608,038	65,419,101	35,572,532
	79,301,253	46,841,280	76,159,550	45,189,037
Unsecured	414,872,194	326,866,206	327,230,996	256,429,206
	₱494,173,447	₱373,707,486	₱403,390,546	₱301,618,243

The breakdown as to secured and unsecured of non-accruing loans of the Group and the Parent Bank as of December 31 follows:

	Group		Parent Bank	
	2022	2021	2022	2021
Secured	₱8,869,679	₱4,657,991	₱8,706,112	₱4,310,580
Unsecured	13,010,007	14,291,767	5,014,561	8,564,337
	₱21,879,686	₱18,949,758	₱13,720,673	₱12,874,917



As to status

Non-performing loans (NPLs) of the Group and the Parent Bank as of December 31, 2022 and 2021 are presented below, net of the related allowance for credit losses in compliance with BSP Circular 855, respectively (amounts in thousands).

	Group		Parent Bank	
	2022	2021	2022	2021
Gross NPLs	₱21,879,686	₱18,949,758	₱13,720,673	₱12,874,917
Specific allowance for credit losses on NPLs	(10,791,956)	(10,072,401)	(6,951,092)	(7,529,574)
	₱11,087,730	₱8,877,357	₱6,769,581	₱5,345,343

Under BSP Circular 941, an account or exposure is considered non-performing, even without any missed contractual payments, when it is deemed impaired under existing applicable accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, in the case of secured accounts. All other accounts, even if not considered impaired, shall be considered non-performing if any contractual principal and/or interest are past due for more than ninety (90) days, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans, investment, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is a sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

Information on the amounts of performing and non-performing loans and receivables (gross of allowance for impairment and credit losses) per product line of the Group and Parent Bank are as follows:

	Group					
	2022		Total	2021		Total
	Performing	Non-Performing		Performing	Non-Performing	
Corporate loans	₱130,325,055	₱174,917	₱130,499,972	₱117,506,723	₱1,167,863	₱118,674,586
Consumer products*	95,958,602	3,243,884	99,202,486	15,700,041	2,419,612	18,119,653
Commercial loans	71,273,065	3,959,433	75,232,498	66,908,763	3,033,984	69,942,747
Home loans	59,923,287	5,736,182	65,659,469	52,407,938	5,806,732	58,214,670
CSB salary loans	58,843,468	5,185,814	64,029,282	42,268,532	3,356,560	45,625,092
Other receivables from customers**	42,292,399	3,579,456	45,871,855	26,146,411	3,165,007	29,311,418
Total receivables from customers	₱458,615,876	₱21,879,686	₱480,495,562	₱320,938,408	₱18,949,758	₱339,888,166

*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

**Comprised of HR loans, quick loans and Home Credit receivables



	Parent Bank					
	2022			2021		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Corporate loans	₱130,325,055	₱174,917	₱130,499,972	₱117,506,723	₱1,167,863	₱118,674,586
Consumer products*	95,958,602	3,243,884	99,202,486	15,700,041	2,419,612	18,119,653
Commercial loans	71,273,065	3,959,433	75,232,498	66,908,763	3,033,984	69,942,747
Home loans	59,923,287	5,736,182	65,659,469	52,407,938	5,806,732	58,214,670
Other receivables from customers**	19,395,834	606,257	20,002,091	13,575,477	446,726	14,022,203
Total receivables from customers	₱376,875,843	₱13,720,673	₱390,596,516	₱266,098,942	₱12,874,917	₱278,973,859

*Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans

**Comprised of HR loans, quick loans and Home Credit receivables

Related party loans

As of December 31, 2022 and 2021, the Group's and the Parent Bank's related party loans solely consist of DOSRI loans, as shown below (peso amounts in thousands):

	Group		Parent Bank	
	2022	2021	2022	2021
Total DOSRI loans	₱640,544	₱545,518	₱616,127	₱507,225
Unsecured DOSRI loans	272,992	247,341	263,012	223,880
Total related party loans (including DOSRI loans)	640,544	545,518	616,127	507,225
Unsecured related party loans (including DOSRI loans)	272,992	247,341	263,012	223,880
% of DOSRI/related party loans to total loan portfolio	0.13%	0.16%	0.16%	0.18%
% of unsecured DOSRI/related party loans to total DOSRI loans	—%	—%	—%	—%
% of past due DOSRI/related party loans to total DOSRI loans	—%	—%	—%	—%
% of non-accruing DOSRI/related party accounts to total DOSRI loans	—%	—%	—%	—%

The total unsecured DOSRI loans above include loans extended to employees treated as fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB. Accordingly, the percentage of unsecured DOSRI loans to total DOSRI loans as presented above is nil.

Secured liability and assets pledged as security

The Group's and the Parent Bank's bills payable under repurchase agreements amounted to ₱78.23 billion and ₱18.67 billion as of December 31, 2022 and 2021, respectively.

Investment securities of both the Group and the Parent Bank with carrying values of ₱106.71 million and ₱23.47 million as of December 31, 2022 and 2021, respectively, were pledged against bills payable under repurchase agreement.



Commitments and contingencies

Following is a summary of the Group and Parent Bank's commitments and contingent accounts (amounts in thousands):

	Group		Parent Bank	
	2022	2021	2022	2021
Trust department accounts	₱91,649,087	₱89,976,412	₱91,649,087	₱89,976,412
Forward exchange bought	74,853,141	31,946,925	74,853,141	31,946,925
Forward exchange sold	25,708,489	22,392,884	25,708,489	22,392,884
Commitments	50,820,675	61,930,576	50,773,475	61,840,156
Inward bills for collections	17,307,197	13,342,960	17,307,197	13,342,960
Other derivatives	13,801,894	12,738,173	13,801,894	12,738,173
Unused standby letters of credit	8,986,154	5,849,338	8,986,154	5,849,338
Spot exchange bought	3,378,510	1,332,437	3,378,510	1,332,437
Spot exchange sold	3,530,275	4,086,222	3,530,275	4,086,222
Outstanding guarantees issued	1,426,923	1,208,727	1,426,685	1,208,675
Other commitment and contingent accounts	111,295	64,607	48,960	10,910

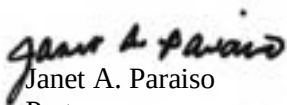


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Union Bank of the Philippines
UnionBank Plaza
Meralco Avenue corner Onyx street and Sapphire Road,
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Union Bank of the Philippines (the Bank) and its Subsidiaries (together with the Bank, the Group) and the parent bank financial statements of Union Bank of the Philippines as at December 31, 2022 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated and parent bank financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated and parent bank financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated and parent bank financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated and parent bank financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

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

SEC Partner Accreditation No. 92305-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369768, January 3, 2023, Makati City

February 27, 2023

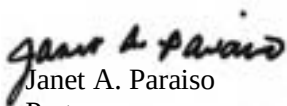


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Union Bank of the Philippines
UnionBank Plaza
Meralco Avenue corner Onyx street and Sapphire Road,
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Union Bank of the Philippines (the Bank) and its Subsidiaries (together with the Bank, the Group) and the parent bank financial statements of Union Bank of the Philippines as at December 31, 2022 and for each of the years in the period ended December 31, 2022 and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated and parent bank 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 consolidated and parent bank financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's consolidated and parent bank financial statements as at December 31, 2022 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

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

SEC Partner Accreditation No. 92305-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369768, January 3, 2023, Makati City

February 27, 2023



UNION BANK OF THE PHILIPPINES

INDEX TO THE SUPPLEMENTARY SCHEDULES

Annex 68-D (Index D): Reconciliation of Retained Earnings Available for Dividend Declaration

Rule 68-4.H (Index C-II): Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex 68-J (Index C): Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule G. Capital Stock



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

A. Statement of Management's Responsibility for Financial Statements

**B. Independent Auditors' Report on the SEC Supplementary Schedules
Filed Separately from the Basic Financial Statements**

C. List of Supplementary Information

Supplementary Schedules to Financial Statements (Form 17-A, Item 7)

Schedule	Content	Page
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Financial Assets at Amortized Cost Financial Assets at Fair Value Through Other Comprehensive Income <i>(Annex 68-J, A)</i>	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) <i>(Annex 68-J, B)</i>	5
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements <i>(Annex 68-J, C)</i>	6
D	Long-term Debt <i>(Annex 68-J, D)</i>	7
E	Indebtedness to Related Parties (Long-term Loans from Related Companies) <i>(Annex 68-J, E)</i>	*
F	Guarantees of Securities of Other Issuers <i>(Annex 68-J, F)</i>	*
G	Capital Stock <i>(Annex 68-J, G)</i>	8
I	Reconciliation of Retained Earnings Available for Dividend Declaration <i>(Annex 68-D)</i>	9
II	Map Showing the Relationship Between and Among the Bank and its Related Entities	10
D.	Schedule of Financial Soundness Indicators for December 31, 2022 and 2021 (Annex 68-E)	11
E.	Schedule for Listed Companies with a Recent Offering of Securities to the Public	12

* These schedules and supplementary information are not included as these are not applicable to Group.

Union Bank of the Philippines and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-J
Schedule A - Financial Assets
December 31, 2022

	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt Securities				
Bureau of Treasury	5,953,791,314	P 5,738,000,925	P 5,738,000,925	P 125,619,959
Banco De Oro				110,705
Filinvest Development Corporation	1,561,140	1,530,698	1,530,698	64,218
FPT Finance Ltd.	72,481,500	67,849,207	67,849,207	3,435,457
International Container Terminal Services, Inc.	56,201,040	48,803,275	48,803,275	2,667,138
PT Indonesia Asahan Aluminium (Persero)	334,530,000	334,371,035	334,371,035	19,048,603
JG Summit Holdings	33,285,735	29,173,615	29,173,615	1,492,426
Metropolitan Bank and Trust Company	500,000	481,306	481,306	7,886
Megaworld Corporation	89,208,000	81,396,948	81,396,948	4,506,195
Philippine National Bank	2,787,750	2,620,401	2,620,401	593,378
Power Finance Corporation Ltd.	167,265,000	159,997,336	159,997,336	5,421,012
Power Sector Asset and Liabilities Management Corp	280,949,445	328,362,473	328,362,473	26,966,270
Rizal Commercial Banking Corporation	100,080,225	98,541,929	98,541,929	4,581,164
Republic of Philippines	11,151,000	9,085,723	9,085,723	216,841
San Miguel Corp	10,500,000	10,081,876	10,081,876	113,313
Vista Land and Lifescapes, Inc.(Vista Land)	90,434,610	86,261,957	86,261,957	9,928,447
Total Debt Securities		P 6,996,558,704	P 6,996,558,704	P 204,773,012
Equity Securities				
Alta Vista Golf & Country Club	1	400,000	400,000	-
Cebu Country Club	2	26,000,000	26,000,000	-
Celebrity (Sports) Plaza, Inc.	1	250,000	250,000	-
Manila Polo Club	9	378,000,000	378,000,000	-
The Metropolitan Club, Inc. - A	10	2,500,000	2,500,000	-
The Metropolitan Club, Inc. - B	13	3,900,000	3,900,000	-
		P 411,050,000	P 411,050,000	P -
Abacore Capital (ABACUS)	200,000	P 416,000	P 416,000	P -
A. Soriano Corporation	31,250	282,500	282,500	78,125
Empire Easet	5,857,808	1,101,268	1,101,268	-
Global Estates Resort (formerly Fil-Estate Land)	760,500	707,265	707,265	-
Metro Alliance (formerly Marsman & Company, Inc.)	645,000	419,250	419,250	-
Petron Corporation	249,100	597,840	597,840	24,910
Republic Glass Holdings Corporation	733,000	2,272,300	2,272,300	65,970
Shang Properties, Inc. (formerly KOUK)	147,142	373,741	373,741	75,852
Project Quest Corporation	8,750,000	31,151,011	31,151,011	3,062,500
Philippine Depository & Trust Corp. (formely Phil. Central Depository, Inc.)	5,228	959,171	959,171	-
Abacore Capital (ABACUS)	256,000	532,480	532,480	-
Asia Best International, Inc. (formerly AGP INDUSTRIAL CORP. - A (Halted – Prev. C	4	14	14	-
Cosco Capital (formerly Alcorn Gold Resources – B)	99,000	462,330	462,330	-
Araneta Properties, Inc. A	544	555	555	-
Benguet Corp. -A	355	1,456	1,456	-
Benguet Corp. -B	1,702	7,131	7,131	-
Banco De Oro	72	7,610	7,610	-
Leisure & Resorts World Corp – A	166	400	400	-
Imperial Resources Inc – A	30	32	32	-
Keppel Phil. Properties - A	593	2,354	2,354	-
Mabuhay Holdings, Inc.	170,000	38,420	38,420	-
Omico Mining & Industrial Corp.	800	264	264	-
Philodrill Corporation - B (Class A and B are considered the same)	280,554	2,749	2,749	-
Prime Media Holdings Incorporated (FIRST E BANK)	939	1,953	1,953	-
Wellex Industries, Inc. (Republic Resources)	333	77	77	-
Shiptek Solutions Corp Ph	-	31,000,000	31,000,000	-
		P 70,338,171	P 70,338,171	P 3,307,357
Total Equity Securities		P 481,388,171	P 481,388,171	P 3,307,357

Union Bank of the Philippines and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-J
Schedule A - Financial Assets
December 31, 2022

	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
Derivative Assets				
Australia and New Zealand Bank	P	221,017	P 221,017	P -
Australia and New Zealand Bank - Manila Branch		104,622,970	P 104,622,970	-
Barclays Bank		26,624	26,624	-
Banco De Oro		135,239,139	135,239,139	-
BNP Paribas		2,555,000	2,555,000	-
Bank of New York		2,505,000	2,505,000	-
Bank of the Philippine Islands		18,462,432	18,462,432	-
China Banking Corporation		44,223,479	44,223,479	-
Citibank N A		7,764,567	7,764,567	-
East West Banking Corporation		12,846,314	12,846,314	-
EPL Propack Philippines, Inc.		1,433,237	1,433,237	-
General Metal Container Corp. of the Phils.		41,694	41,694	-
Goldman Sachs		437,025	437,025	-
JP Morgan Chase Bank		127,722	127,722	-
Malayan Bank Savings & Mortgage Bank		578,418	578,418	-
Metropolitan Bank and Trust Company		146,214,271	146,214,271	-
Micro Mechanics Technology International Inc		21,759	21,759	-
Monark Equipment Corporation		123,194	123,194	-
Morgan Stanley Dean Witter and Company		6,595	6,595	-
Philippine National Bank		9,468,433	9,468,433	-
Rizal Commercial Banking Corporation		122,905,949	122,905,949	-
Standard Chartered Bank		39,661,809	39,661,809	-
Standard Chartered Bank		279,037	279,037	-
Sutherland Global Services Philippines, Inc.		147,711,518	147,711,518	-
Transcom Worldwide		19,147,815	19,147,815	-
Unioil Petroleum Philippines Inc		5,806,899	5,806,899	-
Individual Clients		299,778,720	299,778,720	-
ING Bank NV Manila Trust Department		669,843	669,843	-
Credit Suisse International Group		52,688,475	52,688,475	-
Total Derivative Assets	P	<u>1,175,568,955</u>	P <u>1,175,568,955</u>	P <u>-</u>
Total - Financial Assets at Fair Value through Profit or Loss	P	<u>8,653,515,830</u>	P <u>8,653,515,830</u>	P <u>208,080,369</u>

Union Bank of the Philippines and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-J
Schedule A - Financial Assets
December 31, 2022

	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT AMORTIZED COST				
Government bonds and other debt securities				
Indonesian Government	5,976,936,000	P 6,396,783,928	P 6,201,616,049	P 296,083,390
Bangko Sentral ng Pilipinas	-	-	-	59,910,555
Abu Dhabi National Energy Co.(TAQA)	446,040,000	446,825,879	443,203,186	19,136,709
Bharat Petroleum Corp. Ltd.	3,150,157,500	3,073,365,711	2,972,275,354	155,694,646
NTPC Limited	278,775,000	276,318,566	264,139,313	18,327,193
Perusahaan Perseroan(Persero) PT Perusahaan Listrik Negara	836,325,000	1,068,547,619	941,083,070	55,127,080
Petroleos Mexicanos	5,413,810,500	5,373,756,673	3,553,853,139	353,625,772
Petroleum Nasional Berhad(Petronas)	557,550,000	557,391,082	540,622,782	19,519,111
Saudi Arabian Oil Company	1,393,875,000	1,401,954,836	1,269,393,599	55,597,133
Petroleos Mexicanos	1,902,985,056	1,869,729,136	1,482,216,030	99,588,290
Brazil Sovereign Group	1,672,650,000	1,960,459,926	1,746,478,541	106,053,396
Bureau of Treasury	198,922,505,337	203,401,768,723	182,990,336,695	7,586,363,405
Colombia Sovereign Group	1,003,590,000	1,294,182,122	941,277,097	60,117,451
Peru Sovereign Group	1,784,160,000	2,560,498,385	2,181,599,482	98,872,356
Qatar Sovereign Group	278,775,000	278,987,457	268,507,717	8,950,575
Saudi Arabia Sovereign Group	390,285,000	411,904,848	386,870,006	13,951,893
Sultanate of Oman Sovereign Group	724,815,000	774,746,120	661,437,176	45,945,322
Turkey Sovereign Group	2,230,200,000	2,226,982,158	1,533,276,996	128,953,409
Uruguay Sovereign Group	111,510,000	148,056,034	138,720,670	5,816,791
Bureau of Treasury	345,500,000	344,735,084	331,359,135	13,484,986
Bureau of Treasury	8,697,850,000	8,787,497,518	7,944,200,825	382,894,363
Bureau of Treasury	5,000,634	5,000,634	5,000,634	398,288
Total Government bonds and other debt securities		P 242,659,492,439	P 216,797,467,496	P 9,584,412,114
Private bonds and commercial papers				
Hindustan Petroleum Corp. Ltd.	836,325,000	P 811,757,563	P 782,632,935	P 38,088,828
JG Summit Holdings	144,963,000	144,963,000	143,762,706	6,324,515
STI Education Services Group, Inc.	45,370,000	45,370,000	39,046,269	2,884,575
Vista Land and Lifescapes, Inc.(Vista Land)	1,181,250,000	1,181,250,000	1,311,704,297	104,303,320
Aboitiz Power Corporation	50,000,000	50,000,000	50,000,000	1,911,200
SMC Bonds	40,000,000	40,000,000	40,000,000	2,304,520
Total Private bonds and commercial papers		P 2,273,340,563	P 2,367,146,207	P 155,816,958
Less: Allowance for credit losses		(304,928,833)		-
Total - Financial Assets at Amortized Cost		P 244,627,904,169	P 219,164,613,703	P 9,740,229,072

