Schedule "B"

SEC NO. 16962
FILE NO.

CHINA BANK SAVINGS, INC.
(COMPANY'S NAME)

CBS BUILDING
314 Sen. Gil J. Puyat Avenue, Makati City
(COMPANY'S ADDRESS)

8-988-95-55
(TELEPHONE NUMBER)

DECEMBER 31
(FISCAL YEAR ENDING MONTH AND DAY)

SEC FORM 17 – A
(FORM TYPE)

December 31, 2022
(PERIOD ENDED DATE)

N/A
(SECONDARY LICENSE TYPE AND FILE NUMBER)

COVER SHEET

SEC Registration Number

0	0	0	0	0	0	1	6	9	6	2

COMPANY NAME

CHINA BANK SAVINGS, INC.

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

CBS Building, 314 Sen. Gil J. Puyat Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
cbs@chinabank.ph	8-988-95-55	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,545	3rd Thursday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Luis Bernardo A. Puhawan	lbapuhawan.cbs@chinabank.ph	8-988-95-55	N/A

CONTACT PERSON's ADDRESS

CBS Building, 314 Sen. Gil J. Puyat, Makati City

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, *AS AMENDED*

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

1.	For the fiscal year ended	:	**December 31, 2022**
2.	SEC Identification Number	:	**16962**
3.	BIR Tax Identification Code	:	**000-504-532**
4.	Exact name of registrant as specified in its charter	:	**China Bank Savings, Inc.**
5.	Province, country or other jurisdiction or organization	:	**Makati City, Philippines**
6.	Industry Classification Code	:	**(SEC Use only)**
7.	Address of principal office	:	**CBS Building, 314 Sen. Gil J. Puyat Avenue, Makati City**
8.	Registrant's telephone number, including area code	:	**(632) 8-988-95-55**
9.	Former name, former address and former fiscal year, if changed since last report	:	N/A

10. Securities registered pursuant to Section 8 and 12 of the SRC and Section 4 and 8 of the RSA

Title of Each Class	**Number of Shares Outstanding and Amount of Debt Outstanding**
Common stock - ₱100 par value	105,414,149
Preferred stock - ₱100 par value	21,642

11. Are any or all of the registrant's securities listed on a Stock Exchange?

Yes [ ] No [✓]

12. Check whether the issuer:

(a) has filed all the reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 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 [ ]

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PART I. BUSINESS AND GENERAL INFORMATION

Item 1. DESCRIPTION OF BUSINESS

1. Business Development

Corporate Policy

China Bank Savings ("CBS" or the "Bank") is the retail lending arm of China Banking Corporation ("China Bank" or the "Parent Bank") and one of the largest thrift banks in the country today. CBS is a member of the SM Group or SM Investments Corporation, one of the country's largest conglomerates.

In 2007, CBS was acquired by China Bank. Following the change in its majority owners, the Bank continues to operate as a thrift bank. Subsequent mergers with Unity Bank, a Pampanga-based rural bank, and Planters Development Bank (Plantersbank) have bolstered CBS' position as a leading thrift bank in the industry. With more than 150 branches nationwide and a strong platform for retail banking, auto, housing, teachers, and enterprise finance, CBS is dedicated to servicing the needs of entry-level customers, the broad consumer market, and the strategic Small and Medium Enterprise (SME) sector. CBS is committed to promoting financial inclusiveness, and uplifting the quality of consumers and entrepreneurs in line with its *Easy Banking for You* brand of service.

The Bank's ***Easy Banking for You*** corporate tagline, promises fast, efficient and friendly service for customers. It means that the whole CBS team is putting in more effort and going the extra mile to make banking easy for customers. The Bank is complementing its organizational capacity with the infrastructure to deliver on the promise of *Easy Banking for You* through an up-to-date technology, robust employee training and development programs, wide distribution network, fast and efficient processes and competitive products and services.

The Bank's customer acquisition strategy involves sourcing new customers from the general public through its sales channels and brick-and-mortar branch network. China Bank and CBS ensure wider market coverage through their internal referral and customer acquisition process. CBS focuses on the "emerging mass-market" sector of the consumer banking market. On the funding side, the Bank's principal source is the deposits from the general public.

The Bank's website www.cbs.com.ph/ has been enhanced to support the corporate branding campaign. The secure site was provided with a fresh look that reflects the Bank's vibrant image and authentic commitment to entry-level customers, families, young professionals, and entrepreneurs.

Vision
To be the leading savings bank preferred by the markets we serve.

Mission
As the leading savings bank, we deliver the best in banking, thus:

We provide wealth-building and practical products and services that fulfill the dreams and uplift the markets we serve.

We value our employees by nurturing, developing and rewarding them, as they are vital to our success.

We maintain the highest ethical standards through good corporate governance; deliver maximum and sustainable returns for our shareholders; and serve our communities to help promote better lives.

Core Values
In doing business, CBS is guided by these values:

- ***Integrity.*** Doing the right thing to everyone at all times.
- ***Teamwork.*** We work together in harmony and we respect each other to achieve our shared goals.
- ***Pursuit of Excellence.*** We have high performance standards that exceed expectations of our customers and shareholders.
- ***Customer Focus.*** We build and maintain solid and lasting relationships that result in customer loyalty.
- ***Concern for People.*** We provide an equitable, respectful, and safe working environment for all our employees.
- ***Fairness and Firmness.*** We make decisions free from discrimination and we are resolute in our decisions.

Form and Year of Organization

The Bank's original Certificate of Incorporation was issued by the Philippine Securities and Exchange Commission (SEC) on May 23, 1960. The Bank reopened to the public on June 26, 1999 as a thrift bank in accordance with the Monetary Board (MB) Resolution No. 512 dated April 21, 1999. Under MB Resolution No. 512. On August 20, 2009, the Board of Directors (BOD) approved the amendment of the Bank's Articles of Incorporation to extend its corporate term for another fifty (50) years, from and after May 23, 2010, the end of the original term of the Bank's corporate existence. The amendment to the Articles of Incorporation to extend the Bank's corporate term was subsequently approved by the stockholders of the Bank, who own/represent at least two thirds (2/3) of the outstanding capital stock, at the Annual Stockholders' Meeting held in October 2009. The Amended Articles of Incorporation was approved by the SEC on March 25, 2010. By virtue of Section 11 of Republic Act No. 11232 also known as the "Revised Corporation Code of the Philippines, which took effect on February 23, 2019, the Bank now has perpetual existence.

As of December 31, 2022 and 2021, CBC, the ultimate parent bank, has ownership interest in the Bank of 99.60%.

The registered office address of the Bank is at CBS Building, 314 Sen. Gil Puyat Avenue, Makati City.

Bankruptcy, Receivership or Similar Proceedings

The Bank is not subject to any bankruptcy, receivership or similar proceedings.

Material Reclassification Merger, Consolidation or Purchase or Sale of Assets

Merger between the Bank and Unity Bank, A Rural Bank
The Board of Directors of the Bank and Unity Bank, in their meetings held on June 6, 2013 and June 11, 2013, respectively, approved the proposed merger with Unity Bank, with the Bank as the surviving entity. The Plan of Merger was approved by the stockholders of both banks in their meetings held on July 18, 2013 and July 19, 2013, respectively. Unity Bank is 99.95% owned by China Bank, having acquired the former on November 20, 2012 under the Strengthening Program for Rural Banks (SPRB) Plus of the Bangko Sentral ng Pilipinas (BSP).

On December 10, 2013, the BSP approved the issuance of Certificate of Authority to register the approved Plan of Merger and Articles of Merger of the Bank and Unity Bank, with the Bank as the surviving entity. Thereafter, on January 20, 2014, the SEC formally issued the Certificate of the Filing of Articles and Plan of Merger by and between the Bank (surviving corporation) and Unity Bank (absorbed corporation). The merger was effected via a share-for-share exchange.

Merger between the Bank and Planters Development Bank
On June 26, 2014, the Board of Directors of both the Bank and Plantersbank approved the Plan and Articles of Merger of the Bank and Plantersbank, with the former as the surviving corporation. Plantersbank is a 99.85% owned subsidiary of China Bank. The stockholders of both Plantersbank and the Bank approved, ratified and confirmed the Plan and Articles of Merger on August 14, 2014. An amended Plan of Merger was approved by the Board of Directors of both Banks on January 29, 2015.

On August 19, 2015 and December 17, 2015, the MB of the BSP and the SEC approved the merger, respectively. The salient provisions of the Articles of the Merger are as follows:

a. Upon the effective date of the merger, Plantersbank shall be merged with and into the Bank. The separate and distinct existence of Plantersbank shall cease and terminate upon the effective date of merger.

b. The Bank shall be the surviving corporation.

c. As of the effective date, all common and preferred shares of Plantersbank shall be converted into fully paid China Bank Savings common shares totaling to 16.5 million shares.

Financial Highlights

	2022	2021
PROFITABILITY		
Total net interest income	**₱6,581,408,070**	₱5,470,233,970
Total non-interest income	**969,452,353**	834,011,953
Total non-interest expenses	**4,320,329,546**	3,707,286,607
Pre-provision profit	**3,230,530,877**	2,596,959,316
Provision for credit losses	**1,507,585,488**	1,246,979,955
Net income	**1,576,953,263**	986,455,862
SELECTED BALANCE SHEET DATA		
Liquid assets	**22,573,522,183**	16,905,408,578
Gross loans	**90,918,573,413**	68,631,603,309
Total assets	**123,987,423,343**	95,752,479,887
Deposits	**108,196,889,850**	81,795,166,015
Total equity	**12,814,431,652**	11,329,148,040
SELECTED RATIOS		
Return on equity	**13.06%**	9.12%
Return on assets	**1.44%**	1.02%
Capital adequacy ratio	**12.68%**	14.09%
OTHERS		
Headcount		
Officers	**1,182**	1,083
Staff	**1,235**	1,113

2. Business of Registrant

a. Products and Services

CBS offers a suite of products and services that cater to the different needs of its clientele, whether for business or personal finance. CBS' customer-centric and inclusive-finance approach ensures convenience, affordability, and ease-of-access in the way it delivers its products and services.

DEPOSITS

- Savings
  - **Easi-Save Basic** is an ideal starter, interest-earning ATM savings account with no initial deposit required and maintaining balance requirement.
  - **Easi-Save ATM** is an interest-earning account with the convenience of a PIN-based automatic teller machine (ATM) card.
  - **Easi-Save for Kids** is an interest-earning savings account designed for children aged at least 7 until 12 years old and comes with a passbook.
  - **US Dollar Savings Account** is a US Dollar-denominated savings account that comes with a passbook.
  - **CBS My First Million Savings Account** is an interest-earning savings account that comes with a passbook for easy monitoring and 24/7 access via ATM, CBS Online Banking and CBS Mobile App.

- Checking
    - **Easi-Checking Basic** is an entry-level checking account with low initial deposit requirement.
    - **Easi-Checking** is an interest-bearing checking account that comes with an Easi-Save ATM card.
    - **CheckMate All-in-One Check Account** is an interest-bearing checking account for the professional or entrepreneur who is always on the go. Transactions can be monitored via passbook, checkbook, ATM and via CBS Mobile App or CBS Online 24/7.

- Time Deposit
    - **Easi-Earn Time Deposit** is a peso-denominated, short-term deposit account with terms of less than one year. Interest is credited upon maturity.
    - **Easi-Earn High Five** is a peso-denominated, five-year term deposit account. It has a fixed interest rate and is tax-free, provided the term is completed.
    - **US Dollar Time Deposit Account** is a US Dollar-denominated short-term deposit account with terms of less than one year. Interest is credited upon maturity.

LOANS AND CREDIT FACILITIES

- **SME Biz Loan**
    - **Term Loan** is a multipurpose credit source with a tenor of more than one year extended to business entities.
    - **Revolving Promissory Note Line** provides ready cash for purchasing, building up inventory, or as a bridge between receivables.
    - **Check Discounting Line** allows to get credit immediately every time it is needed. No more waiting time for customer's post-dated checks to clear.
    - **Invoice Financing** is a supervised and directed loan offered to business entities for the purpose of financing the purchase of their inventory goods from manufacturers, suppliers, or distributors.
    - **Floor Stock Financing** keeps inventory fully stocked while CBS handles the payments, oversees everything and making sure everything is paid on time.
    - **Domestic Standby Letter of Credit** is a standby credit line extended to businesses to guarantee financing for a project or particular business transaction with a specific or certified beneficiary.
    - **Project Financing / Development Loan** is a credit facility intended to finance the development of residential housing projects.
    - **CTS Receivables Financing with Recourse** is a credit facility that provides liquidity to real estate developers through purchase of receivables from individual home buyers covered with contract-to-sell (CTS) on accredited residential housing projects.

- **Small Biz Loan**
    - **Small Biz Term Loan** is a multipurpose credit source with a tenor of more than one year extended to business entities.
    - **Small Biz Revolving Promissory Note** is a loan facility for loans worth ₱10.0 million and below. Interest is computed only for the amount used. A real estate mortgage (REM) or a combination of REM and deposit assignment are required.

- **Small Biz Revolving Credit Line (Check Driven)** is a standby credit line guarantees simple financing for product or specific recipient over time.

- **Consumer Loan**

  - **Easi-Drivin' Auto Loan** makes owning a first car a breeze. Whether buying a brand-new car or a pre-owned vehicle, CBS has affordable amortization schemes and flexible terms.
  - **Easi-Livin' Home Loan** makes moving in to one's dream house a reality. It can be used for lot or home purchase, home construction, home improvement or to refinance an existing home loan.
  - **Easi-Funds Personal Loan** is a cash loan with no collateral. It gives one an access to cash quickly.
  - **Easi-Funds Salary Loan** is a multi-purpose loan facility offered to salaried individuals employed by CBS accredited companies.