Union Bank of the Philippines and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-J
Schedule A - Financial Assets
December 31, 2022

	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Government and private bonds and other debt securities				
Metropolitan Bank and Trust Company	446,040,000	P 398,786,522	P 398,786,522	P 581,341
Philippine National Bank	453,678,435	426,444,119	426,444,119	5,771,897
Del Monte Pacific Limited	2,787,750,000	2,658,259,013	2,658,259,013	6,245,113
Filinvest Development Corporation	2,202,322,500	2,159,377,211	2,159,377,211	2,375,968
FPT Finance Ltd.	1,735,708,905	1,624,779,749	1,624,779,749	6,406,457
International Container Terminal Services, Inc.	2,319,408,000	1,876,216,300	1,876,216,300	8,983,272
JG Summit Holdings	2,888,722,305	2,531,849,551	2,531,849,551	15,117,188
Manila Water Company, Inc.	3,319,764,210	2,783,954,267	2,783,954,267	2,539,812
Megaworld Corporation	3,162,033,315	2,885,165,678	2,885,165,678	2,740,473
Vista Land and Lifescapes, Inc.(Vista Land)	836,325,000	797,736,965	797,736,965	4,456,779
Power Finance Corporation Ltd.	1,728,405,000	1,423,047,689	1,423,047,689	448,151
PT Pertamina(Persero)	713,440,980	690,312,287	690,312,287	17,371,647
Saudi Arabia Sovereign Group	1,338,120,000	1,086,071,717	1,086,071,717	891,840
US Treasury/Sovereign Group	20,629,350,000	16,238,689,229	16,238,689,229	165,038,275
Bureau of Treasury	38,317,860,000	33,031,678,034	33,031,678,034	14,120,647
Power Sector Asset and Liabilities Management Corp	5,916,274,560	6,741,893,547	6,741,893,547	372,372,385
Republic of Philippines	1,115,100,000	906,866,226	906,866,226	709,420
Indonesian Government	1,393,875,000	1,160,303,366	1,160,303,366	45,131
Bureau of Treasury	10,000,000	9,247,107	9,247,107	1,582,986
Vista Land and Lifescapes, Inc.(Vista Land)	30,000,000	28,924,998	28,924,998	1,725,360
Aboitiz Power Corp	10,000,000	9,552,167	9,552,167	527,570
Ayala Land Inc	20,000,000	19,871,960	19,871,960	1,556,747
San Miguel Corp	-	-	-	130,792
Total Government and private bonds and other debt securities		P 79,489,027,702	P 79,489,027,702	P 631,739,251
Equity Securities				
BANCNET	50,000	P 5,000,000	P 5,000,000	P -
BAP Consulting, Inc.	12,500	1,250,000	1,250,000	-
BAP-Credit Bureau	-	50,000	50,000	-
Coop Society Swift	-	3,139	3,139	-
Cruztelco	90	9,000	9,000	-
Eastern Visayas Tel Co.	100	5,000	5,000	-
Fixed Income Exchange	125,000	1,250,000	1,250,000	-
Local Government Unit Guaranty Corporation	50,000	5,000,000	5,000,000	-
Local Government Unit Guaranty Corporation	50,000	5,000,100	5,000,100	-
Makati Executive Center	1	31,500	31,500	-
Manila Electric Company	21,934	219,340	219,340	-
Metropolitan Threater	1	40,000	40,000	-
Metropolitan Waterworks and Sewerage System	-	150	150	-
Philippine Clearing House Corporation	21,000	5,000,000	5,000,000	-
Philam	2	1,000,000	1,000,000	-
Philam Properties Corp.	-	500,000	500,000	-
Philippine Dealing System Holdings Corporation (formerly Philippine Central Depository Incorporated)	31,690	3,169,000	3,169,000	-
Pilipino Telephone Corporation	75	6,000	6,000	-
Rockwell Land Corporation	2	700,000	700,000	-
Steel Asia	-	13,439,870	13,439,870	-
Philippine Airlines	4,573,528	4,573,528	4,573,528	-
Benguet Corp	462	1,903	1,903	-
A Brown Company	2,471	1,779	1,779	-
Victorias Milling Company Inc.	58	173	173	-
Integra Fund LLP	-	48,417,701	48,417,701	-
NYK Ventures Pte. Ltd.	4,459	78,366,366	78,366,366	-
Consensus Software Inc.	29,240	99,700,000	99,700,000	-
Total Equity Securities		P 272,734,549	P 272,734,549	P -
Total - Financial Assets at Fair value through OCI		P 79,761,762,251	P 79,761,762,251	P 631,739,251
GRAND TOTAL		P 333,043,182,250	P 307,579,891,784	P 10,580,048,692

Union Bank of the Philippines and Subsidiaries

SEC Released Amended SRC Rule 68

Annex 68-J

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	

**RECEIVABLES FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
ARE WITHIN THE ORDINARY COURSE OF BUSINESS OF THE BANK**

Union Bank of the Philippines and Subsidiaries

SEC Released Amended SRC Rule 68

Annex 68-J

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2022

Name and Designation of Debtor	Balance at Beginning of Year		Additions		Deductions		Ending Balance		Balance at End of Year	
					Amounts Collected/ Paid	Amounts Written-off	Current	Not Current		
Accounts Receivable from Related Parties										
City Savings Bank, Inc. (Subsidiary)	P	37,631,396	P	-	P	37,631,396	P	-	P	-
UnionDigital Bank, Inc. (Subsidiary)		29,000,000		23,977,467		-		52,977,467		52,977,467
UBX Philippines Corporation (Subsidiary)		4,548,244		24,685,461		28,602,804		630,901		630,901
Citicorp Financial Services and Insurance Brokerage Philippines, Inc. (S		-		37,327,617		13,950,953		23,376,664		23,376,664
PetNet, Inc. (Subsidiary)		-		2,575,004		-		-	2,575,004	2,575,004
First Union Insurance and Financial Agencies, Inc. (Subsidiary)		20,995		13,174		20,995		13,174		13,174
	P	71,200,635	P	88,578,723	P	80,206,148	P	-	P	76,998,206
							P	2,575,004		79,573,210
Accounts Payable to Related Parties										
UBX Philippines Corporation (Subsidiary)	P	37,789,293	P	199,079,858	P	159,725,584	P	77,143,567	p	-
UnionDigital Bank, Inc. (Subsidiary)		-		298,259,426		-		298,259,426		-
UBP Investments Corporation (Subsidiary)		396,967		-		-		-	396,967	396,967
Bangko Kayaban, Inc. (Bangko Kabayan) (Subsidiary)		224,690		68,808,519		68,855,189		178,020		-
	P	38,410,950	P	566,147,803	P	228,580,773	P	-	P	375,581,013
							P	396,967		375,977,980

Union Bank of the Philippines and Subsidiaries

SEC Released Amended SRC Rule 68

Annex 68-J

Schedule D - Long-term Debt

December 31, 2022

Title of Issue and Type of Obligation	Amount Authorized by Indenture (Amounts in PhP)	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-term Debt" in related Statement of Financial Condition
USD Senior Medium Term Notes Due 2025	P 16,726,500,000	P -	P 16,659,943,444
Peso Senior Series C Bonds Due 2023	39,000,000,000	8,097,039,177	-
Peso Senior Series D Bonds Due 2026		-	880,047,212
Peso Digital Bonds		10,937,831,987.0	-
USD IFC Social Bonds	8,363,250,000	-	8,312,897,528
Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025	20,000,000,000	-	6,756,565,400
Long Term Negotiable Certificate of Deposit 2023	20,000,000,000	3,000,000,000	-

Details:

	<u>Maturity Date</u>	<u>Interest Rate</u>
USD Senior Medium Term Notes Due 2025	October 22, 2025	2.125%
Peso Senior Series C Bonds Due 2023	December 9, 2023	2.750%
Peso Senior Series D Bonds Due 2026	March 9, 2026	3.375%
Peso Digital Bonds	December 2, 2023	3.250%
USD IFC Social Bonds	July 23, 2028	4.061%*
Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025	May 24, 2030	5.250%
Long Term Negotiable Certificate of Deposit 2023	August 21, 2023	4.375%

*floating rate

Union Bank of the Philippines and Subsidiaries

SEC Released Amended SRC Rule 68

Annex 68-J

Schedule G - Capital Stock

December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Stock	<u>2,530,785,238</u>	<u>2,142,106,764</u>	<u>5,000,000</u>	<u>1,736,920,289</u>	<u>45,314,561</u>	<u>359,871,914</u>
Preferred Stock	<u>100,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Annex 68 -D

**Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2022
(Amounts in Thousands of Philippine Pesos)**

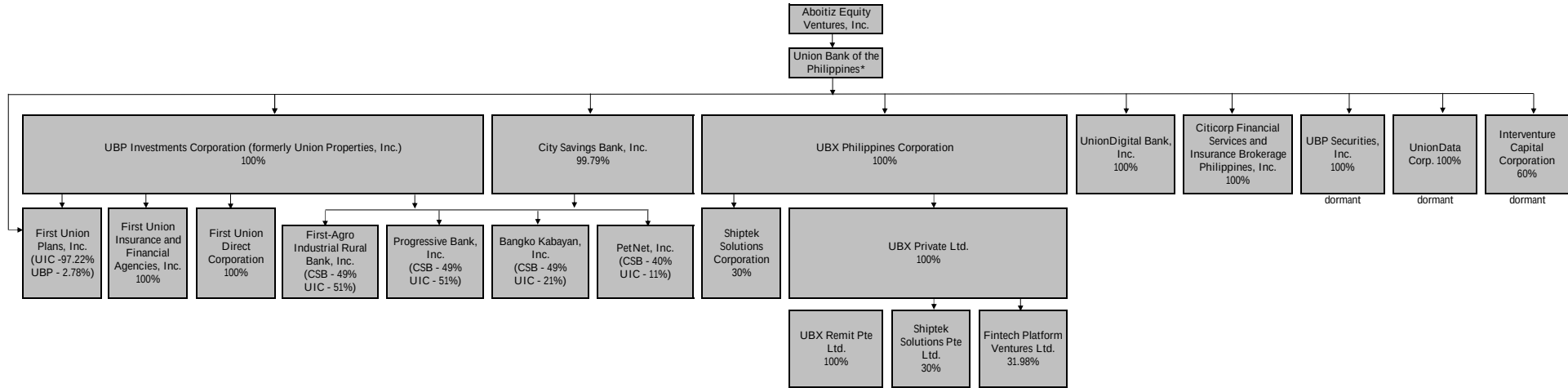
**UNION BANK OF THE PHILIPPINES
UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road
Ortigas Center, Pasig City**

Unappropriated Retained Earnings at Beginning of Year, as Previously Reported	P	82,754,489
Prior Years' Outstanding Reconciling Items, net of tax		
Accumulated equity in net profit of subsidiaries	(	15,688,321)
Accumulated net unrealized gain on foreclosure/initial recognition of investment properties, net of related depreciation	(	1,132,936)
Deferred tax assets	(	5,575,980)
Unappropriated Retained Earnings, as Adjusted to Available for Dividend Distribution, Beginning of Year		60,357,252
Add: Net Profit Actually Earned/Realized during the Year		
Net profit during the period closed to Retained Earnings	P	<u>12,529,248</u>
Less: Non-actual/unrealized income, net of tax		
Net reversal/realizations from deferred tax asset	(	534,247)
Share in net profit of subsidiaries		1,712,086
Unrealized fair value gains on foreign exchange revaluation		158,297
Net unrealized gain on foreclosure/initial recognition of properties, net of related depreciation		<u>185,092</u>
Subtotal		<u>1,521,228</u>
Net Profit Actually Earned/Realized during the Year		11,008,020
Add (Less):		
Dividend declarations during the period	(	4,269,771)
Release of Retained Earnings Appropriation during the period		<u>293,854</u>
	(	<u>3,975,917)</u>
Total Retained Earnings, End of the Year Available for Dividend Declaration	P	<u>67,389,355</u>

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road,
Ortigas Center, Pasig City

**Map Showing the Relationship Between and Among the Bank
and its Related Entities****
December 31, 2022

CONGLOMERATE MAPPING



* Union Bank of the Philippines (UBP) is effectively 49.92% owned by Aboitiz Equity Ventures, Inc. (AEVI); hence, UBP is an associate of AEVI in accordance with PAS 28, *Investments in Associates*.

** Required by Securities and Exchange Commission, Revised Securities Regulation Code Rule 68, as revised, dated January 6, 2022.

Annex 68 -E

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Union Bank of the Philippines and Subsidiaries

As of December 31, 2022

Ratio	Formula	Current Year	Prior Year
Current ratio	Current Assets/ Current Liabilities	49.6%	53.9%
Acid test ratio	Current Assets/ Current Liabilities	49.6%	53.9%
Solvency ratios	Net Profit After Tax, Before Non-cash Expenses/ Liabilities	2.2%	3.2%
Debt-to-equity ratio	Liabilities/ Equity	6.4:1	6.4:1
Asset-to-equity ratio	Asset/ Equity	7.4:1	7.4:1
Interest rate coverage ratio	Earnings before interests and taxes/ Interest expense	2.4:1	3.3:1
Return on equity	Net Profit/ Average Total Capital Funds*	9.7%	11.6%
Return on assets	Net Profit/ Average Total Resources*	1.3%	1.6%
Net interest margin	Net Interest Income/ Average Interest- earning Resources*	4.9%	4.6%

**Average amount is calculated based on current year-end and previous year-end balances.*

ANNEX 68-I

SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE
PUBLIC

Union Bank of the Philippines
For the Period Ended December 31, 2022

1. Gross and net proceeds as disclosed in the final prospectus

UBP Stock Rights Offering:

Gross Proceeds	40,000,000,000.00
Net Proceeds	39,819,100,000.00

2. Actual gross and net proceeds

UBP Stock Rights Offering:

Gross Proceeds	39,999,999,971.05
Total Offer Expenses	202,517,760.78
Net Proceeds	39,797,482,210.27

3. Each expenditure item where the proceeds were used

The net proceeds of the SRO in the amount of PHP 39,797,482,210.27 has been fully disbursed to partially fund the Bank's acquisition of the consumer banking business of Citigroup, Inc. in the Philippines in accordance with the approved Use of Proceeds of the Bank's SRO.

Total Offer Expenditures amounting to Php 202,517,760.78 include the SEC Filing Fee, Documentary Stamp Tax, PSE Listing and Processing Fee, Legal and Professional Fees, and Other Miscellaneous Expenses.

4. Balance of the proceeds as at end of reporting period

Nil. Proceeds has been fully utilized as of end of reporting period.