- **Easi-APDS Loan**

  - Easi-APDS is an Automatic Payroll Deduction Salary (APDS) Loan. It is a multi-purpose and non-collateral program offered to the teaching and non-teaching personnel of the Department of Education, Autonomous Schools, State Universities and Colleges (SUCs), and Local Universities and Colleges (LUCs) under the Commission on Higher Education (CHED), Technical Education and Skills Development Authority (TESDA), Department of Science and Technology – Philippine Science High School (DOST-PSHS) and other APDS market segments covered by an APDS Memorandum of Agreement with the Bank. CBS is a duly accredited APDS Private Lending Institution with Deduction Code 1151.

CASH MANAGEMENT SERVICES

- **Bills Payment System** is a tie-up arrangement with major and local utility providers, schools, insurance companies, credit card companies or charitable institutions.

- **Deposit Pick-Up Arrangement** is a special type of accommodation given to valued clients where the Bank sends a representative on an agreed schedule at the client's designated office or establishment to collect deposits.

- **Online Payroll Upload** credits employee's payroll accounts via uploading in CBS Online Corp or through the branch. Funds will be available on the same day.

- **Check Write Software** is a checking account which includes software for printing checks and monitoring disbursement electronically.

- **End to End Payroll Software** computes salary in an instant, including regular pay, overtime pay, salary adjustments, taxes, SSS, Pag-Ibig and PhilHealth contributions.

- **Direct Buyers Checking Account** is a special checking account designed to support the operation and collection efforts of the business.

- **Post Dated Check Warehousing** is a service for controlling and managing a client company's inventory of post-dated checks, using a stand-alone system to credit these checks to the client's account when the value date falls due.

- **SME Proposition** where clients are provided with equipment, gadget, business machine, or cash management services that will help them manage and grow their business through technology.

- **Easi-Padala** is a remittance service that will assist CBS account and non-account holders with their money transfer to/from their relatives: secured and fast.

Business Contribution

	December 31, 2022		December 31, 2021	
	%	**Amount**	%	Amount
INTEREST INCOME				
Loans and receivables		**₱7,494,313,474**		₱5,955,951,115
Investment securities		**273,068,574**		242,801,087
Interbank loans receivable and SPURA		**70,835,452**		29,351,355
Due from BSP and other banks		**266,726,823**		126,186,058
		8,104,944,323		6,354,289,615
INTEREST EXPENSE				
Deposit liabilities		**1,484,426,834**		841,037,755
Others		**39,109,419**		43,017,890
		1,523,536,253		884,055,645
NET INTEREST INCOME	**87.16%**	**6,581,408,070**	86.77%	5,470,233,970
Service charges, fees and commissions	**5.69%**	**429,240,918**	7.48%	471,562,919
Gain on asset exchange	**4.98%**	**376,181,268**	3.22%	202,952,436
Income from property rentals	**0.65%**	**49,157,087**	0.93%	58,804,838
Trading and securities gains	**–**	**–**	0.24%	15,123,373
Miscellaneous	**1.52%**	**114,873,080**	1.36%	85,568,387
TOTAL OPERATING INCOME	**100.00%**	**₱7,550,860,423**	100.00%	₱6,304,245,923

Distribution Methods of Products and Services

CBS products and services are made available across multiple distribution and delivery channels: 161 branch network; 170 ATM network (162 in-branch and 8 off-site ATMs nationwide); 9 in-branch cash accept machine; 3 business centers and 17 sales offices mainly supporting the Bank's SME and consumer lending business and 34 APDS lending centers and 44 APDS lending kiosks primarily supporting the Bank's APDS lending business.

The rapidly growing distribution network is enabled by a highly robust and integrated core banking platform FCBS by Infosys. The core banking system allows real-time access to deposit and loan balances 24/7, general ledger and management of credit facilities.

The information on the Bank's distribution and delivery channels are shown in the following tables:

NO	BRANCH	LOCATION/ADDRESS
1	ACACIA ESTATES - SAVEMORE	Acacia Taguig Town Center, Acacia Estates, Ususan, Taguig City
2	ALABANG HILLS	Ground Floor Common Goal Building Madrigal Business Park, Ayala Alabang, Muntinlupa City
3	AMANG RODRIGUEZ - SAVEMORE	Amang Rodriguez Avenue corner Evangelista St., Santolan, Pasig City
4	AMORANTO AVENUE	Unit 101 R Place Building, 255 N.S. Amoranto Sr. Ave., Quezon City
5	ANGELES - RIZAL	639 Rizal Street, Angeles City
6	ANGONO	Manila East Road cor Don Benito St., San Roque, Angono, Rizal

NO	BRANCH	LOCATION/ADDRESS
7	ANONAS - SAVEMORE	Maamo St., Road Lot 30, V. Luna and Anonas Extension, Sikatuna, Quezon City
8	ANTIPOLO	E.M.S. Bldg., Ground Floor L1 M.L. Quezon, Corner F. Dimanlig St. Antipolo City
9	ARANETA CENTER COD - SAVEMORE	Gen. Romulo St., Araneta Center, Cubao, Quezon City
10	ARAYAT	Cacutud, Arayat, Pampanga
11	AYALA AVENUE	6772 Ayala Avenue, Makati City
12	BACLARAN	3751 Quirino Avenue Corner Sta. Rita St., Baclaran, Parañaque City
13	BACOLOD	Fordland Bldg. | Annex, 12th Lacson Street, Bacolod City
14	BACOOR - MOLINO	Avon Building, 817 Molino Road, Molino III, Bacoor, Cavite
15	BACOOR - TALABA	Coastal Road cor. Aquinaldo Hi-Way Talaba Vii, Bacoor City, Cavite
16	BAGUIO - SESSION	UGF KDC Bldg. 91 Marcos Highway Benguet Baguio City
17	BALAGTAS	Ultra Mega Supermarket, Mcarthur Highway, Burol 1st, Balagtas, Bulacan
18	BALANGA - DM BANZON	D.M. Banzon Ave. Cor Sto. Domingo Street, Balanga Bataan
19	BALIBAGO	JEV Bldg., Mac Arthur Highway, Balibago, Angeles City
20	BALIUAG	No. 58 Plaza Naning St., Baliuag, Bulacan
21	BANAWE	No. 247-249 Banawe Street, Sta. Mesa Heights, Barangay Lourdes, Quezon City
22	BANGKAL	Ground Floor Amara Bldg., 1661 Evangelista St. Bangkal, Makati City
23	BATANGAS - P. BURGOS	No. 3 P. Burgos Street Batangas City
24	BIÑAN	Nepa Highway, San Vicente Binan Laguna
25	BINONDO - JUAN LUNA	694-696 Juan Luna St., Binondo, Manila
26	BLUMENTRITT	Blumentritt St, near Oroquieta St., Sta. Cruz Manila
27	BONI AVENUE	Raymond Tower Boni, 615 Boni Avenue, Plainview, Mandaluyong City
28	BUENDIA MAIN	314 Buendia Avenue, Makati City
29	BUTUAN CITY	JMC Building, J.C. Aquino Avenue, Brgy. Lapu, Butuan City, Agusan Del Norte
30	CABANATUAN - BAYAN	Burgos Avenue Cabanatuan City, Nueva Ecija
31	CAGAYAN DE ORO	Sergio Osmeña St., Cogon District, Cagayan de Oro City
32	CAINTA	Lower Ground Floor 04 & 05, CK Square Mall, Ortigas Ave. Ext., Cainta, Rizal
33	CALAMBA	HK Bldg II, National Highway, Brgy. Halang, Calamba, Laguna
34	CAVITE CITY	485 P. Burgos St., Barangay 34, Caridad, Cavite City
35	CEBU – LAHUG	Ground Floor Skyrise IT Bldg., Bgy. Apas, Lahug, Cebu City
36	CEBU - MANDAUE	A. Del Rosario Ave., Mantuyong, Mandaue City, Cebu
37	CEBU – MANGO	JSP Mango Realty Building Corner General Maxilom Avenue and Echavez Sts. Cebu City
38	CEBU MANDAUE - BASAK	Cebu North Road Basak Mandaue City
39	COMMONWEALTH AVENUE	Unit 101, JOCFER Building, Commonwealth Avenue, Brgy. Holy Spirit, Quezon City
40	CUBAO	Fernandina 88 Condominium 222 P. Tuazon Ave, Araneta Center, Cubao, Quezon City
41	DAGUPAN	Ground Floor Lyceum-Northwestern University, Tapuac District, Dagupan City
42	DARAGA	Rizal St., Brgy. San Roque, Daraga, Albay, Bicol
43	DASMARIÑAS	Veluz Plaza Building, Zone 1 Aguinaldo Hi-Way, Dasmarinas Cavite
44	DAU	MacArthur Highway, Dau, Mabalacat, Pampanga
45	DAVAO – QUIRINO	Ground Floor 8990 Corporate Center, Quirino Ave., Davao City
46	DAVAO – RECTO	C. Villa Abrille Building, C.M. Recto Avenue, Davao
47	DEL MONTE	392 Del Monte Avenue, Barangay Sienna, Quezon City
48	DOLORES	STCI Bldg. Mac Arthur Hiway Bgy San Agustin, City of San Fernando Pampanga
49	E. RODRIGUEZ SR. – HEMADY	E. Rodriguez Avenue Street corner Dona Hemady St., Quezon City
50	ESPAÑA - SUN MALL	Ground Floor Sun Mall, Espana Boulevard corner Mayon St., Brgy. Sta. Teresita, Quezon City
51	FELIX HUERTAS - JT CENTRALE	Unit 103, Ground Floor, JT Centrale Mall, No. 1686 V. Fugoso St. corner Felix Huertas St., Sta. Cruz, Manila
52	FILINVEST CORPORATE CITY	BC Group Bldg., East Asia Drive, near corner Commerce Ave., Filinvest Corporate City, Alabang, Muntinlupa City
53	FTI - TAGUIG - HYPERMARKET	DBP Avenue, Food Terminal Inc., Western Bicutan, Taguig
54	G. ARANETA AVENUE	195 G. Araneta Avenue, Quezon City

NO	BRANCH	LOCATION/ADDRESS
55	GENERAL SANTOS	Santiago Boulevard General Santos City
56	GENERAL TRIAS	Ground Floor VCentral Gentri , New Brgy. Manggahan, General Trias, Cavite
57	GREENHILLS - ORTIGAS AVE.	Ground Floor VAG Building Ortigas Avenue, Greenhills San Juan, Metro Manila
58	GREENHILLS – WILSON	219 Wilson St., Greenhills, San Juan City
59	GUAGUA	Plaza Burgos, Guagua, Pampanga
60	GUIGUINTO – RIS	RIS-5 Industrial Complex, No. 68 Mercado Street, Tabe, Guiguinto Bulacan, 3015
61	ILOILO – IZNART	Golden Commercial Bldg., Iznart, Iloilo City
62	ILOILO – JARO	Lopez Jaena corner EL 98 Streets, Jaro, Iloilo
63	IMUS - TANZANG LUMA	Tanzang Luma, Gen. Emilio Aguinaldo Highway, Imus Cavite
64	KALIBO – CITYMALL	Lot 3459-E-1, toting Reyes St., Barangay Andagao, Kalibo, Aklan
65	KALOOKAN	Augusto Bldg., Rizal Ave., Gracepark, Kalookan City
66	KALOOKAN – MABINI	AJ Building, #353 A. Mabini St, Kalookan City
67	KATIPUNAN AVENUE	One Burgundy Condominium, Katipunan Avenue, Quezon City
68	LA UNION	A.G. Zambrano Building Quezon Avenue San Fernando City, La Union
69	LAGRO	Ground Floor Bonanza Building Quirino Hi-Way,Greater Lagro Novaliches Quezon City
70	LAGUNA - STA. CRUZ	E & E Building, Pedro Guevarra Avenue, Sta. Cruz, Laguna
71	LAOAG CITY	J.P. Rizal Street corner Balintawak Street Laoag City, Ilocos Norte
72	LAS PINAS - ALMANZA UNO	Alabang Zapote Road, Almanza Uno, Las Piñas City
73	LEGAZPI CITY	F.Imperial St., Brgy. Bitano, Legazpi City, Albay
74	LINGAYEN	Unit 5-6, The Hub - Lingayen Bldg., National Road, Poblacion, Lingayen, Pangasinan
75	LIPA - CM RECTO	C.M. Recto Avenue, Lipa City
76	LOS BAÑOS - CROSSING	Batong Malake, Los Banos Laguna
77	LUCENA	Cor. Merchan & Evangelista Sts., Lucena City
78	MACABEBE	Poblacion, Macabebe, Pampanga
79	MAKATI - BAUTISTA	Lot 25 Blk 74 Bautista Street corner Buendia Avenue, Makati
80	MAKATI - CHINO ROCES	2176 Chino Roces Avenue, Makati City
81	MAKATI - J.P. RIZAL	882 J.P. Rizal St., Makati City
82	MALABON - FRANCIS MARKET - SAVEMORE	Francis Market, Governor Pascual corner M.H. Del Pilar Sts., Malabon
83	MALOLOS	Canlapan Street, Sto. Rosario, Malolos City, Bulacan
84	MALOLOS - CATMON	Paseo Del Congreso, Catmon Malolos City, Bulacan
85	MANDALUYONG	New Panaderos Ext., Mandaluyong City
86	MARIKINA	33 Bayan-Bayanan Ave., Bgy. Concepcion 1 Marikina City
87	MARIKINA - GIL FERNANDO AVE.	CTP Building Gil Fernando Ave., Marikina City
88	MEYCAUAYAN	Mancon Building, Calvario Meycauayan, Bulacan
89	MOUNT CARMEL	Km 78 Mac Arthur Hiway Brgy. Saguin, San Fernando City Pampanga
90	MUÑOZ - JACKMAN	Jackman Plaza, Lower Ground Floor, EDSA-Munoz, Quezon City
91	NAGA	RL Building, Panganiban St., Lerma, Naga City
92	NEPA - Q. MART - SAVEMORE	Rose Building, 770 St. EDSA and K-G St., West Kamias, Quezon City
93	NINOY AQUINO AVE.	Ground Floor Skyfreight Building Ninoy Aquino Ave., Cor. Pascor Drive Paranaque City
94	OLONGAPO	Ground Floor, City View Hotel, 25 Magsaysay Drive, New Asinan, Olongapo City
95	ONGPIN	Unit 576-578, Ground Floor, Ramada Manila Central Hotel, Quintin Paredes Road, Binondo, Manila
96	ORANI	Brgy. Balut, Orani, Bataan
97	ORTIGAS CENTER	Ground Floor, Hanston Square, San Miguel Avenue, Ortigas Center, Pasig City
98	PARAÑAQUE - BETTER LIVING	90 Dona Soledad Avenue, Better Living Subd, Bicutan, Paranaque
99	PARAÑAQUE - BF HOMES	284 Aguirre Avenue, B.F. Homes, Paranaque
100	PARANAQUE - JAKA PLAZA	Jaka Plaza Center, Dr. A. Santos, Ave., Sucat Pque City
101	PARAÑAQUE - LA HUERTA	Quirino Avenue, La Huerta, Parañaque City
102	PARAÑAQUE - MOONWALK	Kassel Residence Building, E. Rodriguez Avenue, Moonwalk, Parañaque City
103	PASAY - LIBERTAD	533 Cementina St. Libertad, Pasay City
104	PASIG - CANIOGAN	Unit A, KSN Building, C. Raymundo Avenue, Caniogan, Pasig City