Banking to the Top with Innovation

2022 SUSTAINABILITY REPORT

Union Bank of the Philippines and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
as at June 30, 2023 and
for the six months ended
June 30, 2023 and 2022

and

Report on Review of Interim Condensed
Consolidated Financial Statements



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Stockholders
Union Bank of the Philippines

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Union Bank of the Philippines and Subsidiaries, which comprise the interim consolidated statement of financial position as at June 30, 2023, and the interim consolidated statements of income, interim consolidated statements of comprehensive income, interim consolidated statements of changes in equity and interim consolidated statements of cash flows for the six months ended June 30, 2023 and 2022, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

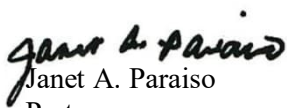
We conducted our review in accordance with the Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34, *Interim Financial Reporting*.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

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

SEC Partner Accreditation No. 92305-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369768, January 3, 2023, Makati City

October 24, 2023



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

(With Comparative Audited Figures as at December 31, 2022)

(Amounts are presented in thousands of Philippine Pesos)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
RESOURCES		
Cash and Other Cash Items (Note 7)	₱9,502,832	₱9,891,536
Due from Bangko Sentral ng Pilipinas (Note 7)	75,924,889	94,610,308
Due from Other Banks (Note 8)	24,250,395	46,239,964
Interbank Loans Receivable and Securities Purchased under Reverse Repurchase Agreements (Note 9)	8,882,571	23,553,973
Trading and Investment Securities		
At fair value through profit or loss (FVTPL) (Note 10)	4,398,393	8,653,516
At amortized cost (Note 11)	315,037,848	244,627,904
At fair value through other comprehensive income (FVOCI) (Note 12)	38,031,276	79,761,762
Loans and Other Receivables - net (Note 13)	522,151,515	479,626,649
Investment in Associates	110,506	123,396
Bank Premises, Furniture, Fixtures and Equipment - net (Note 14)	10,321,672	8,706,619
Investment Properties (Note 15)	8,158,823	8,258,873
Goodwill (Note 16)	62,406,266	62,341,536
Other Resources - net (Note 17)	30,221,858	26,665,885
TOTAL RESOURCES	₱1,109,398,844	₱1,093,061,921

LIABILITIES AND CAPITAL FUNDS

LIABILITIES

Deposit Liabilities (Notes 19 and 30)

Demand	₱224,005,991	₱232,081,793
Savings	187,252,292	195,020,730
Time	279,011,284	281,201,419
Long term negotiable certificate of deposits	3,000,000	3,000,000
	693,269,567	711,303,942
Bills Payable (Note 20)	144,401,050	132,846,789
Notes and Bonds Payable (Note 21)	52,165,478	51,644,325
Other Liabilities (Note 22)	46,305,142	48,800,486
	936,141,237	944,595,542

CAPITAL FUNDS

Capital funds attributable to the Parent Bank's stockholders:

Common stock (Note 23)	23,537,746	21,421,068
Treasury stock (Note 23)	(2,097)	—
Additional paid-in capital (Note 23)	57,819,877	47,949,927
Stock dividend distributable (Note 23)	6,355,191	—
Surplus free (Note 23)	86,305,938	91,051,983
Surplus reserves (Notes 23 and 29)	2,479,848	2,452,975
Net unrealized fair value losses on investment securities at FVOCI	(2,979,783)	(14,057,609)
Remeasurements of defined benefit plans	(1,149,310)	(1,227,666)
Other reserves	30,444	30,989
Total capital funds attributable to the Parent Bank's stockholders	172,397,854	147,621,667
Non-controlling interests	859,753	844,712
	173,257,607	148,466,379
TOTAL LIABILITIES AND CAPITAL FUNDS	₱1,109,398,844	₱1,093,061,921

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2023	2022	2023	2022
INTEREST INCOME ON				
Loans and other receivables (Note 13)	₱26,996,516	₱14,571,750	₱14,263,973	₱7,507,534
Investment securities at amortized cost and FVOCI (Notes 11 and 12)	7,672,420	5,425,136	3,950,137	2,998,650
Cash and cash equivalents (Notes 7 and 8)	908,258	378,799	371,829	205,706
Trading securities at FVTPL (Note 10)	121,253	89,555	50,179	42,897
Interbank loans receivable and SPURRA (Note 9)	774,434	221,775	425,487	120,579
	36,472,881	20,687,015	19,061,605	10,875,366
INTEREST EXPENSE ON				
Deposit liabilities (Note 19)	7,349,962	1,750,507	4,010,921	945,008
Bills payable and other liabilities (Notes 20, 21 and 22)	5,169,302	1,964,448	2,590,031	1,023,523
	12,519,264	3,714,955	6,600,952	1,968,531
NET INTEREST INCOME	23,953,617	16,972,060	12,460,653	8,906,835
PROVISION FOR CREDIT LOSSES (Note 18)	4,982,207	1,556,022	2,840,420	1,051,527
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	18,971,410	15,416,038	9,620,233	7,855,308
OTHER INCOME				
Service charges, fees and commissions (Note 24)	6,308,871	2,185,298	3,387,109	817,445
Gains (losses) on trading and investment securities at FVTPL and FVOCI (Notes 10 and 12)	763,106	(427,969)	356,592	(186,756)
Gains on sale of investment securities at amortized cost (Note 3)	—	100,223	—	—
Miscellaneous (Note 25)	3,413,679	2,718,211	2,131,610	1,776,578
	10,485,656	4,575,763	5,875,311	2,407,267
OPERATING EXPENSES				
Salaries and employee benefits (Note 27)	6,685,481	3,909,303	3,599,323	2,000,443
Taxes and licenses	2,762,557	1,727,365	1,465,137	940,184
Depreciation and amortization (Notes 14, 15 and 17)	1,008,730	705,257	549,131	376,203
Occupancy (Notes 14 and 32)	609,539	465,139	332,636	241,869
Miscellaneous (Note 26)	10,736,351	5,152,593	5,785,993	2,384,658
	21,802,658	11,959,657	11,732,220	5,943,357
PROFIT BEFORE TAX	7,654,408	8,032,144	3,763,324	4,319,218
INCOME TAX EXPENSE (Note 28)	1,232,543	1,975,980	721,856	870,672
NET PROFIT	₱6,421,865	₱6,056,164	₱3,041,468	₱3,448,546
Attributable to:				
Parent Bank's stockholders	₱6,343,568	₱5,981,350	₱3,004,559	₱3,407,652
Non-controlling interests	78,297	74,814	36,909	40,894
	₱6,421,865	₱6,056,164	₱3,041,468	₱3,448,546
Basic/Diluted Earnings Per Share (Note 31)	₱2.74	₱3.46	₱1.30	₱1.97

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

(Amounts are presented in thousands of Philippine Pesos)

	For the Six Months Ended June 30		For the Three Months Ended June 30	
	2023	2022	2023	2022
NET PROFIT FOR THE PERIOD	₱6,421,865	₱6,056,164	₱3,041,468	₱3,448,546
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Unrealized mark-to-market gains (losses) on investment securities at FVOCI (Note 3)	11,467,275	(9,703,721)	112,815	(4,616,820)
Realized gains on sale of investment securities at FVOCI recognized in profit or loss	(389,241)	(55,862)	(295,469)	(16,397)
Cumulative translation adjustment	(545)	6,428	1,036	4,847
	11,077,489	(9,753,155)	(181,618)	(4,628,370)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (losses) on defined benefit plans	106,765	(6,233)	100,043	(5,822)
Deferred tax effect	(24,974)	1,558	(24,929)	1,529
	81,791	(4,675)	75,114	(4,293)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	11,159,280	(9,757,830)	(106,504)	(4,632,663)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	₱17,581,145	(₱3,701,666)	₱2,934,964	(₱1,184,117)
Attributable to the:				
Parent Bank's stockholders	₱17,499,205	(₱3,775,807)	₱2,897,953	(₱1,224,912)
Non-controlling interests	81,940	74,141	37,011	40,795
	₱17,581,145	(₱3,701,666)	₱2,934,964	(₱1,184,117)

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL FUNDS

For the Six Months Ended June 30, 2023 and 2022

(Amounts are presented in thousands of Philippine Pesos)

	Equity Attributable to Equity Holders of the Parent Bank										Non-controlling Interests	Total Capital Funds
	Capital Stock	Treasury Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Securities at FVOCI	Remeasurement Gains (Losses) on Defined Benefit Plans	Other Reserves	Total		
Balances as at January 1, 2023	₱21,421,068	₱–	₱47,949,927	₱–	₱91,051,983	₱2,452,975	(₱14,057,609)	(₱1,227,666)	₱30,989	₱147,621,667	₱844,712	₱148,466,379
Total comprehensive income (loss) for the period	–	–	–	–	6,343,568	–	11,077,826	78,356	(545)	17,499,205	81,940	17,581,145
Issuance of new shares (Note 23)	2,116,678	–	9,869,950	–	–	–	–	–	–	11,986,628	–	11,986,628
Purchase of treasury shares (Note 23)	–	(2,097)	–	–	–	–	–	–	–	(2,097)	–	(2,097)
Stock dividends	–	–	–	6,355,191	(6,355,191)	–	–	–	–	–	–	–
Cash dividends – ₱ 2.00 per share (Note 23)	–	–	–	–	(4,707,549)	–	–	–	–	(4,707,549)	–	(4,707,549)
Reversal of appropriations during the period (Note 23)	–	–	–	–	(26,873)	26,873	–	–	–	–	–	–
Dividends of subsidiaries to non-controlling interests (NCI)	–	–	–	–	–	–	–	–	–	–	(66,899)	(66,899)
Balances as at June 30, 2023	₱23,537,746	(₱2,097)	₱57,819,877	₱6,355,191	₱86,305,938	₱2,479,848	(₱2,979,783)	(₱1,149,310)	₱30,444	₱172,397,854	₱859,753	₱173,257,607
Balances as at January 1, 2022	₱12,193,628	₱–	₱14,214,551	₱3,048,388	₱82,122,752	₱2,798,673	(₱1,448,457)	(₱1,507,361)	₱13,754	₱111,435,928	₱777,300	₱112,213,228
Total comprehensive income (loss) for the period	–	–	–	–	5,981,350	–	(9,759,205)	(4,380)	6,428	(3,775,807)	74,141	(3,701,666)
Cash dividends – ₱2.80 per share (Note 23)	–	–	–	–	(4,269,771)	–	–	–	–	(4,269,771)	–	(4,269,771)
Issuance of new shares (Note 23)	9,227,440	–	33,735,376	(3,048,388)	–	–	–	–	–	39,914,428	–	39,914,428
Appropriations during the period (Note 23)	–	–	–	–	182,091	(182,091)	–	–	–	–	–	–
Dividends of subsidiaries to non-controlling interests (NCI)	–	–	–	–	–	–	–	–	–	–	(75,745)	(75,745)
Balances as at June 30, 2022	₱21,421,068	₱–	₱47,949,927	₱–	₱84,016,422	₱2,616,582	(₱11,207,662)	(₱1,511,741)	₱20,182	₱143,304,778	₱775,696	₱144,080,474

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS***(Amounts are presented in thousands of Philippine Pesos)*

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	₱7,654,408	₱8,032,144
Adjustments for:		
Provision for credit losses (Note 18)	4,982,207	1,556,022
Depreciation and amortization (Notes 14, 15 and 17)	1,008,730	705,257
Amortization of premium or discount on investment securities and accretion on notes and bonds payable and lease liabilities	674,810	1,905,625
Gains on sale of investment properties and property and equipment	(589,514)	(854,452)
Gains on sale of investment securities at FVOCI (Note 12)	(389,241)	(55,862)
Gains on foreclosures of investment properties	(94,187)	(143,437)
Unrealized foreign exchange losses – net	44,035	(320,513)
Share in net losses of associates	12,890	14,827
Gains on sale of investment securities at amortized cost (Note 3)	–	(100,223)
Changes in operating assets and liabilities		
Decreases (increases) in:		
Loans and other receivables	(47,172,230)	(14,211,059)
Other resources	(5,246,667)	(3,155,415)
Trading securities at FVTPL	4,255,123	22,543
Increases (decreases) in:		
Deposit liabilities	(18,034,375)	(15,699,616)
Other liabilities	279,592	3,379,921
Net cash used in operations	(52,614,419)	(18,924,238)
Income taxes paid	(2,444,317)	(1,667,627)
Net cash used in operating activities	(55,058,736)	(20,591,865)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at FVOCI	(24,441,367)	(15,287,076)
Investment securities at amortized cost	(12,531,736)	(98,850,571)
Bank premises, furniture, fixtures and equipment	(1,993,604)	(223,314)
Proceeds from maturities/sale of:		
Investment securities at FVOCI	17,115,915	3,104,962
Investment securities at amortized cost	1,305,666	33,268,437
Investment properties	251,488	620,286
Bank premises, furniture, fixtures and equipment	26,647	17,972
Net cash used in investing activities	(20,266,991)	(77,349,304)

(Forward)

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Bills payable	(P435,513,888)	(P67,597,291)
Cash dividends (Note 23)	(4,707,549)	(4,269,771)
Notes and bonds payable (Note 21)	(994,654)	(6,582,375)
Lease liabilities (Note 22)	(312,215)	(310,068)
Dividends of subsidiaries to NCI	(66,899)	(75,745)
Purchase of treasury stock	(2,097)	—
Proceeds from:		
Bills payable	447,867,319	81,810,888
Issuance of new shares, net of issuance cost (Note 23)	11,986,628	39,914,428
Notes and bonds payable (Note 21)	1,694,094	12,317,531
Net cash provided by financing activities	19,950,739	55,207,597
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES	(360,106)	728,658
NET DECREASE IN CASH AND CASH EQUIVALENTS	(55,735,094)	(42,004,914)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
Cash and other cash items	9,891,536	8,904,903
Due from Bangko Sentral ng Pilipinas (BSP)	94,610,308	103,407,946
Due from other banks	46,239,964	54,258,465
Interbank loans receivable and Securities Purchased under Reverse Repurchase Agreements (SPURRA)	23,553,973	25,372,094
	174,295,781	191,943,408
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	9,502,832	8,647,032
Due from BSP	75,924,889	80,976,126
Due from other banks	24,250,395	35,392,253
Interbank loans receivable and SPURRA	8,882,571	24,923,083
	P118,560,687	P149,938,494

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Union Bank of the Philippines (the Bank, UnionBank or the Parent Bank) was incorporated in the Philippines on August 16, 1968 and operates as a universal bank through its universal banking license acquired in July 1992.

The Bank provides expanded commercial banking products and services such as loans and deposits, cash management, retail banking, foreign exchange, capital markets, corporate and consumer finance, investment management and trust banking. As of June 30, 2023, the Bank and its subsidiaries (collectively referred to as the “Group”) has 385 branches and 468 on-site and 132 off-site automated teller machines (ATMs), located nationwide.

The Bank’s common shares are listed in the Philippine Stock Exchange, Inc. (PSE). The Bank is effectively 49.94% owned by Aboitiz Equity Ventures, Inc. (AEVI), a company incorporated and domiciled in the Philippines. AEVI is the holding and management company of the Aboitiz Group of Companies.

The Bank’s registered address, which is also its principal place of business, is at UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City.

Approval of Financial Statements

The interim condensed consolidated financial statements of the Group as of June 30, 2023, for the six months ended June 30, 2023 and 2022 and for the quarters ended June 30, 2023 and 2022 were approved and authorized for issue by the Bank’s Audit Committee on October 23, 2023.

2. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation of Financial Statements

The interim condensed consolidated 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 (FVOCI), and derivative financial instruments that are measured at fair value. The interim condensed consolidated financial statements are presented in Philippine peso (₱). All values are rounded to the nearest thousands in peso except when otherwise indicated.

The accompanying interim condensed consolidated financial statements have been prepared for inclusion by reference in the Offering Circular prepared by the Group for the bond issuance of the Parent Bank.



Statement of Compliance

The interim condensed consolidated financial statements of the Group have been prepared in accordance with PAS 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at and for the year ended December 31, 2022.

Basis of Consolidated Financial Statements

The Group's consolidated interim financial statements comprise the accounts of the Parent Bank and its subsidiaries, after the elimination of material intercompany transactions. All intercompany resources and liabilities, capital funds, income, and expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in the separate financial statements are also eliminated in full. Intercompany losses that indicate impairment are recognized in the Group's consolidated interim condensed financial statements.

The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Bank using consistent accounting policies. The Group's operations are not subject to seasonality or cyclicity.

The Bank's subsidiaries (all incorporated in the Philippines, except for UBX SG and UBX Remit), effective percentage of ownership and the nature of the subsidiaries' businesses as of June 30, 2023 and December 31, 2022 are as follows:

Name of Subsidiary	Percentage of ownership		Nature of Business
	June 30, 2023	December 31, 2022	
City Savings Bank, Inc. (CSB)	99.79%	99.79%	Thrift bank
PetNet, Inc. (PETNET) ^(a)	51.00%	51.00%	Foreign currency trader and remittance business
First-Agro Industrial Rural Bank, Inc. (FAIR Bank)	100.00%	100.00%	Rural bank
UBP Investments Corporation (UIC)	100.00%	100.00%	Holding company
First Union Plans, Inc. (FUPI)	100.00%	100.00%	Pre-need
First Union Direct Corporation (FUDC) ^{(b) (h)}	100.00%	100.00%	Financial products marketing Agent for insurance and financial products
First Union Insurance and Financial Agencies, Inc. (FUIFAI) ^(b)	100.00%	100.00%	Securities brokerage
UBP Securities, Inc. (UBPSI) ^(h)	100.00%	100.00%	Data processing
UnionDataCorp (UDC) ^(h)	100.00%	100.00%	Venture capital
Interventure Capital Corporation (IVCC) ⁽ⁱ⁾	60.00%	60.00%	Investment holding and innovation company
UBX Philippines Corporation (UBX)	100.00%	100.00%	Holding company
UBX Private Ltd. (UBX SG) ^(c)	100.00%	100.00%	Remittance company
UBX Remit Pte. Ltd. (UBX Remit) ^(d)	100.00%	100.00%	Private development bank
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) ^(e)	70.00%	70.00%	Rural bank
Progressive Bank, Inc. (PBI) ^(f)	100.00%	100.00%	Digital bank
UnionDigital Bank, Inc. (UnionDigital) ^(g)	100.00%	100.00%	Insurance and securities brokerage
Unionbank Financial Services and Insurance Brokerage Philippines, Inc. (UFSI) ⁽ⁱ⁾	100.00%	100.00%	

(a) Subsidiary through CSB and UIC, with 40% and 11% share in ownership, respectively

(b) Wholly-owned subsidiaries of UIC

(c) Wholly owned subsidiary of UBX

(d) Wholly owned subsidiary of UBX SG

(e) Subsidiary through CSB and UIC, with 49% and 21% share in ownership, respectively (Note 34)

(f) Subsidiary through CSB and UIC, with 49% and 51% share in ownership, respectively (Note 34)

(g) Incorporated on November 25, 2021

(h) Non-operating subsidiaries

(i) Acquired 100% ownership as part of the Parent Bank's acquisition of Citigroup Inc.'s consumer business in the Philippines on August 1, 2022



Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

(a) Acquisition of Citigroup Inc.'s Consumer Banking Business in the Philippines

In a special meeting held on December 23, 2021, the Bank's BOD approved the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction includes the acquisition of Citigroup's credit card, personal loans, wealth management, and retail deposit businesses, as well as the real estate interests in Citibank Square in Eastwood, Quezon City, 3 full-service bank branches, and 5 wealth centers in the Philippines.

Also on December 23, 2021, the BOD approved the raising of additional capital of up to ₱40.0 billion through the issuance of additional shares from the Bank's unissued authorized capital stock via a stock rights offering (SRO) to all existing shareholders. On May 16, 2022, the Bank issued approximately 617.2 million common shares priced at ₱64.81 per share. Proceeds from the SRO were deployed to partially fund the acquisition of Citigroup, Inc.'s Philippine consumer business.

On April 5, 2022, the Philippine Competition Commission (PCC) issued clearance on the Bank's proposed acquisition of assets and liabilities of Citibank N.A., Philippines Branch consumer business and Citi Square Building Corporation, and shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc. The PCC resolved to take no further action with respect to the proposed acquisition. On July 14, 2022, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 1017, approved the Bank's acquisition of Citigroup's consumer business in the Philippines.

On August 1, 2022, the Bank completed the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction was effected via (i) an asset and liability transfer of the consumer banking activities of Citibank N.A., Philippines Branch, (ii) the sale of the 100% shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc., and (iii) the sale of freehold and owned office premises and parking spaces in Citibank Square building in Eastwood, Quezon City. The total cash consideration amounted to ₱77.9 billion based on the net assets of the Citi Philippines consumer banking business as of July 31, 2022, including an agreed premium.

As of June 30, 2023, the Bank is still in the process of completing the determination of fair values of the assets and liabilities acquired, including the identified intangible assets. The Bank engaged a third party consultant in the valuation of certain intangibles such as customer relationship and core deposits. As allowed by Philippine Financial Reporting Standards (PFRS), the Group has provisionally assessed the fair values of the assets and liabilities recognized, except for Cash and other cash items and Due from other banks. The provisional fair values will be adjusted within one year from the acquisition date once relevant information has been obtained. The Bank has engaged a third party in the valuation of the intangibles arising from the acquisition.



The provisional fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in millions):

	Provisional fair values recognized on acquisition date
Assets	
Cash and other cash items	₱1,598
Due from other banks	28,126
Loans and receivables	65,550
Bank premises, furniture and fixtures, and equipment	2,120
Other resources	2,706
Total assets	100,100
Liabilities	
Deposit liabilities	65,265
Other liabilities	4,510
Total liabilities	69,775
Net assets acquired	₱30,325

The provisional goodwill from the acquisition is determined as follows (amounts in millions):

Total Purchase price	₱77,912
Less: Provisional fair values of net assets acquired	30,325
Provisional Goodwill	₱47,587

The goodwill arising from the acquisition is attributed to the opportunities for future growth in the credit card business of the Group, and expected synergies in the consumer banking business of the combined Parent Bank and Citi acquired business. None of the resulting goodwill upon finalization of purchase price allocation is expected to be deductible for tax purposes.

The provisional fair value of the loans and receivables acquired as part of the business combination amounted to ₱65.58 billion, with gross contractual amount of ₱69.44 billion.

Had the acquisition occurred at the beginning of 2022, the consolidated total operating income would have increased by ₱8.21 billion and net income would have increased by ₱1.24 billion.

Cash outflow from Acquisition of business, net of cash acquired by the Group and the Parent Bank follows:

Purchase price	₱77,912
Less: Cash acquired from the acquisition of business	29,724
Net cash outflow from the Acquisition	₱48,188

In 2023, the Bank recognizes the direct and incremental costs in acquiring the credit cards as an asset and subsequently expensed on a systematic basis consistent with the transfer to the customer of the good or service to which those costs relate. Furthermore, disbursement fees related to personal loans are deferred and amortized over the average tenor of the portfolio.



The Bank applied these changes retrospectively and restated its consolidated statement of condition as at December 31, 2022, resulting in an increase in Other Resources by ₱324.06 million, increase in Goodwill by ₱31.25 million, and decrease in Loans and Other Receivables by ₱31.25 million. The impact of the retrospective application in the consolidated statement of income for the year ended December 31, 2022 resulted in an increase in net income by ₱324.06 million.

(b) Capital infusion in UnionDigital

UnionDigital was organized to engage in, and carry on, the general business of a digital bank, including such other expanded services as may be approved by the MB of the BSP such as creating, developing, owning, maintaining, distributing, and marketing a digital platform that allows the bank to offer digital services, and issues mortgage and chattel mortgage certificates, buys and sells them or accept them in to such terms and conditions as may be prescribed by the MB of BSP.

On June 24, 2022, the BOD of the Parent Bank approved to infuse additional capital to UnionDigital of up to ₱2.00 billion. On July 12, 2022, UnionDigital was granted the Certificate of Authority to Operate as a digital bank. Accordingly, UnionDigital started its operations on July 18, 2022. On the same date, the Parent Bank infused ₱1.00 billion to UnionDigital.

In its letter dated October 27, 2022, the BSP approved the Parent Bank's request for equity investment of up to ₱2.00 billion in UnionDigital. The Parent Bank then infused additional capital to UnionDigital in tranches for a total amount of ₱1.00 billion.

On June 23, 2023, the BOD of the Parent Bank approved the infusion of additional capital of ₱900.00 million to UnionDigital to support business growth (see Note 34).

As of June 30, 2023 and December 31, 2022, the Parent Bank's total equity investment in UnionDigital amounted to ₱3.0 billion.

(c) Merger of Bangko Kabayan, FAIR Bank and PBI

Bangko Kabayan, FAIR Bank and PBI are in the process of seeking regulatory approvals to merge, with Bangko Kabayan as the surviving entity. On March 21, 2022, the Philippine Competition Commission (PCC) acknowledged that the proposed merger does not breach the thresholds for compulsory notification. The PDIC consent was received last June 17, 2022 as well as the MB of the BSP approval which was received last September 12, 2022. The merger shall be effective upon receipt of Certificate of Merger to be issued by SEC (see Note 34).

(d) Acquisition of shares in Bangko Kabayan

On June 22, 2023, the BSP approved the Bank's request to purchase 1,011,961 shares in Bangko Kabayan (see Note 34).

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards, interpretations and amendments effective as of January 1, 2023. The Group has not early adopted any other 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 interim condensed consolidated financial statements of the Group.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, Insurance Contracts (*applicable beginning January 1, 2025*)

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply retrospectively.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's interim condensed consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the interim condensed consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments that are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

Among those significant judgements applied for the six months ended June 30, 2023 and 2022 are discussed below:

Determining functional and presentation currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. The Group has determined that the functional currency of RBU and FCDU is Philippine Peso and United States Dollar, respectively, considering the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.



Reclassification of Financial Assets as FVOCI into Financial Assets at Amortized cost

The acquisition of Citigroup Inc.'s consumer banking business in the Philippines (the Acquisition) in August 2022 substantially altered the Parent Bank's balance sheet composition both on the asset and liability sides. For the FCDU, the Acquisition has significantly changed its FCDU CASA deposit profile and together with its existing diversified funding structure, resulted in a change in objective of the management of financial assets in the FCDU moving forward.

These developments have led the Parent Bank to reevaluate its asset and liability management strategies for FCDU. Existing bank assets, including the objectives of the FVOCI Business Model have been reviewed, including the re-assessment of their accounting classification and the related impact to risk metrics. The Bank then revisited its strategy, and consequently, has determined that there has been a fundamental change to its existing business model for managing FCDU FVOCI securities, which resulted in selling the securities being integral to the management of the securities to no longer exist and expected to be incidental only. The portfolio is now held under hold to collect where contractual cash flows will be collected and reinvested to ensure that the desired balance sheet structure is achieved in the most efficient manner. As part of the Parent Bank's governance process, the business model change has been presented to the Market Risk Committee and Risk Management Committee for review, and for approval and endorsement to the BOD. In line with this, the Parent Bank's BOD in its meeting held on December 16, 2022, approved the business model change and the consequent reclassification of FCDU FVOCI (excluding the FX Liquidity sub-portfolio) to FCDU HTC.

As required by PFRS 9, the reclassification was applied prospectively on January 1, 2023, the first day of the reporting period following the change in business model. The reclassification on January 1, 2023 resulted in: (1) the decrease in investment securities at FVOCI with fair value of \$903.21 million (₱50.36 billion); (2) reversal of related net unrealized fair value losses on FVOCI amounting to \$185.36 million (₱10.33 billion), as if the investment securities are carried at amortized cost since acquisition; and, (3) increase in FCDU HTC financial assets at amortized cost amounting to \$1.09 billion (₱60.69 billion), as if the investment securities had always been carried at amortized cost.

Key Sources of Estimation Uncertainty

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

Estimation of expected credit losses on Loans and other receivables, Financial assets at amortized cost and Financial assets at FVOCI

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



The Group's expected credit losses (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Significant factors that have affected the estimates on the ECL model include:

- The Group's internal grading model, which assigns probability of defaults (PD)s to individual grades. Scorecards have been updated to consider how clients are being affected by and are responding to the evolution in public health and business environment issues. Sensitivities were applied, during risk rating, to consider uncertainties on available economic forecasts.
- The Group's criteria for assessing if there has been a significant increase in credit risk (SICR) which is the basis for measuring allowances for financial assets on a Lifetime Expected Credit Loss (LTECL) basis. There are also qualitative assessment to consider significant increase in credit risk based on the identified risk profiles of their accounts and portfolios. In 2022, the Parent Bank updated the stage assessment to include enhancements on the factors considered in the movements in the borrower's credit rating when determining the significant increase in credit risk, which include rating threshold triggers.
- The Group's definition of default. The Bank considers the regulatory requirement and the Bank's indicators of loss events.
- Development of ECL models, including the various formulas and the choice of inputs. Similar to prior years, models have been reviewed and revised as appropriate based on latest reviews, economic outlook and studies from external sources. In 2022, the Group updated the PD models for wholesale and certain retail portfolios, the LGD model for home loan, and the EAD for credit cards considering the credit conversion factor (CCF). In 2023, for the newly acquired Citibank portfolios, new ECL models have been developed and for wholesale, environmental and social (E&S) factors have been incorporated in the calculation of PDs based on E&S client due diligence.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, level of government spending, and collateral values, and their effect on PDs, EADs and LGDs. As the post-pandemic economy progresses, analyses and forecasts were reviewed and updated as needed. The quantitative overlays were complemented by an experience-based expert judgment inputs through management overlays considered integral to the systematic processes.

The carrying amount of loans and receivables and related allowance are disclosed in Notes 13 and 18, while the carrying amount of debt financial assets and related allowances are disclosed in Notes 11, 12 and 18.

Impairment of goodwill

The Group conducts an annual review in December of each year for any impairment in the value of goodwill or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group considers various internal and external sources of information in assessing whether there is any indication that goodwill is impaired, including if there are significant changes with an adverse effect on the CGUs that have taken place during the period in the technological, market, economic or legal environment in which the Group operates. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying



value. The Group determines the recoverable value of goodwill by discounting the estimated excess earnings using the weighted-average cost of capital (WACC) as the discount rate. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. Financial budget for the immediately succeeding year is approved by senior management and BOD of the Parent Bank, while the financial budgets for the other years of cash flow projections are determined by corporate planning group and the relevant business units. In 2022, the key assumptions used in the calculation of value-in-use, including loan and deposit growth rates, net interest margin, have been updated to consider the effect of the pandemic. The discount rates used for the computation of the value in use for various CGUs are based on the pre-tax discount rates ranging from 11.63% to 34.81% as of latest impairment in 2022. The long-term growth rates used range from nil to 11.2%.

Though management believes that the assumptions used in the estimation of value in use reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

For the six months ended June 30, 2023, the CGU's loan releases have improved as compared to comparative period. Moreover, return on risk assets during the period are performing above targets. As a result, no impairment was recognized for the six months ended June 30, 2023.

The carrying amount of goodwill is disclosed in Note 16.

Recognition of deferred tax assets

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

As of June 30, 2023, the Group recognized deferred tax assets amounting to ₱8.7 billion, including the Parent Bank's deferred tax assets amounting to ₱667.53 million related to NOLCO that can be carried as a deduction from gross income and ₱529.98 million related to MCIT that can be applied against corporate income tax liability from taxable years 2023 to 2026. Based on management forecast, lending portfolio is expected to continue to grow and with the acquisition of consumer business of Citibank N.A., the Bank expects to realize higher taxable income. As a result, management assessed that it is probable that future taxable income will be available to utilize these deferred tax assets. The carrying value of recognized deferred tax assets is disclosed in Note 28.



4. Financial Risk Management Objectives and Policies

Risks are inherent in the business activities of the Group. Among its identified risks are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, information security risk, legal risk, and regulatory risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Group identifies its key risks, collects consistent and understandable risk measures, decides which risks to take on or reduce and establishes procedures for monitoring the resulting risk positions. The objective of risk management is to ensure that the Group conducts its business within the risk levels set by the BOD while business units pursue their objective of maximizing returns.

Related discussions below should be read in conjunction with Note 4 of the Group's 2022 audited consolidated financial statements.

Risk Management Strategies

The Group maintains a prudent risk management strategy to ensure the soundness and profitability of its operations and sustained profitability. Business units are held accountable for all the risks and related returns and ensure that decisions are consistent with business objectives and risk tolerance. Strategies and limits are reviewed regularly and updated to ensure that risks are well-diversified and risk mitigation measures are in place. A system for managing and monitoring risks is in place so that all relevant issues are identified at an early stage and appropriate actions are taken on a timely basis. Risk reporting is done on a regular basis, either monthly or quarterly.

Although the BOD is primarily responsible for the overall risk management of the Group's activities, the responsibility rests at all levels of the organization. The risk appetite is defined and communicated, including parameters and limits, through an enterprise-wide risk policy framework.

Risk Management Structure

The BOD of the Parent Bank exercises oversight over the Parent Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Parent Bank has established independent Risk Management Units (RMUs) that objectively review and ensure compliance with the risk parameters set by the BOD. The RMUs are responsible for the monitoring and reporting of risks to senior management and the various committees of the Parent Bank.

On the other hand, the risk management processes of its subsidiaries are handled separately by their respective BODs.

The Parent Bank's BOD is primarily responsible for setting the risk appetite, approving risk parameters, propose credit policies and investment guidelines, as well as establishing the overall risk-taking capacity of the Parent Bank.



The major risk types identified by the Group are discussed in the following sections.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD and/or Credit Committee of the various companies within the Group. With respect to the Parent Bank, it has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The Enterprise Risk Management (ERM) undertakes several functions with respect to credit risk management. The ERM independently performs credit risk assessment, evaluation and review for its retail, commercial and corporate financial products to ensure consistency in the Parent Bank's risk assessment process. It also ensures that the Parent Bank's credit policies and procedures are adequate and are constantly updated to meet the changing demands or risk profiles of the business units, the COVID-19-related overlays as well as their impact on credit impairment and credit portfolio's credit risk profiles. The ERM also reported to the Board's Risk Management Committee.

The ERM's portfolio management function involves the review of the Parent Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and the development of a strategy for the Parent Bank to achieve its desired portfolio mix and risk profile. The ERM reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features. Concentrations indicate the relative sensitivity of the Parent Bank's performance to developments affecting a particular industry or geographical location.

The Group and the Parent Bank consider concentration risk to be present when the total exposure to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of June 30, 2023 and December 31, 2022, the Group and the Parent Bank did not exceed the limit in any of its industry concentration.

In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The ERM also monitors compliance to the BSP's limit on exposures.

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

Credit risk management practices and credit quality disclosures

Corporate Loans

Corporate lending activities are undertaken by the Parent Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies.

The Parent Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its obligor risk rating masterscale.



The Parent Bank currently utilizes the same single rating system for both Corporate and Commercial accounts. In addition, the result on the latter is further refined through a second model to take more careful account of the nuances between the commercial bank portfolio with that of the corporate loan book.

The rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Significant changes in the credit risk considering movements in credit rating, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards. In 2022, the Parent Bank updated the stage assessment to enhance the considerations related to movements in the borrower's credit rating when determining significant increase in credit risk, which include rating threshold triggers.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), from AAA to D. In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which consists of a Facility Tenor Rating (FTR) and a Security Risk Rating (SRR). The FTR measures the maturity risk based on the length of loan exposure, while the SRR measures the quality of the collateral and risk of its potential deterioration over the term of the loan. The FTR and the SRR, each a 100-point scoring system, are given equal weight in determining the LER.

Once the BRR and the LER have been determined, the credit limit to a borrower is determined under the Risk Asset Acceptance Criteria (RAAC) which is a range of acceptable combinations of the BRR and the LER. Under the RAAC system, a borrower with a high BRR will have a broader range of acceptable LERs.

The credit rating for each borrower is reviewed annually or earlier when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy such as the COVID-19 pandemic. Any major change in the credit scoring system, the RAAC range and/or the risk-adjusted pricing system is presented to and approved by the RMC.

Commercial Loans

The Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly middle market companies. These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.

The non-financial ComBank accounts use an adjusted obligor rating scale derived from the one applied for corporate loans, and follows the same RAAC framework, while ComBank accounts classified as banks and non-bank financial institutions are still rated using the 2018 rating scale.

Small and Medium Enterprise (SME) Financial Products

SME portfolio is composed of Business Line Loans and a small portion from emerging products. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses. Credit models are constantly revised and updated as necessary while data analytics have been enhanced to improve portfolio quality and product offers.

SME products use rating scale 1 to 5.



Consumer Loans

The Consumer loan portfolio of the Parent Bank is composed of three main product lines, namely: Home Loans, Auto Loans, and Credit Cards. Starting August 2022, the newly acquired Citibank Consumer loans of Credit Cards and Personal Loans were added in the product offering of the Parent Bank. Since the acquisition of the Citibank Consumer loan portfolios, there has been ongoing system builds, alignment of credit policies, processes and strategies to prepare for a seamless integration of the customers and products.

Exposure to credit risk is managed through diligent assessment upon onboarding and regular portfolio and segment analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate.

The Consumer products' respective masterscale is defined by the credit scoring models, which consider demographic variables and behavioral performance, to segment the portfolio according to risk masterscale per product. The stages are defined by the approved SICR for Consumer which takes into account the following: NPL status, months on books, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance). In 2020, the Parent Bank implemented additional credit risk assessment for clients affected by and are responding to COVID-19-related challenges, as consideration in determining the SICR of the account. Subsequently in 2022, PD models for Credit Cards, Home Loan, Auto Loan and SME products have been updated, with incorporation of data points that consider the effect of the pandemic. With the update of scores of borrowers reflecting the effects of pandemic, the observable improvement of product portfolio performance as economic activities restarted that were input to the model in 2022, the Parent Bank removed the additional credit risk assessment overlay implemented in 2020 in its SICR determination.