NO	BRANCH	LOCATION/ADDRESS
105	PASIG - MUTYA	Richcrest Building, Caruncho Corner Market Avenue, San Nicolas, Pasig City
106	PASIG - PADRE BURGOS	114 Padre Burgos St., Kapasigan, Pasig City
107	PASO DE BLAS	Andoks Bldg.629 Gen. Luis St., Paso De Blas Valenzuela City
108	PATEROS	Unit CC1, G/F East Mansion Townhomes along Elisco Road, Sto. Rosario, Pateros, Metro Manila
109	PATEROS - ALMEDA	120 M. Almeda Street, Pateros, Metro Manila
110	PEDRO GIL	LKE Bldg. Pedro Gil corner Pasaje, Rosario St. Paco, Manila
111	PLARIDEL	Banga, Plaridel, Bulacan
112	PLAZA - STA. CRUZ	MBI Building, Unit 103, Plaza Sta. Cruz, Sta. Cruz, Manila
113	PORAC	Cangatba, Porac, Pampanga
114	QUEZON AVENUE	Ground Floor GJ Bldg., 385 Quezon Ave., Quezon City
115	QUEZON AVENUE - PALIGSAHAN	1184-A Ben-Lor Bldg. Brgy. Paligsahan, Quezon City
116	QUIAPO - ECHAGUE	Palanca cor P. Gomez St., Echague, Quiapo, Manila
117	RADA	104 Rada Street. Legaspi Village, Makati City
118	ROOSEVELT	342 Roosevelt Avenue, Quezon City
119	ROXAS AVE. - CAPIZ CITYMALL	Roxas Ave, brgy VI, Roxas City, Capiz
120	SAN FERNANDO	KHY Trading Bldg., San Fernando-Gapan Rd., San Fernando City, Pampanga
121	SAN FERNANDO - BAYAN	JSL Building, Consunji Street, City of San Fernando, Pampanga
122	SAN ILDEFONSO - SAVEMORE	Savemore Bldg. San Ildefonso, Poblacion, Bulacan
123	SAN JOSE DEL MONTE	Ground Floor, Giron Building, Gov. Halili Avenue, Tungkong Mangga, City of San Jose Del Monte, Bulacan
124	SAN JUAN	Madison Square, 264 N. Domingo St., Barangay Pasadena, San Juan
125	SAN MIGUEL	Norberto Street, San Miguel, Bulacan
126	SAN NARCISO	Brgy. Libertad, San Narciso, Zambales
127	SAN PABLO - RIZAL AVE.	Rizal Avenue Cor Lopez Jaena St. San Pablo City, Laguna
128	SAN PEDRO	Gen - Ber Bldg. National Highway Landayan, San Pedro Laguna
129	SAN RAFAEL	Cagayan Valley cor. Cruz na Daan Roads, San Rafael, Bulacan
130	SANTIAGO - VICTORY NORTE	Maharlika Highway Corner Quezon St. Victory Norte, Santiago City
131	SHAW BOULEVARD	Ground Floor, 500 Shaw Tower, 500 Shaw Boulevard, Mandaluyong City
132	SORSOGON CITY	God is Good Bldg, Purok 5 Rizal St., Piot, West District, Sorsogon City
133	SOUTH TRIANGLE	Ground Floor, Sunnymede IT Center, Bgy. South Triangle, Quezon Ave., Quezon City
134	STA. ANA - MANILA	Savemore, Pedro Gil St., Sta. Ana, Manila
135	STA. ANA – PAMPANGA	Poblacion, Sta. Ana, Pampanga
136	STA. MARIA	JC De Jesus corner M. De Leon, Poblacion, Sta. Maria, Bulacan
137	STA. MESA	4128 Ramon Magsaysay Blvd., Sta. Mesa, Manila
138	STA. RITA	San Vicente, Sta. Rita, Pampanga
139	STA. ROSA	Sta. Rosa-Tagaytay Highway, Sta. Rosa, Laguna
140	STA. ROSA - BALIBAGO	Old National Hi-Way Cor Roque Lazaga St. Sta. Rosa Laguna
141	STO. TOMAS	Agojo Corp. Building, Maharlika Hi-Way, Sto. Tomas Batangas
142	SUBIC	Baraca, Subic, Zambales
143	TACLOBAN CITY	YVI Center, BLDG A, Fatima Village, Tacloban City, Leyte
144	TAFT – QUIRINO AVENUE	1945 Esther Building, Taft Avenue, Manila
145	TAGAYTAY - MENDEZ - SAVEMORE	Mendez Crossing West, Tagaytay-Nasugbu Highway corner Mendez-Tagaytay Road, Tagaytay City
146	TAGUM - CITYMALL	Maharlika Highway cor. Lapu-Lapu Extension, Brgy. Magugpo Tagum City
147	TALISAY - NEGROS - SAVEMORE	Mabini St., Zone 12, Paseo Mabini, Talisay City, Negros Occidental
148	TANAUAN	Jose P. Laurel National Highway, Darasa, Tanauan City, Batangas
149	TANDANG SORA	Cecileville Bldg. III, 670 Tandang Sora Ave. corner General Ave, Tandang Sora, Quezon City
150	TARLAC - MAC ARTHUR	Mac Arthur Highway San Nicolas, Tarlac City
151	TAYTAY	C. Gonzaga Building II, Manila East Road, Taytay, Rizal
152	TAYUMAN	1925-1929 Rizal Avenue near corner Tayuman St., Sta. Cruz, Manila
153	TIMOG	Jenkinsen Towers 80 Timog Avenue, Quezon City
154	TUGUEGARAO	Metropolitan Cathedral Parish Rectory Complex Rizal St., Tuguegarao City