Both Home Loans (except Contract to Sell - CTS) and Credit Cards use rating scale 1 to 6. CTS utilizes the Corporate ratings ranging from 1 to 9. Meanwhile, Auto Loans, Quick Loans and SME products use rating scale 1 to 5.

For the acquired Credit card and Personal loan portfolio from Citibank, new models and alignment of methodology with the Parent Bank have been implemented starting May'23 reporting. Similar to the rest of the Consumer products, both acquisition and behavior scores have been developed to segment the portfolio according to risk masterscale per product, ranging from 1-13 for Cards and 1-17 for Personal Loans. Subsequently, SICR framework has also been established to define the stages (i.e. using NPL status, masterscale, delinquency bucket).

CSB Salary Loans

For the subsidiary, CSB, an accredited lending institution of the Department of Education (DepEd), provides salary loans to teachers under an agreement with DepEd for payroll deductions. CSB also provides motorcycle loans as a result of its acquisition and subsequent merger with PR Savings Bank. For the DepEd loans of CSB, each borrower is assigned a credit score with E as minimal risk, D as low risk, C as moderate risk, B as average risk and A as high risk.



UnionDigital Loans

Another new subsidiary, UnionDigital is a digital bank that offers high-interest deposit products while also providing individuals, entrepreneurs and small businesses, access to credit.

UnionDigital will soon directly offer hassle-free digital loans providing a quicker and more reliable alternative to informal lenders with the use of customary requirements and alternative credit scoring. As a result, qualified borrowers can secure loan approvals within minutes rather than days, allowing them to access funds they need promptly. UnionDigital aims to transform lives by making credit more accessible with the standards expected of highly-regulated banks.

Investments and Placements

Investments and placements include financial assets at amortized cost, debt financial assets through other comprehensive income, due from BSP, interbank loans receivable and Securities Purchased under Reverse Repurchase Agreements (SPURRA), and due from other banks. Each has established credit risk guidelines and systems for managing credit risk across all businesses.

Modification

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

For the six months ended June 30, 2023 and 2022, the net impact of the subsequent accretion of the 2020 loan modifications amounted to income of ₱24.43 million and ₱32.36 million for the Group, respectively.

Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables from customers in order to mitigate risk. The collateral may be in the form of mortgages over real estate property, chattels, inventory, cash, securities and/or guarantees. The Bank regularly monitors and updates the fair value of the collateral depending on the type of credit exposure. Estimates of the fair value of collateral are considered in the review and assessment of the adequacy of allowance for credit losses. In general, the Bank does not require collateral for loans and advances to other banks, except when securities are held as part of reverse repurchase agreements.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The Asset and Liability Committee (ALCO) and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations. A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.

Liquidity ratios are used to monitor and manage the Bank's liquidity. The Market Risk Committee (MRC) approves the ratios to be used for monitoring the performance of the Bank and for mapping out areas where improvements are needed. These ratios include Liquid Assets to Deposits Ratio, Liquidity ratio, Leverage Ratio and Intermediation Ratio.



The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD. The Bank provides separate MCO limits for short term (generally less than 30 days) and medium term tenor (from 30 days to one year).

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.

The Parent Bank applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Parent Bank uses the historical VaR approach in assessing the possible changes in the market value of investment securities based on historical data for a rolling one-year period. The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will have the same distribution as they had in the past. This involves running the portfolio across a set of historical price changes, thus creating a distribution of changes in portfolio value which may or may not be normal. The historical approach does not make any assumptions regarding the distribution of the risk factors and therefore can accommodate any type of distribution. The Bank uses the maximum between the 1st and 99th percentile of historical changes in asset returns in the calculation of volatility as this is a more conservative approach as any potential gain may reverse to a loss.

VaR may also be underestimated or overestimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Parent Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Parent Bank's VaR model.

Since VaR is an integral part of the Parent Bank's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits and are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Parent Bank.



Interest Rate Risk

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). The ALCO establishes appropriate asset and liability pricing in support of the Bank's balance sheet objectives.

The Group employs "gap analysis" to measure rate-sensitivity of the income and expenses, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every month. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest sensitive assets and liabilities into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is then multiplied by the assumed interest rate movement and appropriate time factor to derive the EaR per tenor. The Bank uses one-year differences in the term structure of the different benchmark curves as the bases for the calculation of interest rate risk factor across all currencies. The total EaR is computed as the sum of the EaR per tenor within one year. To manage the interest rate risk exposure, BOD-approved EaR limits were established.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

A positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities while a negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Accordingly, during a period of rising interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a higher interest rate than interest rate sensitive liabilities which will be favorable to it. During a period of falling interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a lower interest rate than interest rate sensitive liabilities, which will be unfavorable to it.

EAR is complemented by stress tests which are conducted quarterly. It involves subjecting the total interest rate sensitive assets and liabilities within one year to probable short-term and medium-term interest rate movements, assuming parallel and non-parallel (flatteners and steepeners) in the yield curve.

Additionally, the Bank also monitors long-term sensitivity to interest rate risk of the Bank's balance sheet through the Economic Value of Equity (EVE) method. EVE measures the economic value which provides a more comprehensive view of potential long-term effects of changes in interest rates.

The Bank's interest rate sensitive asset and liability positions are analyzed based on its cash flows, and its present value are computed using appropriate market rates which include the current risk-free rate plus the corresponding margin. On the other hand, the present values of non-interest sensitive assets and liabilities will be kept at their carrying values.

The Bank's risk management program includes measuring and monitoring the risks associated with fluctuations in market interest rates on its net interest income and capital ensuring that the exposures in interest rates are kept within acceptable limits.



Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

Operational Risk

BSP Circular 900, Guidelines on Operational Risk Management, serve as the groundwork for the Bank's Operational Risk Management (ORM) framework. This is to standardize the approach undertaken by the Bank in order to facilitate consistently strong ORM practices across the organization.

Operational risk is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. Direct loss being the result primarily from an operational failure while an indirect loss relates to the impact of operational risk on other risks such as market, credit or liquidity risk.

Each specific unit of the Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the ORM framework. At the BOD level, an Operational Risk Management Committee (ORMC) was formed to provide overall direction in the management of operational risk, aligned with the overall business objectives. Key to the effective implementation of the operational risk management framework is a governance structure that transparently defines the lines of responsibility from the BOD down to the Business and Functional Units level.

An ORMC was formed and given the mandate to build and lead the roadmap in developing the foundations and systems necessary for the effective implementation of an Operational Risk Management Framework. The ORM, together with all other Risk Units, reports directly to the Chief Risk Officer.

In managing products, services and systems, these are implemented only after a thorough operational risk evaluation. As part of the product and systems approval process, product owners and managers ensure that risks are clearly identified and adequately controlled and mitigated. For existing products, services and systems, regular reviews are conducted, and controls are assessed to determine continued effectiveness. The Parent Bank, as part of its continuing effort to manage operational risk, has ensured that the basic controls to manage exposure to operational risk have been embedded in its processes.



Legal Risk and Regulatory Risk Management

Legal risk pertains to the Parent Bank's exposure to losses arising from cases decided not in favor of the Parent Bank where significant legal costs have already been incurred, or in some instances, where the Parent Bank may be required to pay damages. The Parent Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Parent Bank may incur significant legal expenses as a result of these events, but the Parent Bank may still end up with non-collection or non-enforcement of claims. The Parent Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors, who were endorsed to and carefully approved by senior management. At year-end, the Parent Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Parent Bank.

Regulatory risk refers to the potential risk for the Parent Bank and its subsidiaries to suffer financial loss due to changes in the laws, monetary, tax, or other governmental regulations of the country. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. The monitoring of the Parent Bank's and subsidiaries' compliance with these regulations is the primary responsibility of the entity's CCO. The study of the potential impact of new laws and regulations is coordinated by the CCO with the Legal Group. The CCO is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing, and regularly reporting to the CGC and the BOD.

5. Fair Value Measurement

The financial assets and financial liabilities measured at fair value in the interim consolidated statements of financial position are grouped into the fair value hierarchy as follows:

a) Financial Instruments measured at fair value

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱3,398,245	₱—	₱—	₱3,398,245
Equity securities	39,753	411,050	31,000	481,803
Derivative assets	—	465,657	52,688	518,345
Trust fund assets	—	60,489	—	60,489
Financial assets at FVOCI				
Debt securities	37,731,554	—	—	37,731,554
Equity securities	—	—	299,722	299,722
<i>Liabilities</i>				
Derivative liabilities	—	1,380,326	—	1,380,326



	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱6,996,559	₱—	₱—	₱6,996,559
Equity securities	39,338	411,050	31,000	481,388
Derivative assets	—	1,122,881	52,688	1,175,569
Trust fund assets	—	60,109	—	60,109
Financial assets at FVOCI				
Debt securities	79,489,027	—	—	79,489,027
Equity securities	—	—	272,735	272,735
<i>Liabilities</i>				
Derivative liabilities	—	1,546,773	—	1,546,773

a) *Financial Instruments Measured at Amortized Cost and Investment Properties for Which Fair Values are disclosed*

	June 30, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Financial Assets</i>					
Financial assets at amortized cost	₱315,037,848	₱293,450,226	₱—	₱—	₱293,450,226
Loans and other receivables	522,151,515	—	—	522,184,361	522,184,361
<i>Nonfinancial Assets</i>					
Investment properties	8,158,823	—	—	16,563,032	16,563,032
<i>Financial Liabilities</i>					
Deposit liabilities	693,269,567	—	—	693,277,754	693,277,754
Bills payable	144,401,050	—	140,219,569	—	140,219,569
Notes and bonds payable	52,165,478	—	49,672,970	—	49,672,970

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Financial Assets</i>					
Financial assets at amortized cost	₱244,627,904	₱219,164,614	₱—	₱—	₱219,164,614
Loans and other receivables	479,626,649	—	—	473,119,154	473,119,154
<i>Nonfinancial Assets</i>					
Investment properties	8,258,873	—	—	16,767,610	16,767,610
<i>Financial Liabilities</i>					
Deposit liabilities	711,303,942	—	—	711,341,525	711,341,525
Bills payable	132,846,789	—	127,994,547	—	127,994,547
Notes and bonds payable	51,644,325	—	48,770,253	—	48,770,253

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both periods. Certain disclosures required for financial instruments carried at fair value and classified as Level 3 are not presented as these financial instruments are comprised of derivative assets and unquoted equity securities that are not material to the financial statements.

Below provided information about how the fair values of the Group's classes of financial instruments are determined.

(a) *Cash and other cash items, Due from BSP and other banks, Interbank loans receivable, SPURRA and Returned checks and other cash items, and Other liabilities such as Manager's checks, Bills purchased, Accounts payable, Accrued interest payable, Payment orders payable and Due to Treasurer of the Philippines*

Management considers that the carrying amounts approximate their fair value due to their short-term nature. Accordingly, these are not presented in the tables above.



(b) Derivatives

The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation (see Note 3). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(c) Equity securities

Instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL. These securities were valued based on their closing prices published by the Philippine Stock Exchange.

Club shares classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

Other equity securities under FVTPL where fair values cannot be determined by using readily observable inputs or measures are classified as Level 3. The Group assessed that exposures to Level 3 FVTPL financial assets are not material.

(d) Loans and receivables, Deposit liabilities, Bills payable

The Group maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(e) Notes and bonds payable

Fair values of notes and bonds payable under Level 2 are determined based on quoted prices at the close of business as appearing on PDEX and Bloomberg. These are classified as Level 2 due to absence of an active market.

(f) Investment properties

The fair values of the Group's investment properties are determined on the basis of the appraisals performed by internal appraisers (for investment properties with values below ₱5.0 million) and independent appraisal companies acceptable to the BSP (for investment properties with fair values above ₱5.0 million), with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process is conducted by the appraisers with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, appraisal companies take into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their current use.



The fair values of investment properties are determined using the market data approach that reflects observable and recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable property in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value will be the lower level of the hierarchy or Level 3. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

6. Operating Segments

Business Segments

The Group's main operating businesses are organized and managed separately according to the nature of products and services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities. The Group's main business segments are presented below.

(a) Consumer Banking

This segment principally handles individual customers' deposits and provides consumer type loans, such as personal loans, automobiles and mortgage financing, credit card facilities and funds transfer facilities.

(b) Corporate and Commercial Banking

This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional, small and medium enterprises, and middle market customers.

(c) Treasury and Trust

This segment is principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives. The segment also includes trust, asset management and fiduciary services provided by the Bank to its customers.

(d) Headquarters

This segment includes corporate management, support and administrative units not specifically identified with Consumer Banking, Corporate and Commercial Banking or Treasury.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities, including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.



Operating Segments and Cash and Due from BSP

- 18 -

Segment information of the Group as of June 30, 2023 and December 31, 2022 and for the six months ended June 30, 2023 and 2022 is presented as follows (amounts in millions):

	Consumer Banking	Corporate and Commercial Banking	Treasury & Trust	Headquarters	Total
For the period ended June 30, 2023					
Statement of income					
Net interest income and other income	₱26,630	₱3,862	₱871	₱3,076	₱34,439
Other expenses	12,502	1,788	1,148	6,364	21,802
Income (loss) before impairment losses and income tax	₱14,128	₱2,074	(₱277)	(₱3,288)	12,637
Provision for credit losses					(4,982)
Income tax expense					(1,233)
Net profit					₱6,422
As of June 30, 2023					
Statement of financial position					
Segment resources	₱363,885	₱246,456	₱373,419	₱125,639	₱1,109,399
Segment liabilities	₱539,088	₱143,540	₱185,822	₱67,691	₱936,141
For the period ended June 30, 2022					
Statement of income					
Net interest income and other income	₱13,051	₱4,837	₱3,163	₱497	₱21,548
Other expenses	(5,676)	(1,401)	(1,143)	(3,740)	(11,960)
Income (loss) before impairment losses and income tax	₱7,375	₱3,436	₱2,020	(₱3,243)	9,588
Provision for credit losses					(1,556)
Income tax expense					(1,976)
Net profit					₱6,056
As of December 31, 2022					
Statement of financial position					
Segment resources	₱355,928	₱234,622	₱350,252	₱152,260	₱1,093,062
Segment liabilities	₱527,698	₱129,613	₱216,889	₱70,396	₱944,596

7. Cash and Due from BSP

These accounts consist of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and other cash items	₱9,502,832	₱9,891,536
Due from BSP		
Mandatory reserves	₱57,106,645	₱62,263,916
Non-mandatory reserves	18,818,244	32,346,392
	₱75,924,889	₱94,610,308

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.



Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. Due from BSP bears annual interest rates ranging from 5.00% to 6.63% and from 1.50% to 2.50% for the six months ended June 30, 2023 and 2022, respectively, except for the amounts within the required reserve as determined by BSP that are non-interest bearing. Total interest income on Due from BSP recognized by the Group amounted to ₱778.49 million and ₱370.34 million for the six months ended June 30, 2023 and 2022, respectively, and are presented as part of Interest income on Cash and cash equivalents in the interim consolidated statement of income.

Cash and other cash items and due from BSP are included in cash and cash equivalents for cash flow statement reporting purposes.

8. Due from Other Banks

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Foreign banks	₱19,297,637	₱41,686,572
Local banks	4,952,758	4,553,392
	₱24,250,395	₱46,239,964

Annual interest rates on these deposits range from 0.00% to 4.95% and from 0.00% to 2.00% for the six months ended June 30, 2023 and 2022, respectively. Total interest income on Due from other banks earned by the Group amounted to ₱129.77 million and ₱8.46 million for the six months ended June 30, 2023 and 2022, respectively, and are presented as part of Interest income on Cash and cash equivalents in the interim consolidated statement of income.

Due from other banks are included in cash and cash equivalents for cash flow statement reporting purposes.

9. Interbank Loans Receivable and Securities Purchased under Reverse Repurchase Agreements

Interbank loans receivable consists of foreign currency-denominated loans granted to other banks with terms ranging from 1 to 14 days in 2023 and from 1 to 68 days in 2022. SPURRA represents short-term placements with the BSP and private entities where the underlying securities cannot be sold or re-pledged to parties other than the contracting party.

Interest income on interbank loans receivable amounted to ₱198.89 million and ₱39.14 million for the six months ended June 30, 2023 and 2022, respectively. Interest income on SPURRA amounted to ₱575.54 million and ₱182.63 million for the six months ended June 30, 2023 and 2022, respectively.

Annual interest rates on interbank loans receivable range from 2.63% to 6.44% and from 0.05% to 2.50% for the six months ended June 30, 2023 and 2022, respectively. Annual interest rates on SPURRA range from 4.25% to 6.75% and from 0.00% to 5.23% for the six months ended June 30, 2023 and 2022, respectively.



10. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Debt securities held for trading	₱3,398,245	₱6,996,559
Derivative assets	518,345	1,175,569
Equity securities designated at FVTPL	481,803	481,388
	₱4,398,393	₱8,653,516

Financial assets at FVTPL mainly comprise of securities held for trading.

The Group recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱373.87 million and (₱483.83 million) for the six months ended June 30, 2023 and 2022, respectively, and presented as gains (losses) on trading and investment securities at FVTPL and FVOCI in the interim consolidated statements of income.

Interest income generated from these financial assets amounted to ₱121.25 million and ₱89.56 million for the six months ended June 30, 2023 and 2022, respectively. For the six months ended June 30, 2023, annual interest rates on these financial assets range from 2.38% to 9.25% and from 1.38% to 3.28% for securities denominated in Philippine peso and U.S. dollars, respectively. For the six months ended June 30, 2022, annual interest rates on these financial assets range from 2.38% to 7.25% and from 1.38% to 10.63% for securities denominated in Philippine peso and U.S. dollars, respectively.

Derivative instruments include foreign exchange forwards and swaps and cross-currency interest rate swaps. These derivative instruments represent commitments to purchase/sell/exchange foreign currency or bonds on a future date at an agreed price, exchange rate and/or interest rates.

Equity securities include PSE listed securities, club shares, and unquoted equity securities.

11. Financial Assets at Amortized Cost

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Government bonds and other debt securities	₱294,189,381	₱242,659,492
Private bonds and commercial papers	21,155,995	2,273,341
	315,345,376	244,932,833
Allowance for impairment (Note 18)	(307,528)	(304,929)
	₱315,037,848	₱244,627,904

Investment securities measured at amortized cost of the Group with an aggregate principal amount of ₱123.82 billion as of June 30, 2023 and ₱103.66 billion as of December 31, 2022 were pledged as collaterals for deposit liabilities with related parties, bills payable under repurchase agreements (see Note 20) and accounts payable (see Note 22). Government bonds with face value of ₱1.20 billion as of June 30, 2023 and December 31, 2022, are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 29).



Financial assets at amortized cost denominated in Philippine pesos have fixed interest rates ranging from 2.38% to 9.25% for the six months ended June 30, 2023 and from 2.63% to 18.25% for the six months ended June 30, 2022, while financial assets at amortized cost denominated in U.S. dollars and Euros have fixed interest rates ranging from 3.28% to 7.75% per annum for the six months ended June 30, 2023 and from 3.25% to 9.50% per annum for the six months ended June 30, 2022. These bonds have maturities of 1 to 29 years as at June 30, 2023 and 1 to 31 years as at December 31, 2022.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to ₱6,864.55 million and ₱4,228.68 million for the six months ended June 30, 2023 and 2022, respectively.

In December 2022, the Parent Bank's BOD approved the change in business models for the Parent Bank's FCDU securities portfolio resulting in the reclassification of FVOCI securities into HTC. The cause for the change in business model are the operational changes and adjustments made by the Parent Bank to its balance sheet strategies brought about by the Parent Bank's acquisition of the Citigroup Inc.'s consumer portfolio (See Note 3). The significant change in the FCDU CASA profile post acquisition and the existing diversified funding structure in the FCDU resulted in the change in the management of financial assets in the FCDU moving forward. As required by PFRS 9, the reclassification was effected on January 1, 2023, the first day of the reporting period following the change in business models.

The reclassification resulted in an increase on the investment securities at amortized cost amounting to ₱60.69 billion.

As of June 30, 2023 and December 31, 2022, the fair value of the investment securities at amortized cost amounted to ₱293.45 billion and ₱219.16 billion,

12. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Debt securities:		
Government and other debt securities	₱37,672,556	₱62,104,853
Private bonds and commercial papers	58,998	17,384,174
Equity securities	299,722	272,735
	₱38,031,276	₱79,761,762

The Group has designated the above local equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. Unquoted equity securities pertain to club shares and investments in non-marketable equity securities.

For the six months ended June 30, 2023 and 2022, the Group realized gain on sale of investment securities at FVOCI in profit or loss amounting to ₱389.24 million and ₱55.86 million, respectively.

Interest income, including amortization of premium or discount, amounted to ₱807.87 million and ₱1,196.46 million for the six months ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 and December 31, 2022, allowance for credit losses credited against other comprehensive income amounted to ₱0.1 million and ₱12.3 million, respectively (see Note 18).



13. Loans and Other Receivables

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Receivables from customers:		
Loans and discounts	₱505,476,202	₱459,940,874
Customers' liabilities under acceptances and trust receipts	12,611,534	11,616,859
Bills purchased	1,886,155	3,180,968
Accrued interest receivable	6,123,145	5,725,612
	526,097,036	480,464,313
Unearned discounts	(2,693,737)	(2,204,459)
Allowance for credit losses (Note 18)	(16,924,822)	(14,038,685)
	506,478,477	464,221,169
Other receivables:		
Accounts receivable	8,888,296	9,316,601
Accrued interest receivable	4,503,779	4,244,524
Sales contracts receivable	2,794,833	2,319,031
Installment contracts receivable	2,103	2,188
	16,189,011	15,882,344
Allowance for credit losses (Note 18)	(515,973)	(476,864)
	15,673,038	15,405,480
	₱522,151,515	₱479,626,649

Loans and other receivables bear interest rates ranging from 4.25% to 14.00% for the six months ended June 30, 2023 and from 4.00% to 14.00% for the six months ended June 30, 2022. The Group recognized interest income on loans and other receivables amounting to ₱27.00 billion and ₱14.57 billion for the six months ended June 30, 2023 and 2022, respectively.

14. Bank Premises, Furniture, Fixtures and Equipment

The carrying amounts and accumulated depreciation and amortization of the Group's bank premises, furniture, fixtures and equipment (including right-of-use assets) as of June 30, 2023 and December 31, 2022 are shown below:

	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold and Improvements	Total
June 30, 2023						
Cost	₱1,205,838	₱6,202,473	₱5,704,308	₱3,708,693	₱1,887,161	₱18,708,473
Accumulated depreciation and amortization	—	(999,754)	(3,692,685)	(2,337,725)	(1,356,637)	(8,386,801)
Net carrying amounts	₱1,205,838	₱5,202,719	₱2,011,623	₱1,370,968	₱530,524	₱10,321,672
December 31, 2022						
Cost	₱850,660	₱5,070,587	₱5,314,628	₱3,416,378	₱1,852,361	₱16,504,614
Accumulated depreciation and amortization	—	(929,215)	(3,477,933)	(2,112,457)	(1,278,390)	(7,797,995)
Net carrying amounts	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619



Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

- 23 -

The rollforward analysis of the carrying amounts as of June 30, 2023 and 2022 of this account (including right-of-use assets) is shown below:

	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619
Additions	355,178	1,150,508	453,118	336,477	34,800	2,330,081
Disposals	—	(13,430)	(9,596)	—	—	(23,026)
Reclassifications/adjustments	—	8	(482)	21,957	—	21,483
Depreciation and amortization charges for the period	—	(75,739)	(268,112)	(291,387)	(78,247)	(713,485)
Balance at June 30, 2023, net of accumulated depreciation and amortization	₱1,205,838	₱5,202,719	₱2,011,623	₱1,370,968	₱530,524	₱10,321,672
Balance at January 1, 2022, net of accumulated depreciation and amortization	₱850,660	₱2,246,859	₱1,850,968	₱1,194,627	₱622,657	₱6,765,771
Additions for January 1 to June 30, 2022	—	709	318,919	170,758	22,686	513,072
Disposals for January 1 to June 30, 2022	—	—	(10,643)	—	—	(10,643)
Reclassifications/adjustments	—	20,617	(678)	84,924	(22,786)	82,077
Depreciation and amortization charges for the period	—	(27,977)	(215,723)	(287,269)	(73,501)	(604,470)
Balance at June 30, 2022, net of accumulated depreciation and amortization	₱850,660	₱2,240,208	₱1,942,843	₱1,163,040	₱549,056	₱6,745,807
Additions for July 1 to December 31, 2022	—	14,573	135,939	353,048	58,765	562,325
Disposals for July 1 to December 31, 2022	—	—	(14,206)	—	—	(14,206)
Reclassifications/adjustments	—	2,859	(2,106)	51,683	(523)	51,913
Depreciation and amortization charges for the year	—	(68,731)	(278,329)	(333,230)	(78,993)	(759,283)
Effects of business combination (Note 1)	—	1,952,463	52,554	69,380	45,666	2,120,063
Balances at December 31, 2022, net of accumulated depreciation and amortization	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619

The Group has leases for branch offices, parking lots, stalls for specific events, signage and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a ROU asset and a lease liability.

Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contracts are cancellable upon mutual agreement of the parties or renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5% to 10%. As of June 30, 2023 and December 31, 2022, the Group has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.



The Group's leasing activities with recognized ROU assets mainly comprise of branch offices with remaining lease terms ranging from 2 to 6 years.

The details of depreciation and amortization in the interim consolidated statement of income follow:

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Bank premises, furniture, fixtures and equipment	₱422,098	₱317,201
Investment properties (Note 15)	196,711	168,782
Computer software (Note 17)	298,265	153,207
Foreclosed machineries and chattel	91,656	66,067
	₱1,008,730	₱705,257

Amortization charges for the ROU asset for the six months ended June 30, 2023 and 2022 amounting to ₱291.39 million and ₱287.27 million, respectively, is shown as part of Occupancy in the interim consolidated statement of income.

15. Investment Properties

The Group's investment properties include several parcels of land and buildings held for rentals and foreclosed properties. The composition of this account under the cost model are shown below.

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost	₱11,178,811	₱11,432,533
Accumulated depreciation	(2,907,480)	(3,101,955)
Accumulated impairment loss (Note 18)	(112,508)	(71,705)
Net carrying amount	₱8,158,823	₱8,258,873

The composition of and movements in the Group's investment properties are shown below.

	2023 (Unaudited)		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,533,566	₱8,898,967	₱11,432,533
Additions	—	690,687	690,687
Disposals	(142)	(954,500)	(954,642)
Reclassifications	—	10,233	10,233
Balances at June 30	2,533,424	8,645,387	11,178,811
Accumulated Depreciation and Amortization			
Balances at January 1	789,725	2,312,230	3,101,955
Depreciation	26,364	170,347	196,711
Disposals	—	(394,618)	(394,618)
Reclassifications	—	3,432	3,432
Balances at June 30	816,089	2,091,391	2,907,480
Accumulated Impairment Losses			
Balance at January 1	—	71,705	71,705
Reclassifications	—	40,803	40,803
Provision for impairment losses	—	—	—
Balances at June 30	—	112,508	112,508
Net Book Values	₱1,717,335	₱6,441,488	₱8,158,823



	2022 (Unaudited)		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,533,566	₱9,166,608	₱11,700,174
Additions for January 1 to June 30, 2022	—	251,341	251,341
Disposals for January 1 to June 30, 2022	—	(808,721)	(808,721)
Reclassifications	—	(31,955)	(31,955)
Balances at June 30	2,533,566	8,577,273	11,110,839
Additions for July 1 to December 31, 2022	—	591,540	591,540
Disposals for July 1 to December 31, 2022	—	(260,612)	(260,612)
Reclassifications	—	(9,234)	(9,234)
Balances at December 31	2,533,566	8,898,967	11,432,533
Accumulated Depreciation and Amortization			
Balances at January 1	736,553	2,193,850	2,930,403
Depreciation for January 1 to June 30, 2022	26,378	142,404	168,782
Disposals for January 1 to June 30, 2022	—	(79,758)	(79,758)
Reclassifications	(2)	(9,497)	(9,499)
Balances at June 30	762,929	2,246,999	3,009,928
Depreciation for July 1 to December 31, 2022	26,360	175,148	201,508
Disposals for July 1 to December 31, 2022	—	(110,372)	(110,372)
Reclassifications	436	455	891
Balances at December 31	789,725	2,312,230	3,101,955
Accumulated Impairment Losses			
Balance at January 1	—	96,427	96,427
Provision for impairment losses for January 1 to June 30, 2022	—	—	—
Balances at June 30	—	96,427	96,427
Reversals of Provision for impairment for July 1 to December 31, 2022	—	(24,722)	(24,722)
Balances at December 31	—	71,705	71,705
Net Book Values	₱1,743,841	₱6,515,032	₱8,258,873

16. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net assets acquired arising from the acquisitions of (a) former iBank in April 2006; (b) CSB in January 2013, (c) PR Savings Bank by CSB in June 2018, (d) PETNET in December 2018, (e) Bangko Kabayan in March 2020 and (f) Citigroup Inc.'s consumer banking business in the Philippines in August 2022.

For the 2022 acquisition of Citigroup's consumer banking business, the Group has provisionally determined the fair value of assets and liabilities acquired and the related goodwill, including determining any goodwill that is expected to be deductible for income tax purposes.

None of the goodwill recognised is expected to be deductible for income tax purposes.



For impairment testing purposes, the goodwill of the Group acquired through business combinations is allocated to the following CGUs:

- a. With respect to the acquisition of iBank, to the Parent Bank's Retail Banking, Corporate and Commercial Banking;
- b. With respect to the goodwill from the acquisition of CSB and PR Savings Bank, to CSB's DepEd salary loans business and motorcycle loans business, respectively;
- c. With respect to the goodwill from the acquisition of PETNET, the separate cash generating unit of PETNET at entity level;
- d. With respect to the goodwill from the acquisition of Bangko Kabayan, the separate cash generating unit of Bangko Kabayan at entity level; and,
- e. With respect to the goodwill from the acquisition of Citigroup Inc.'s consumer banking business in the Philippines, the separate cash generating unit of (i) a group of CGU within the Consumer Banking Group; and (ii) CFSI at entity level.

The following presents the movement in goodwill of the Group:

	Group	
	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱62,341,536	₱14,818,932
Acquisition of business and subsidiary (Note 2)	64,730	47,522,604
Ending balance	₱62,406,266	₱62,341,536

The Parent Bank's Consumer banking business relates to a group of CGUs which comprises the consumer banking business acquired from Citibank N.A. (see Note 1), the Parent Bank's credit card banking business, and the asset backed-lending business. As of June 30, 2023, the Bank has yet to complete the allocation of goodwill to the individual CGUs. As allowed by PFRS, the Bank allocated the goodwill to the aggregation of the group of CGUs which are expected to benefit from the synergies arising from the acquisition. The Parent Bank expects to finalize the allocation of goodwill within 1 year from the acquisition date.

The Group performs its annual impairment test every December of the year, unless indicators for impairment warrant earlier reassessment. The Group considers various internal and external sources of information in assessing whether there is any indication that goodwill is impaired including if there are significant changes with an adverse effect on the CGUs that have taken place during the period in the technological, market, economic or legal environment in which the Group operates.



The recoverable amount of the motorcycle loans CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to loan growth rate and discount rate. Future cash flows and growth rates were based on historical experiences and strategies developed, including assessment of impact of the COVID-19 pandemic. The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to a comparable entity, market observable inputs and assumptions consistent with the valuation practice. Refer to Note 3 for the disclosure of assumptions used in the impairment assessment.

In 2022, the Group performed its annual impairment test and noted that there is no additional impairment to recognize for the motorcycle CGU. In 2023, the Group did not identify any indicators for impairment (see note 3).

17. Other Resources

The composition of Other Resources account is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets (Note 28)	₱8,662,724	₱7,815,222
Software under development	7,235,697	6,190,999
Computer software – net	4,013,586	3,989,158
Creditable withholding taxes	1,600,649	1,604,581
Deferred charges	1,537,843	993,808
Advances and other investments	1,476,600	1,755,564
Prepaid expenses	1,395,614	985,548
Non-current assets held for sale	621,325	331,476
Documentary stamps	511,206	363,585
Returned checks and other cash items	463,304	29,999
Miscellaneous	2,747,881	2,648,728
	30,266,429	26,708,668
Allowance for impairment (Note 18)	(44,571)	(42,783)
	₱30,221,858	₱26,665,885

Miscellaneous resources relates to various prepaid expenses such as prepaid rentals, stationaries, postages.

The movements in the Computer software account follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	₱3,989,158	₱2,335,558
Additions	640,779	2,027,117
Amortization charges for the period (Note 14)	(298,265)	(349,683)
Reclassifications	(318,086)	(23,834)
Balance at end of period	₱4,013,586	₱3,989,158



18. Allowance for Impairment

The breakdown of allowance for impairment is shown in the table below:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Receivable from customers (Note 13)	₱16,924,822	₱14,038,685
Other receivables (Note 13)	515,973	476,864
Investments and placements (Notes 8, 11 and 12)	318,540	335,663
Others (Notes 15 and 17)	157,079	114,488
	₱17,916,414	₱14,965,700

For the six months ended June 30, 2023 and 2022, the Group recognized provision for expected credit losses amounting to ₱5.0 billion and ₱1.6 billion, respectively, and has written off accounts totaling ₱2.7 billion and ₱1.6 billion, respectively.

Allowance for impairment of investments and placements include the Group's financial assets at amortized cost, debt financial assets at FVOCI, due from other banks and interbank loans receivable. Others refers to allowance for impairment of investment properties and other resources.

Analysis of the gross carrying amount of the Receivable from customers and the related level of allowance as of June 30, 2023 and December 31, 2022, according to stage are as follows:

June 30, 2023

<i>Gross carrying amount</i> (unaudited, amounts in thousands)	Stage 1	Stage 2	Stage 3	Total
Consumer loans	₱238,361,551	₱4,608,800	₱14,956,705	₱257,927,056
Corporate loans	129,982,105	10,594,542	100,978	140,677,625
Commercial loans	67,776,928	6,621,800	4,088,536	78,487,264
Others	26,279,454	1,648,222	21,077,415	49,005,091
Total	₱462,400,038	₱23,473,364	₱40,223,634	₱526,097,036

<i>Expected credit loss</i> (unaudited, amounts in thousands)	Stage 1	Stage 2	Stage 3	Total
Consumer loans	₱1,301,295	₱1,457,638	₱3,557,149	₱6,316,082
Corporate loans	60,695	174,401	100,978	336,074
Commercial loans	411,919	567,248	2,991,275	3,970,442
Others	559,639	209,955	5,532,630	6,302,224
Total	₱2,333,548	₱2,409,242	₱12,182,032	₱16,924,822

December 31, 2022

<i>Gross carrying amount</i> (audited, amounts in thousands)	Stage 1	Stage 2	Stage 3	Total
Consumer loans	₱209,851,936	₱4,688,139	₱14,319,913	₱228,859,988
Corporate loans	119,542,864	10,804,150	152,958	130,499,972
Commercial loans	64,327,976	6,970,136	3,934,386	75,232,498
Others	37,691,857	2,674,618	5,505,380	45,871,855
Total	₱431,414,633	₱25,137,043	₱23,912,637	₱480,464,313

<i>Expected credit loss</i> (audited, amounts in thousands)	Stage 1	Stage 2	Stage 3	Total
Consumer loans	₱1,501,725	₱376,430	₱4,237,489	₱6,115,644
Corporate loans	48,511	233,297	141,586	423,394
Commercial loans	315,049	245,527	2,896,794	3,457,370
Others	609,842	182,554	3,249,881	4,042,277
Total	₱2,475,127	₱1,037,808	₱10,525,750	₱14,038,685

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



19. Deposit Liabilities

The breakdown of deposit liabilities account follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to banks		
Time	₱78,832	₱159,893
Demand	1,782,263	1,729,960
Savings	267,122	195,453
Long term negotiable certificate of deposits	10,000	10,000
	2,138,217	2,095,306
Due to customers		
Time	278,932,452	281,041,526
Demand	222,223,728	230,351,833
Savings	186,985,170	194,825,277
Long term negotiable certificate of deposits	2,990,000	2,990,000
	691,131,350	709,208,636
	₱693,269,567	₱711,303,942

The breakdown of deposit liabilities account as to currency follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Philippine pesos	₱595,748,317	₱619,749,669
Foreign currencies	97,521,250	91,554,273
	₱693,269,567	₱711,303,942

Deposit liabilities bear annual interest at rates ranging from 0.0% to 7.0% as of June 30, 2023 and December 31, 2022. Demand and savings deposits usually have either fixed or variable interest rates while time deposits have fixed interest rates.