NO	BRANCH	LOCATION/ADDRESS
155	TWO E-COM	Two E-Com Center Tower B, Ocean Drive near corner Bayshore Drive, Mall of Asia Complex, Pasay City
156	UN AVENUE	552 United Nations Avenue, Ermita, Manila
157	URDANETA	Brgy. Nancayasan, Mc Arthur Hi-Way, Urdaneta City, Pangasinan
158	VALENZUELA - MARULAS	Ong-Juanco Bldg., 92 J Mac Arthur Hiway, Marulas, Valenzuela City
159	VIGAN	Plaza Maestro Convention Center, Florentino St., Vigan City, Ilocos Sur
160	VISAYAS AVE.	Upper Ground Floor, Wilcon City Center Mall, Visayas Avenue, Quezon City
161	ZAMBOANGA - CITYMALL	City Mall, Don Alfaro St., Tetuan, Zamboanga

NO	ATM OFF-SITE	LOCATION/ADDRESS
1	CALAMBA DOCTORS HOSPITAL	KM. 49 National Highway, Parian, Calamba City, Laguna
2	RIS DEVELOPMENT CORPORATION	168 Mercado Street, Tabe, Guiguinto, Bulacan 03015
3	ZAMECO	ZAMECO II Head Office Compound, National Road, Barangay Magsaysay, Castillejos, Zambales
4	SAINT LOUIS COLLEGE	Saint Louis College, Carlatan, San Fernando, La Union
5	RACAL BUILDERS BULACAN	200 Quirino Highway, San Jose, Del Monte City, Bulacan
6	DIVI MALL TAMBO	Quirino Ave., Tambo, Parañaque, Metro Manila
7	C.P. REYES HOSPITAL	C.P. Reyes Hospital, Mabini Avenue, Tanauan, Batangas
8	APDS - PUERTO PRINCESA	Rizal Avenue, Corner Roxas St. Barangay Tagumpay, Puerto Princesa City, Palawan

NO	BUSINESS CENTER	LOCATION/ADDRESS
1	Cebu Business Center	JSP Mango Realty Building cor. Gen. Maxilom Ave. and Echavez Street, Cebu City
2	Davao Business Center	8990 Corporate Center, Quirino Ave., Davao City
3	San Fernando Business Center	JSL Building, Consunji Street, San Fernando City, Pampanga

NO	SALES OFFICE	LOCATION/ADDRESS
1	BAGUIO - SESSION	UGF KDC Bldg. 91 Marcos Highway Benguet Baguio City
2	BACOLOD	Fordland Bldg. | Annex, 12th Lacson Street, Bacolod City
3	BOHOL	Old Holy Spirit School Cor Remolador and J Borja Sts. Poblacion 2 Tagbilaran City Bohol
4	CABANATUAN-BAYAN	Burgos Avenue Cabanatuan City, Nueva Ecija
5	CAGAYAN DE ORO	Sergio Osmena Street, Cogon District, Cagayan De Oro City
6	DAGUPAN	Ground Floor Lyceum-Northwestern University, Tapuac District, Dagupan City
7	GENSAN	2nd Floor CBS General Santos Branch, Santiago Blvd., General Santos City
8	ILOILO - JARO	Lopez Jaena Street, corner EL 98 Jaro, Iloilo City
9	IMUS	OLMA Building, Aguinaldo Highway, Tanzang Luma 2, Imus City, Cavite
10	LA UNION	A.G. Zambrano Building Quezon Ave., San Fernando City, La Union
11	LEGASPI	F. Imperial St. Brgy. Bitano, Legazpi City, Albay
12	LIPA – CM RECTO	C.M. Recto Ave., Lipa City
13	MARIKINA	CTP Building, 3F, Gil Fernando Ave., Marikina City
14	NAGA	RL Building, Panganiban St., Lerma, Naga City
15	PLARIDEL	2nd Floor CBS Building, Cagayan Valley Road, Banga 1st, Plaridel, Bulacan
16	SAN PABLO	2nd Floor, Rizal Ave. cor. A. Fule, San Pablo City
17	URDANETA	Brgy. Nancayasan, Mc Arthur Hi-Way, Urdaneta City, Pangasinan

NO	APDS LENDING CENTER	LOCATION/ADDRESS
1	BACOLOD	Fordland 1 annex Bldg., 12th St. corner Lacson St. Bacolod City
2	BAGUIO	B 108 Lopez Bldg., Session Road Corner Assumption Road, Baguio City
3	BATANGAS P. BURGOS	2nd Floor 4 P. Burgos Street, Barangay 3, Batangas City
4	BUTUAN	JMC Building, JC Aquino Ave. Butuan City, Agusan Del Norte
5	CABANATUAN - BAYAN	2nd Floor Dumar Building Padre Burgos Ave. Cabanatuan City, Nueva Ecija
6	CAGAYAN DE ORO	Sergio Osmeña St., Cogon District, Cagayan De Oro City
7	CALAPAN	R. King Commercial Bldg. Roxas Drive, Brgy. Nacoco

NO	APDS LENDING CENTER	LOCATION/ADDRESS
8	CEBU	Unit 204 JSP Mango Plaza bldg Gen Maxilom ave cor. Echavez, Cebu city
9	DAVAO	8990 Corporate Center, Quirino Ave., Davao City
10	GENERAL SANTOS	Ground Floor, Chinabank Savings, Inc., Santiago Boulevard, General Santos City
11	ILOILO - IZNART	Golden Commercial Bldg., Iznart, Iloilo City
12	IMUS CAVITE	Gen. Emilio Aguinaldo Highway, Anabu II Imus cavite
13	KALIBO	Ground Floor Maypa Bldg., Toting Reyes Street, Agdagao, Kalibo Aklan
14	LA HUERTA	Quirino Avenue, La Huerta, Paranaque City
15	LA UNION	A.G. Zambrano Building Quezon Avenue San Fernando City, La Union
16	LEGAZPI	2nd Floor Lot 4-6 Blk 20 PCS-1617, Sol's Subdivision, Purok 5, 37 Bitano, Legazpi City
17	LINGAYEN	The Hub Bldg., G/F Unit 5&6, Solis St., Brgy. Poblacion, Lingayen, Pangasinan
18	LIPA – CM RECTO	C.M. Recto Avenue, Lipa City
19	LUCENA	Cor. Merchan & Evangelista Sts., Lucena City
20	MALOLOS	2nd Floor Canlapan St., Sto. Rosario, Malolos Bulacan
21	NAGA	ELS Building. Panganiban Drive, Concepcion Pequeña, Naga City
22	PAMPANGA	JSL Bldg. Consunji St., San Fernando, Pampanga
23	QUEZON AVENUE	2nd Floor, G.J. Building, 385 Quezon Avenue, Quezon City
24	ROXAS	Ground Floor, T-114 CityMall Roxas, Ave. Roxas Ave., Brgy. VI, Roxas City
25	SAN PABLO	Rizal Avenue Cor Lopez Jaena St. San Pablo City, Laguna
26	SANTIAGO	JECO Building Maharlika Hi-way, Corner Quezon Ave. Victory Norte Santiago City
27	SORSOGON	Chinabank Savings 2F God is Good Bldg. Rizal St. Piot Sorsogon
28	TACLOBAN	YVI Center Building, Fatima Village, Brgy. 77, Marasbaras, Tacloban City
29	TAGUM	City Mall Maharlika Highway cor Lapu-lapu ext. Brgy. Magugpo, Tagum City
30	TANAUAN	Jose P. Laurel National Highway, Darasa, Tanauan City, Batangas
31	TAYTAY	2nd Floor, C Gonzaga Building 2, Manila East Road, Taytay, Rizal
32	TUGUEGARAO	Metropolitan Cathedral Parish Rectory Complex Rizal St., Tuguegarao City
33	VIGAN	Ground Floor Maestro Convention Complex Florentino St., Brgy. 1, Vigan City
34	ZAMBAONGA	City Mall, Don Alfaro, St., Tetuan, Zamboanga

NO	APDS LENDING KIOSK	LOCATION/ADDRESS
1	BALER, AURORA PROVINCE	Stall #3, Bonifacio Street, Brgy. Suklayin, Baler, Aurora
2	BALIBAGO, STA. ROSA LAGUNA	7LL Pearl Rd. Balibago Complex, Brgy. Balibago, Sta. Rosa, Laguna
3	BLUMENTRITT, MANILA	1677 Blumentritt St., Sta. Cruz, Manila
4	BOAC, MARINDUQUE	Deogracias St. cor San Miguel St., Malusak, Boac, Marinduque
5	BOGO CITY, CEBU	Sim Building, Sim Bogo Business Park, P. Rodriguez St., Bogo City, Cebu
6	BONTOC, MT PROVINCE	Aguana Building, Poblacion, Bontoc, Mountain Province
7	BOTOLAN, ZAMBALES	Casa Bien Bldg., Barangay Batonlapoc, Botolan, Zambales
8	CABARROGUIS, QUIRINO PROVINCE	P1 Gundaway, Cabarroguis, Quirino
9	CALBAYOG CITY, SAMAR	Rosales Corner Rueda Sts., Calbayog City, Samar
10	CARCAR	Door 2 J.P. Rizal St. Poblacion Carcar City, Cebu
11	DAET	Alegre Building, J. Lukban St. Daet Camarines Norte
12	DIGOS CITY, DAVAO DEL SUR	Cpp Building Ii, Rizal Avenue, Zone 1, Digos City, Davao Del Sur
13	DIPOLOG CITY, ZAMBOANGA DEL NORTE	SD Arcade, Rizal Ave, Dipolog City, 7100 Zamboanga del Norte
14	DUMAGUETE	A-3, Ground floor, Central Arcade Building, Cervantes Street, Dumaguete City
15	ESTANCIA, ILOILO	Old Sacramento Building, Sitio Poblacion Highway Cano-An, Estancia, Iloilo
16	GLAN, SARANGANI PROVINCE	Jose Hombrebueno St., Plaza Rizal, Barangay Poblacion, Glan, Sarangani Province

NO	APDS LENDING KIOSK	LOCATION/ADDRESS
17	GUMACA, QUEZON PROVINCE	Rm Building, Maharlika Highway, A. Bonifacio, Barangay Tabing Dagat, Gumaca, Quezon
18	ILIGAN CITY, LANAO DEL NORTE	Quezon Ave. Ext. Barangay Villaverde, Pob. Iligan City
19	INFANTA	Plaridel St., Poblacion 38 , Infanta, Quezon Province
20	IRIGA CITY, CAMARINES SUR	Everest Plaza Building, Zone 5, Highway 1, San Miguel, Iriga City
21	JORDAN, GUIMARAS	Piazza Zemarkato Building, New Site, Barangay San Miguel, Jordan, Guimaras
22	KABANKALAN CITY, NEGROS OCCIDENTAL	Dinsay Building, National Highway Mabinay, Kabankalan City, Negros Occidental
23	KIDAPAWAN	Brookside Building, Datu Ingkal St., Poblacion, Kidapawan City
24	KORONADAL CITY, SOUTH COTABATO	Mcm Villamor Building, Gen. San Drive, Zone 2, Koronadal City
25	MALAYBALAY CITY, BUKIDNON	Fortich Street, Barangay 9, Malaybalay City, Bukidnon
26	MASBATE	Ross Hotel, Quezon St., Masbate City
27	MATI CITY, DAVAO ORIENTAL	Madayaway Distributor Inc., Rizal Extension, Mati, Davao Oriental
28	ODIONGAN, ROMBLON	JBM Building, Regional Highway, Torrel, Dapawan, Odiongan, Romblon
29	ORANI, BATAAN	2nd Floor, Cbs Commercial Arcade, Along Provincial Road, Balut, Orani, Bataan
30	ORMOC CITY, LEYTE	Real Street District 22, Ormoc City, Leyte
31	OZAMIS	JME Building, Rizal Avenue corner Capistrano St., Ozamis City, Misamis Occidental
32	PAGADIAN	Broca St. corner B. Aquino St., Pagadian, Zamboanga
33	PASSI CITY, ILOILO	LA Building, M. Palmares Street, Barangay Poblacion Ilawod, Passi City, Iloilo
34	PUERTO PRINCESA, PALAWAN	Rizal Avenue, corner Roxas St. Brgy. Tagumpay, Puerto Princesa City, Palawan
35	SAN CARLOS, NEGROS OCCIDENTAL	V. Gustilo St., San Carlos City, Negros Occidental
36	SAN JOSE DE BUENAVISTA	Aml Building 1, Cor. Dalipeatabay, San Jose De Buenavista, Antique
37	SAN NICOLAS	Ground Floor Unit 6, Vyv Building, Valdez Center, Barangay 1, San Nicolas, Ilocos Norte
38	SOLANO	2627 ZURMAN, PLAZA, 225 J.P. Rizal Avenue, Poblacion South, Solano, Nueva Vizcaya
39	SURIGAO	Gaisano Capital Mall Building, Luna St., Surigao City
40	TAGBILARAN	Old Holy Spirit School Building A, Jacinto Borja corner Remolador Street, Tagbilaran City, 6300 Bohol
41	TANAY	2nd Floor Manila East Road Cor E. Rodriguez Ave., Tanay, Rizal
42	URDANETA, PANGASINAN	Alexander St. Cor. Belmonte St., Barangay Poblacion, Urdaneta City, Pangasinan
43	VALENCIA, BUKIDNON	Tamay Lang Business Triangle Building, Hagkol, Sayre Highway, Valencia City
44	VIRAC	2nd floor Imperial Building, Gogon Centro, Virac, Catanduanes

Status of Publicly Announced New Products and Services

PRODUCTS AND SERVICES	DATE LAUNCHED
CBS GO Mobile App	2022

CBS GO is a digital component of the Bank's Build and Rise program that promotes financial inclusion, consumer confidence, and spirit of entrepreneurship needed for rapid economic recovery. CBS Go is designed with the latest identity verification and security technologies and are available for free download on the App Store and Play Store.