Long Term Negotiable Certificate of Deposits (LTNCD)

On December 12, 2017, the MB of the BSP approved the Parent Bank's issuance of up to ₱20.0 billion of Long-term Negotiable Certificate of Deposits (LTNCD). Out of the approved amount, ₱3.0 billion were issued on February 21, 2018 at a fixed coupon rate of 4.375% per annum, payable quarterly and will mature on August 21, 2023. The net proceeds were utilized to further improve the Parent Bank's maturity profile and support business expansion plans.

Interest expense on the deposit liabilities amounted to ₱7.35 billion and ₱1.75 billion for the six months ended June 30, 2023 and 2022, respectively, in the Group's interim consolidated statements of income.

In 2020, BSP Circulars 1082 and 1092 were issued reducing the reserve requirement to 12.0%, 3% and 2% for universal and commercial banks, thrift banks, and rural banks, respectively. BSP Circulars 1083, 1087, and 1100 were issued in 2020 to provide guidelines allowing the use of eligible loans to MSME and large enterprises for alternative compliance to required reserves for deposit liabilities. Starting July 1, 2023, universal and commercial banks shall no longer be allowed to use MSME and large enterprises loans as alternative compliance with the reserve requirements.



In 2023, BSP Circular 1175 was issued reducing the reserve requirements to 9.5%, 6.0%, 2.0% and 1.0% for universal and commercial banks, digital banks, thrift banks, and rural banks, respectively, effective reserve week of June 30, 2023.

LTNCDs are subject to required reserves of 4.0% if issued under BSP Circular 1041. As of June 30, 2023 and December 31, 2022, the Group is in compliance with such regulations.

Regular reserves as of June 30, 2023 and December 31, 2022 amounted to ₱57.11 billion and ₱62.26 billion, respectively (see Note 7).

20. Bills Payable

Bills payable consist of borrowings from:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Banks, other financial institutions and individuals	₱143,939,263	₱131,571,232
Others	461,787	1,275,557
	₱144,401,050	₱132,846,789

The breakdown of bills payable as to currency follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Philippine pesos	₱42,650,313	₱33,543,627
Foreign currencies	101,750,737	99,303,162
	₱144,401,050	₱132,846,789

Bills payable to banks and other financial institutions consist mainly of amortized cost balance of short-term borrowings. Certain bills payable to banks and other financial institutions are collateralized by investment securities (see Note 11). Other bills payable of the Group mainly pertain to availments of short-term loan lines from certain related parties (see Note 30).

Interest expense on bills payable amounted to ₱4.07 billion and ₱0.69 billion for the six months ended June 30, 2023 and 2022, respectively, and is included under Interest expense on bills payable and other liabilities account in the Group's interim consolidated statements of income.



21. Notes and Bonds Payable

The Group's notes and bonds payable consists of the following (amount in thousands):

	Coupon Interest	Principal Amount	Outstanding Balance		Issue Date	Maturity Date	Redemption Date
			June 30, 2023	December 31, 2022			
USD Senior Medium Term Notes Due 2025	2.125%	₱16,560,000	₱16,505,575	₱16,659,943	October 22, 2020	October 22, 2025	
Peso Digital Bonds	3.250%	11,000,000	10,973,695	10,937,832	June 2, 2022	December 2, 2023	
Peso Senior Series C Bonds Due 2023	2.750%	8,115,000	8,106,020	8,097,039	December 9, 2020	December 9, 2023	December 9, 2023
USD Social Bonds Due 2028	6.102%*	8,280,000	8,235,458	8,312,899	July 23, 2021	July 23, 2028	
Subordinated Tier 2 Notes Due 2030 Callable in 2025	5.250%	6,800,000	6,759,429	6,756,565	February 24, 2020	May 24, 2030	May 24, 2030
Peso Senior Series D Bonds Due 2026	3.375%	885,000	881,101	880,047	December 9, 2020	March 9, 2026	March 9, 2026
Total for Parent Bank		51,640,000	51,461,278	51,644,325			
Others	5.65% to 7.50%	704,200	704,200	—	March 31- 2023	June 27, June 22 – August 18, 2023	
Total for Group		₱52,344,200	₱52,165,478	₱51,644,325			

*floating interest rate based on LIBOR

USD Senior Medium Term Notes Due 2025

These USD300 million Senior Medium Term Notes Due 2025 were issued under the updated USD 2 Billion MTN Programme of the Parent Bank and were also rated Baa2 by Moody's. The Notes were also listed in the SGX-ST.

The Notes will constitute direct, unconditional, unsubordinated and (subject to the Terms and Conditions of the issuance) unsecured obligations of the Parent Bank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Parent Bank from time to time outstanding.

Peso Digital Bonds Due 2023

On June 2, 2022, the Parent Bank successfully issued the country's first-ever offering of Peso Digital Bonds amounting to ₱11.0 billion. The Digital Bonds which have a tenor of 1.5 years and a fixed rate of 3.25% per annum were issued out of the Bank's existing ₱39 billion Bond Program. The Digital Bonds were listed and available for trading in PDEX.

A first for the Philippines, this digital public bond offering and issuance marks a milestone and the success of this Proof of Concept and paves the way for future utilization of Distributed Ledger / Blockchain Technology towards more automated and operationally efficient local capital markets. The Digital Bonds were issued through the digital registry and digital depository of the Philippine Depository & Trust Corp. utilizing infrastructure powered by #STACS blockchain and which new digital infrastructure is kept interoperable with the traditional trading to clearing infrastructure of the Phil. Dealing & Exchange Corp. Fixed Income Market.

Peso Senior Series C Bonds Due 2023

The ₱8,115,000 worth of fixed rate Senior Series C Bonds were issued as part of the dual-tranche issuance of the Bank on December 9, 2020 under its existing ₱39 Billion Bond Program. The bonds were listed in PDEX.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date.



The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

USD Social Bonds Due 2028

The International Finance Corporation (IFC) invested in a USD 150 million in a social bond issued by the Bank's under its sustainable finance framework. The social bond carries an interest rate of 1.15% and is unsecured. It is the first social bond by the Parent Bank and its longest-term USD-denominated bond to date. Proceeds from the bond will be used to finance loans to micro, small and medium-sized enterprises (MSMEs).

The Parent Bank shall at all times maintain, and abstain from any action which may result in the breach of, several financial parameters provided in the subscription agreement with IFC.

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting "Tier 2" capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting "Tier 1" capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

Peso Senior Series D Bonds Due 2026

These fixed rate Senior Series Bonds Due 2026 worth ₱885.0 million formed part of the Bank's dual-tranche issuance on December 9, 2020. The Bonds were issued under the existing ₱39 Billion Bond Program of the Bank.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date. The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Bank.



Others

Others pertain to PETNET's various bank loans which bear annual interest rates ranging from 5.65% to 7.50%, with terms ranging from 60 to 90 days. These bank loans represent drawdowns from PETNET's unsecured credit line with local banks, which are used to finance transactions during the holidays and long weekends.

Interest expense on notes and bonds payable amounting to ₱1.04 billion and ₱1.22 billion for the six months ended June 30, 2023 and 2022, respectively, is included under Interest expense on bills payable and other liabilities account in the interim consolidated statements of income.

As of June 30, 2023 and December 31, 2022, the Group is in compliance with all the debt covenants on the above notes and bonds.

22. Other Liabilities

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Accrued taxes and other expenses	₱12,171,654	₱10,718,444
Accounts payable	10,541,530	15,322,620
Manager's checks	8,417,471	7,333,511
Other dormant credits	2,928,326	2,831,198
Bills purchased - domestic and foreign	1,886,155	3,180,968
Payment orders payable	1,719,480	614,557
Lease liabilities	1,515,020	1,424,530
Derivative liabilities	1,380,326	1,546,773
Post-employment defined benefit obligation	1,261,451	998,997
Unearned income - bancassurance (Note 30)	590,258	715,710
Withholding taxes payable	524,652	451,502
Miscellaneous	3,368,819	3,661,676
	₱46,305,142	₱48,800,486

The unearned income represents the unamortized portion of Exclusive Access Fees (EAF) arising from the Parent Bank's bancassurance agreement with a related party (see Note 30). Accounts payable to Bancnet are collateralized by investment securities (see Note 11).

Set out below is the carrying amount of lease liabilities and the movements during the period:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning the period	₱1,424,530	₱1,382,880
Additions	377,533	567,389
Payments	(321,255)	(659,030)
Effect of business combination (Note 2)	—	65,440
Accretion of interest	34,212	67,851
Balance at end of period	₱1,515,020	₱1,424,530



Accretion of interest is included as part of Interest expense on bills payable and other liabilities account in the interim consolidated statements of income. As at June 30, 2023 and December 31, 2022, the Group has not committed to leases which had not yet commenced.

The breakdown of Accrued taxes and other expenses account follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Accrued interest payable	₱2,581,182	₱1,801,913
Accrued income and other taxes	1,319,001	1,044,520
Other accruals	8,271,471	7,872,011
	₱12,171,654	₱10,718,444

Other accruals represent mainly fringe and other bank personnel benefits.

23. Capital Funds

The Parent Bank's capital stock consists of the following:

	Shares		Amount	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Common – ₱10 par value				
Authorized	2,530,785,238	2,530,785,238	₱25,307,852	₱25,307,852
Issued	2,353,774,567	2,142,106,764	23,537,746	21,421,068
Treasury stock	(27,977)	–	(2,097)	–
Issued and outstanding	2,353,746,590	2,142,106,764	23,535,649	21,421,068
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱10,000,000
Issued and outstanding	–	–	–	–

On June 29, 1992, the Parent Bank was originally listed with the then Makati Stock Exchange, now PSE. A total of 89.7 million shares were issued at an issue price of ₱22.50. As of June 30, 2023 and December 31, 2022, there are 2,351.49 million shares and 2,139.6 million shares listed at the PSE, respectively. The number of holders and the closing price of the said shares is 4,956 and ₱74.90 per share as of June 30, 2023, respectively, and 4,961 and ₱86.10 per share as of December 31, 2022, respectively.

Issuance of Shares under the Employee Stock Plan

The Parent Bank issued 697,339 common shares to qualified employees under the Parent Bank's Employee Stock Plan (ESP) on February 6, 2023 and 199,964 and 516,435 common shares on January 28, 2022 and February 4, 2022, respectively, to qualified employees under the Parent Bank's Employee Stock Payment Plan.

Issuance of Shares through Stock Rights

On February 6, 2023, the Bank issued approximately 210.97 million common shares priced at ₱56.88 per share. The shares were offered to eligible shareholders as of record date of January 12, 2023 at a ratio of 1 rights share for every 10.1536 existing common shares. The newly issued shares were listed in the PSE on the same date.



On May 16, 2022, the Bank issued approximately 617.2 million common shares priced at ₱64.81 per share. The shares were offered to eligible shareholders as of record date of April 11, 2022 at a ratio of 1 rights share for every 2.4707 existing common shares. The newly issued shares were listed at the PSE on the same date.

Purchase of Treasury Shares

On March 10, 2023, the Bank reacquired 27,977 of its previously issued and outstanding common shares at ₱74.97 per share pursuant to the terms of the ESP of the Bank and its supporting agreements.

Surplus Free

On April 28, 2023, the Parent Bank held its Annual Stockholders' Meeting and approved the following matters:

- i. Amendment of the Parent Bank's Articles of Incorporation to increase the authorized capital stock from ₱35.3 billion to ₱60.3 billion;
- ii. Declaration of 27% stock dividend in the amount of ₱6.4 billion equivalent to 635,519,133 common shares with par value of ₱10, to comply with the required 25% subscription of the increase in authorized capital stock.

The Bank is awaiting for the approval of its application of the increase in authorized capital stock with the SEC.

The stock dividend is presented as Stock dividend distributable in the statement of financial position as of June 30, 2023.

The following is a summary of the cash dividends declared and distributed by the Group:

Date of Declaration	Date of Record	Date of Payment	Dividend per Share	Shares Outstanding	Total Amount
February 1, 2023	February 15, 2023	February 27, 2023	₱2.00	2,353,774,567	₱4,707,549
January 28, 2022	February 14, 2022	March 2, 2022	2.80	1,524,918,059	4,269,771

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

Regulatory Capital

The Group's regulatory capital position as of June 30, 2023 and December 31, 2022 as reported to BSP follows (amounts in millions):

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Net Tier 1 Capital	₱96,889	₱72,817
Net Tier 2 Capital	11,239	11,199
Total Qualifying Capital	108,128	93,662
Total risk weighted assets	668,545	644,414
 CET 1 ratio	 14.49%	 11.30%
Tier 1 capital ratio	14.49%	11.30%
Total capital adequacy ratio	16.17%	13.04%

The Group has fully complied with the CAR requirements of the BSP.



Surplus Reserves

The amended PNUCA requires that the portion of retained earnings representing Trust fund income of FUPI be automatically restricted to payments of benefits of plan holders and related payments as allowed in the amended PNUCA. The accumulated Trust Fund income should be appropriated and presented separately as Surplus Reserves in the statements of changes in capital funds. Upon payment of maturing plans, FUPI transferred ₱55.79 million of appropriated reserves to unappropriated reserves in 2022. There was no transfer of reserves in 2023.

Included in this account is the difference between the 1% general loan loss provision (GLLP) over the computed ECL allowance for credit losses related to Stage 1 accounts, as required by the BSP. As of June 30, 2023 and December 31, 2022, surplus reserves related to the difference between GLLP over ECL allowance amounted to ₱2.14 billion and ₱2.12 billion, respectively.

24. Service Charges, Fees and Commissions

This account consists of:

	For the Six Months Ended	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Service charges	₱5,282,815	₱1,631,698
Brokerage fees	387,333	11,849
Commissions from bancassurance (Note 30)	372,750	175,718
Bank commissions	70,583	90,698
Others	195,390	275,335
	₱6,308,871	₱2,185,298

Others include various commission income from securities brokering and management fees.

25. Miscellaneous Income

This account consists of:

	For the Six Months Ended	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Foreign exchange gains - net	₱750,812	₱736,943
Gains on disposal of bank premises, furniture and fixtures and investment properties	580,244	854,452
Recoveries from charged-off assets	578,391	105,293
Gain on foreclosures of investment properties	268,035	143,437
Fines and penalties	184,906	123,794
Income from trust operations (Note 29)	161,283	117,778
Rental (Note 32)	75,812	63,106
Dividends	3,532	5,831
Others	810,664	567,577
	₱3,413,679	₱2,718,211

Others include over-limit fees and various income items from the subsidiaries.



26. Miscellaneous Expenses

This account consists of:

	For the Six Months Ended	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Information technology	₱2,955,033	₱1,080,939
Advertising and publicity	2,249,523	368,732
Insurance	782,647	630,876
Impairment losses on non-financial assets	651,971	185,652
Fees and commission	628,077	136,454
Management and professional fees	549,481	226,157
Outside services	535,822	583,378
Supervision and compliance costs	424,676	365,609
Communication	296,901	206,279
Card-related expenses	290,070	245,232
Stationery and supplies	210,743	133,993
Transportation and travel	181,178	110,049
Litigation	164,902	91,662
Repairs and maintenance	100,634	68,637
Fines and penalties	30,433	45,802
Representation and entertainment	30,213	28,275
Others	654,047	644,867
	₱10,736,351	₱5,152,593

Others includes COVID-19 related expenses, commission and fees paid to third party services related to GetGo products, training expenses, association dues, and repairs and maintenance fees.

27. Salaries and Employee Benefits

This account consists of:

	For the Six Months Ended	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Short-term benefits:		
Salaries and wages	₱3,647,383	₱2,356,212
Bonuses and fringe benefits	2,385,119	1,044,810
Social security costs	191,347	112,288
Other benefits	104,226	107,871
Post-employment benefits	305,870	262,961
Other long-term benefits	51,536	25,161
	₱6,685,481	₱3,909,303



28. Income Tax

The components of the Group's tax expense are as follows:

	For the Six Months Ended	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Current tax expense:		
Final tax at 20%, 15%, and 10%	₱1,608,335	₱956,071
Regular corporate income tax (RCIT) at 25%	725,615	873,584
Minimum corporate income tax (MCIT) at 1%	165,251	92,992
	2,499,201	1,922,647
Deferred tax expense	(1,266,658)	53,333
	₱1,232,543	₱1,975,980

Components of net deferred tax assets included in 'Other Resources' are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets:		
Allowance for credit losses	₱4,554,121	₱4,088,549
Accrued other expenses	1,564,192	1,203,425
Net operating loss carry over (NOLCO)	670,829	477,682
Deferred service fees	584,656	405,965
Excess MCIT	531,076	368,069
Investment properties	370,332	353,181
Unrealized foreign exchange loss	157,015	169,644
Others	770,863	1,190,370
	9,203,084	8,256,885
Deferred tax liabilities:		
Unrealized foreign exchange gain	21,724	126,653
Capitalized interest	22,880	22,880
Others	495,756	292,130
	540,360	441,663
Net deferred tax assets	₱8,662,724	₱7,815,222

Other deferred tax assets include post-retirement obligation and other future deductible items.

29. Trust

The following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the accompanying statement of position since these are not properties of the Parent Bank (Note 32).

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Investments	₱91,920,215	₱88,449,123
Others	3,117,181	3,199,964
	₱95,037,396	₱91,649,087



In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

- (a) investments in government securities with a total face value of ₱1.20 billion as of June 30, 2023 and December 31, 2022, are deposited with BSP as security for the Parent Bank's faithful compliance with its fiduciary obligations (see Note 11); and,
- (b) ten percent of the Bank's trust income is transferred to Surplus Reserves. This yearly transfer is required until the surplus reserves for trust function is equivalent to 20% of the Bank's authorized capital stock. No part of such reserves shall at any time be paid out as dividends, but losses accruing in the course of business may be charged against such surplus. As of June 30, 2023, and December 31, 2022, the reserve for trust functions amounted to ₱336.66 million and is included as part of Surplus reserves in the consolidated statement of financial position.

Income from trust operations amounted to ₱161.28 million and ₱117.78 million for the six months ended June 30, 2023 and 2022, respectively, and shown as Income from trust operations account presented under 'Miscellaneous' in the interim consolidated statements of income (see Note 25).

30. Related Party Transactions

The Group's related parties include subsidiaries, stockholders, key management personnel and others as described in the succeeding page.

The Parent Bank's transactions with related parties, except deposit transactions, are reviewed and approved by the Bank's Related Party Transaction (RPT) Management Review Committee (for non-material transactions), endorsed by the RPT Board Committee, and ultimately approved or confirmed by the BOD. The terms and prices are benchmarked against market prices, non-RPT transactions and on a cost-plus basis as practiced by the market if market prices are not available. In other instances, valuations are made by appraisers and third party consultants in determining prices.

The summary of the Group's significant transactions with its related parties are as follows.

Related Party Category	June 30, 2023		December 31, 2022		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Applicable to the Group					
Stockholders and related parties under common ownership					
Deposit liabilities:					
Outstanding balance		₱2,107,981		₱6,709,215	With interest rate based on average daily bank deposit rate
Net movements	(₱4,601,234)	—	(₱18,750,550)	—	
Interest expense on deposits	54,550	—	37,919	—	
Bills payable:					
Outstanding balance	—	13,947	—	13,936	Borrowings with annual fixed rate of 4.0%
Net movements	11	—	20	—	
Interest expense	278	—	56,658	—	
Income from bancassurance business:					Income recognized in accordance with the
Commission income	372,750	—	377,657	—	bancassurance agreement.
Unearned income	—	590,258	—	715,710	Unearned income arising from the bancassurance agreement
Sale of Investment properties					
Sales contract receivable	—	413,987	591,410	413,987	
Gain on disposal	—	—	226,901	—	
Unearned income	—	52,004	52,004	52,004	

(Forward)



Related Party Category	June 30, 2023		December 31, 2022		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Loans receivable	₱20,236	₱21,145	(₱8,829)	₱909	Secured borrowings with annual interest rate of 8.0% and 12% in 2023 and 8.0% and 11% in 2022
Key management personnel	3,278,588	—	2,973,832	—	Employee benefits related to key management personnel.
Directors, officers and other related interests:					Employee fringe benefit loans with annual fixed interest rate from 0.00% to 8.0% in 2023 and 2022
Loans	812,406	812,406	640,544	640,544	Fringe benefits related to employee cars and laptop lease.
Accounts receivable	169,503	169,503	156,659	156,659	

Outstanding receivables from and payables to related parties are generally settled in cash.

Deposit Liabilities and Interest Expense

The deposit accounts of stockholders with the Group generally earn interest based on daily bank deposit rates.

Bills Payable and Interest Expense

In 2020, CSB availed of a loan with Aboitiz Foundation, Inc., amounting to ₱14.00 million which is payable in five years and bears an annual interest rate of 4.0%. This borrowing had an outstanding balances of ₱13.95 million and ₱13.94 million (net of unamortized debt issue costs) as of June 30, 2023 and December 31, 2022, respectively.

For the six months ended June 30, 2022, CSB availed of short-term borrowings from AEVI, Aboitiz Power Corporation, and Aboitiz and Co. Inc., related parties under common ownership, amounting to ₱0.85 billion, ₱15.43 billion, and nil, respectively. Availments have been paid in full as of December 31, 2022. No availments were made for the six months ended June 30, 2023.

Bancassurance Agreement

On January 27, 2017, the Parent Bank and its subsidiary, CSB, entered into a bancassurance partnership (the Agreement) with Insular Life Assurance Company, Ltd. (Insular Life). Under the Agreement, Insular Life paid the Parent Bank an amount representing Exclusive Access Fee (EAF) with a term of 15 years. In the event that the cumulative annualized premium earned (APE) sold during the first five-year period is less than the agreed minimum amount, the Parent Bank shall refund the proportion of EAF that equals the proportion by which the cumulative APE is less the minimum amount (see Note 22).

Under the distribution agreement, Insular Life will have exclusive access to the branch network of the Parent Bank and CSB. Additionally, the Parent Bank's and CSB's sales force, composed of relationship managers and financial advisors, shall be trained and licensed to sell life insurance products. Under the same Agreement, the Parent Bank and CSB shall earn commissions on all insurance policies sold by the Parent Bank and CSB (see Notes 22 and 24).

On June 30, 2023, the Parent Bank, CSB and Insular Life have renegotiated terms of the Agreement through an Addendum to Distribution Agreement (the Addendum). Under the Addendum, regardless of the Parent Bank's performance during the first five years, and regardless of the amount of the cumulative APE to be sold by the Parent Bank for the next five years starting January 1, 2023, the Parent Bank's unearned balance of the EAF shall be earned in each year.



Receivables Purchase AgreementsDepartment of Education (DepEd) Loans

On February 28, 2022, the Parent Bank entered into an agreement with CSB to purchase, in a true sale and without recourse basis, and for cash consideration, certain DepEd loans in one or more tranches for up to a maximum outstanding principal amount of ₱10 billion. The Parent Bank completed the purchase of the first tranche of receivables with outstanding principal of ₱99.31 million on April 8, 2022, and the second tranche of receivables with outstanding principal of ₱9.98 billion on July 4, 2022.

Quick Loans

On August 1, 2022 (the “Effective Date”), the Parent Bank entered into an agreement (the “Agreement”) with UnionDigital to sell, in a true sale and without recourse basis, and for cash consideration, loan accounts from the Parent Bank’s Quick Loans portfolio that are existing and granted as of the Effective Date and during the Term of the Agreement, which pass the eligibility criteria including the credit score, borrower profile, loan tenors and terms acceptable to UnionDigital. The Agreement shall remain valid and subsisting until terminated by the Parties as defined and allowed under the Agreement. The total outstanding principal sold to UnionDigital in 2022 amounted to ₱6.68 billion.

Sale of Investment Properties

In June 2022, the Parent Bank sold to Lima Land, Inc., a related party under common ownership, parcels of foreclosed land with carrying value of ₱312.50 million for a consideration of ₱591.41 million, payable until 2027. The Bank recognized Gain on disposal of investment properties amounting to ₱226.91 million and Unearned income of ₱52.00 million on the date of sale. As of June 30, 2023 and December 31, 2022, the sales contract receivable had an outstanding balance of ₱413.99 million.

Key Management Personnel Compensation

The compensation of key management personnel for the Group follows:

	For the Six Months Ended	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Short-term benefits	₱3,084,358	₱1,411,866
Post-employment benefits	82,411	94,096
Other long-term benefits	111,819	36,454
	₱3,278,588	₱1,542,416

Loans and Other Transactions

In the ordinary course of business, the Group has loans, deposits and other transactions with its related parties and with certain DOSRI. Under the Group’s existing policies, these transactions are made substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Group. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Group, whichever is lower.



On January 31, 2007, BSP issued Circular No. 560 which provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the Parent Bank's subsidiaries and affiliates shall not exceed 10% of bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank.

Transactions with the Retirement Plan

The retirement fund of the Group covered under defined benefit post-employment plan maintained for qualified employees is administered by the Retirement Committee. The members of the Retirement Committee are Senior Executives and officers of the Parent Bank as approved by the Chairman/Chief Executive Officer. Through its Retirement Committee, it has appointed TISG as one of its trustees for the retirement fund which is covered by trust agreements.

As of June 30, 2023 and December 31, 2022, total assets of the retirement plan managed by the TISG of the Parent Bank amounted to ₱4.07 billion and ₱4.03 billion, respectively.

The retirement fund of the Group includes investments in shares of stock and notes payable of the Parent Bank amounting to ₱369.14 million and ₱334.52 million, respectively, as of June 30, 2023, and ₱352.21 and ₱354.52 million, respectively, as of December 31, 2022. The investment in Parent Bank shares are primarily held for re-sale and the Group's retirement fund does not intend to exercise its voting rights over those shares. The terms of the investment in notes payable are discussed in Note 21.

The combined retirement funds of the Group have deposits with the Parent Bank amounting to ₱332.05 million and ₱348.46 million as of June 30, 2023 and December 31, 2022, respectively.

The related dividend income and interest income amounted to ₱9.31 million and ₱17.66 million, respectively, for the six months ended June 30, 2023, and ₱9.06 million and ₱19.64 million, respectively, for the six months ended June 30, 2022.

Receivable from Kingswood Project

UIC acts as the project and fund manager of Kingswood Project. As fund manager, UIC is responsible for the treasury and money management as well as arranging the necessary facilities and accounting for the development of the project. UIC also receives a certain percentage of the sales price related to Kingswood Project as sales commission and to compensate for the marketing expenses incurred. As of June 30, 2023 and December 31, 2022, the receivable of UIC from Kingswood Project amounted to ₱32.3 million and ₱33.2 million, respectively.



31. Earnings per Share

As of June 30, 2023 and December 31, 2022, the Parent Bank has no outstanding potentially dilutive securities, hence, basic earnings per share are equal to diluted earnings per share.

	For the Six Months Ended	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Net profit attributable to Parent Bank's stockholders	₱6,343,568	₱5,981,350
Divided by the weighted average number of outstanding common shares	2,312,178	1,730,528
Basic and diluted earnings per share	₱2.74	₱3.46

32. Commitments and Contingent LiabilitiesLeases*Group as Lessee*

The Group leases various branch premises for an average period of five years. The lease contracts are cancellable upon mutual agreement of the parties or renewable at the entity's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5%. Some leases include a clause to enable adjustment of the rental charge on an annual basis based on prevailing market rates.

As of June 30, 2023, and December 31, 2022, the Group has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

Shown below is the maturity analysis of the undiscounted lease payments:

	June 30, 2023	December 31, 2022
1 year or less	₱591,627	₱532,912
more than 1 years to 2 years	470,478	391,940
more than 2 years to 3 years	315,183	237,140
more than 3 years to 4 years	166,450	89,969
more than 5 years	95,808	22,077

The following are the amounts recognized in profit or loss for the periods ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Amortization expense of ROU assets (Note 14)	₱291,387	₱287,269
Interest expense on lease liabilities	34,212	33,622
Expenses relating to short term - leases	166,816	83,289
Total amount recognized in profit or loss	₱492,415	₱404,180



Group as Lessor

The Group has entered into commercial property leases on the Group's surplus offices. These non-cancellable leases have remaining non-cancellable lease terms of one to four years.

Total rent income earned amounted to ₱75.81 million and ₱63.1 million included under Miscellaneous income account in the interim consolidated statements of income (see Note 25) of the Group for the six months ended June 30, 2023 and 2022, respectively.

The estimated minimum future annual rentals receivable under non-cancellable lease follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Within one year	₱107,769	₱142,891
After one year but not more than five years	194,324	257,160
	₱302,093	₱400,051

Others

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, which are not reflected in the accompanying financial statements. The Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of June 30, 2023, no additional material losses or liabilities are required to be recognized in the accompanying financial statements as a result of the above commitments and transactions.

Following is a summary of the Group's commitments and contingent accounts:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Forward exchange bought	₱100,444,675	₱74,853,141
Forward exchange sold	17,289,125	25,708,489
Trust department accounts	95,037,396	91,649,087
Commitments	69,598,681	50,820,675
Inward bills for collections	20,403,107	17,307,197
Other derivatives	16,511,280	13,801,894
Spot exchange bought	8,998,483	3,378,510
Spot exchange sold	8,204,717	3,530,275
Unused commercial letters of credit	6,710,429	8,986,154
Outstanding guarantees issued	1,256,649	1,426,923
Other commitment and contingent accounts	71,625	111,295

There are several suits, assessments or notices and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.



33. Notes to the Statement of Cash Flows

Presented below is the supplemental information on the Group's liabilities arising from financing activities:

	LTNCD	Bills Payable	Notes and Bonds Payable	Lease liabilities	Total
Balance at January 1, 2023	₱3,000,000	₱132,846,789	₱51,644,325	₱1,424,530	₱188,915,644
Cash flows from financing activities:					
Additions	–	447,867,319	1,694,094	–	449,561,413
Repayment of borrowings	–	(435,513,888)	(994,654)	(321,255)	(436,829,797)
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	(799,170)	(244,990)	–	(1,044,160)
New lease arrangements	–	–	–	377,533	377,533
Amortization of debt issue cost and accretion of interest	–	–	66,703	34,212	100,915
Balance as of June 30, 2023	₱3,000,000	₱144,401,050	₱52,165,478	₱1,515,020	₱201,081,548
Balance at January 1, 2022	₱3,000,000	₱51,168,138	₱69,853,986	₱1,382,880	₱125,405,004
Cash flows from financing activities:					
Additions	–	81,810,888	12,317,531	–	94,128,419
Repayment of borrowings	–	(67,597,291)	(6,582,375)	(310,068)	(74,489,734)
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	2,545,734	3,807,928	–	6,353,662
New lease arrangements	–	–	–	302,335	302,335
Amortization of debt issue cost and accretion of interest	–	–	(61,621)	33,622	(27,999)
Balance as of June 30, 2022	₱3,000,000	₱67,927,469	₱79,335,449	₱1,408,769	₱151,671,687

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

Non-cash investing activities of the Group for the periods ended June 30, 2023 and 2022 include additions to investment properties in settlement of loans and receivables amounting to ₱422.65 million and ₱107.90 million, respectively, and disposals of properties with carrying values of ₱321.69 million and ₱506.34 million, respectively, through sales contract receivables.

34. Events after the End of the Reporting Period

SEC Approval of the Merger of Bangko Kabayan, FAIR Bank and PBI

On July 13, 2023, the SEC approved the merger between Bangko Kabayan, FAIR Bank and PBI, with Bangko Kabayan as the surviving entity.

Purchase of Additional Ownership Interest in Bangko Kabayan

On July 10, 2023, the Parent bank purchased 1,011,911 shares representing 27.52% of Bangko Kabayan, resulting in the Group's ownership in Bangko Kabayan of 97.52%. CSB's and UIC's ownership remained the same at 49% and 21%, respectively.



Finalization of purchase price allocation of Citigroup consumer business

As discussed in Note 2, the Bank engaged a third party consultant to assist in determining the fair value of assets and liabilities acquired, including customer relationship and core deposits. In July 2023, the Bank, with the assistance of the third party consultant has completed the determination of fair values of assets and liabilities acquired, including determination of the fair value of intangible asset attributable to the business acquired, which resulted in (1) the reduction of goodwill and recognition of intangible asset at acquisition date amounting to ₱8.49 billion, (2) recognition of amortization expense amounting to ₱303.07 million and ₱252.56 million for the six months ended June 30, 2023, and the year ended December 31, 2022, respectively.

Capital infusion in UnionDigital

On June 23, 2023, the BOD approved the additional infusion in UnionDigital up to ₱900.00 million. Subsequently on September 29, 2023, the Parent Bank infused only ₱300.00 million to UnionDigital to support its business growth.



The Bank

Union Bank of the Philippines

UnionBank Plaza
Meralco Avenue, corner Onyx and Sapphire Streets
Ortigas Center, Pasig City
1605 Philippines

Lead Arrangers and Bookrunners

ING Bank N.V., Manila Branch

22/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City
Metro Manila, Philippines

Standard Chartered Bank

20/F Ayala Triangle Gardens Two
Paseo de Roxas corner Makati Avenue
Makati City 1226
Philippines

**Legal Counsel to the Bank
as to Philippine law**

**Legal Counsel to the Lead Arrangers and
Bookrunners
as to Philippine law**

Picazo Buyco Tan Fider & Santos Law Offices

Penthouse, Liberty Center - Picazo Law
104 H.V. Dela Costa Street, Salcedo Village
Makati City, Metro Manila, Philippines

**Angara Abello Concepcion Regala & Cruz Law
Offices**

22/F ACCRALAW TOWER
Second Avenue corner 30th Street,
Crescent Park, West Bonifacio Global City
1635 Taguig Metro Manila, Philippines

Independent Auditors

SyCip Gorres Velayo & Co.

6760 Ayala Avenue
Makati City 1226
Philippines

Registrar and Paying Agent

Philippine Depository & Trust Corp.

29/F BDO Equitable Tower,
8751 Paseo de Roxas,
Makati City, Metro Manila, Philippines