To help customers adjust to this new environment, Filipinos could tap the CBS GO app to instantly experience the convenience of having a CBS personal mobile Basic Deposit Account.

Since the Build and Rise program started in late 2021, CBS has seen an exponential rise in the use of its digital banking services by building brick-and-mortar branch-lites in towns and secondary cities, to reach more under-banked and the unbanked Filipinos.

The emergence of mobile apps like CBS GO makes it quick, easy and highly affordable for consumers to open a deposit account and shift to the cash-lite economy. The application can be done anytime, wherever they might be in the Philippines. CBS does not require an enrollment fee, initial deposit or maintaining balance for the personal mobile basic deposit account linked to CBS GO.

CBS continues to evolve the app so customers will soon be able to apply for CBS loans and make investments.

Competition[1]

Amid an improving macroeconomic environment at the tail-end of the COVID-19 pandemic, the Philippine financial system sustained its growth trajectory in 2022. It also continued to support the financing requirements of the domestic economy, which exhibited signs of sustained recovery.

The Philippine banking system (PBS) – including the thrift banking industry, as the core of the financial system, likewise exhibited positive performance with the continued growth in assets, deposits and profit, as well as stable capital and liquidity buffers and ample loan loss reserves. The banking system's total assets and loans further expanded and remained supportive of the country's financing needs. The banks' asset growth continued to be funded mainly by deposit generation. As the country heads toward economic recovery, further improvement is expected in the banks' operations although key performance indicators generally remain far from the pre-pandemic level and growth momentum. The financial soundness indicators on capital adequacy, asset quality, profitability, liquidity and sensitivity to market risk suggest that the PBS remains stable and resilient despite tighter financial conditions.

Total resources of the thrift banking industry reached ₱968 billion as of end-December 2022, recording a year-on-year (y-o-y) growth rate of 3.6%. The expansion came largely from deposits and channeled mostly to lending and investing activities.

Domestic credit further picked up in 2022 and is expected to maintain its growth streak with the sustained recovery of the economy. The thrift banking industry's total loan portfolio (TLP) went up y-o-y by 15.4% to ₱579 billion.

Amid improvements in credit activity, the quality of the thrift banking industry's loan portfolio remained manageable and within BSP expectations. The non-performing loan (NPL) ratio further eased to 7.1% percent as of end-December 2022, better than the 7.7% ratio recorded during the same period last year. The improvement in NPLs was accompanied by a high NPL coverage ratio, which stood at 66.4% as of the same reference period, higher than the 63.6% recorded from a year before. With most of the BSP relief measures remaining in place and in view of the full implementation of the

[1] Data and analysis exclude the 2021 financials of BPI Family Savings Bank which have been merged with its Parent Bank in 2022, to properly reflect the year-on-year growth and movement of the thrift bank industry.

Financial Institutions Strategic Transfer or FIST Act, the NPL ratio is expected to remain low and gradually return to pre-pandemic levels with high loan loss provisions.

Thrift bank deposits likewise grew, reflective of the economy's recovery and the depositors' continued confidence in the banking system. As of end 2022, total deposits inched up by 3.6% percent y-o-y to ₱741 billion. Bank deposits were also mostly in peso and held by residents, largely indicative of the relative stability of the banking system's funding source.

The banking system's capital position grew stronger, providing a solid cushion against unforeseen shocks. As of end 2022, the thrift banks' total capital climbed by 7.5% y-o-y to ₱143 billion. On risk-based capital, the capital adequacy ratios (CARs) of the thrift banking system of 19.2% as of end-December 2022 continued to be well above the minimum thresholds of 10% set by the BSP and 8% by the Bank for International Settlements.

Banks operated amid a leaner, stronger, and more inclusive and technology-enabled banking landscape. As of December 31, 2022, the total number of thrift banks declined to 43 from 47 a year before as a result of continuing industry consolidation through mergers, consolidation, acquisitions and some closures of banks. Accordingly, one of the largest thrift banks in the industry with total assets worth ₱331 billion has been merged with its Parent Bank in early 2022.

Based on the latest published statement of condition (SOC), submitted with the BSP which differs from Philippine Financial Reporting Standards (PFRS) in some respects as of December 31, 2022, CBS was the third largest thrift bank in terms of resources, loans and deposits.

CBS believes that local players would maintain a solid foothold in the domestic market despite the tougher competition.

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

Not applicable

Customer/Clients

There is no single customer that accounts for 20% or more of the Bank's deposits and loans.

Transaction With and/or Dependence on Related Parties

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and their related interest (DOSRI). These loans and other transactions are in accordance with the Bank's policy and are regularly reviewed by the Related Party Transaction Committee to ensure that they are conducted at arm's length basis, at fair market prices and upon terms not less favorable to Bank than those offered to others and in compliance with all regulatory requirements. Related party transactions are presented to the stockholders during the annual stockholders' meeting for ratification.

Transactions with related parties and with certain DOSRI are discussed in Notes 23 and 30 of the Audited Financial Statements (**Exhibit 2**).

Trademarks, Licenses, Franchises, etc.

CBS is operating under a thrift banking license obtained in 1999. Over the years, CBS has registered its corporate brand, slogan and product trademarks with the Intellectual Property Office (IPO) of the Philippines – Bureau of Trademarks, as follows:

- The Bank is operating under a thrift banking license per MB Resolution No. 512 dated April 21, 1999.
- The Bank is the registered owner of the logo of CBS and the trademarks: *Easi-Save, Easi-Checking, Easi-Earn, Easi-Funds, Easi-Drivin', Easi-Livin', Easi-Financin' and CBS Easi-Padala*.
- In 2015, the Bank obtained a bancassurance license from BSP.
- The Bank launched its new tagline, "Easy Banking For You" in 2017 and submitted with the IPO the trademark application for "Easy Banking For You" and Easi-APDS Loan.
- The Bank also filed applications for tradenames *'Plantersbank'* and *'Planters Development Bank'.*

Need for Any Government Approval of Principal Products or Services

The Bank's business activities are regulated by the government agencies such as BSP, Philippine Deposit Insurance Corporation (PDIC) and SEC. Existing products and services are within the scope allowed under the Bank's regulatory licenses.

Effects of Existing or Probable Governmental Regulations

The Bank has strictly complied with the BSP requirements in terms of reserve, liquidity position, capital adequacy, limits on loans exposure, provision for losses and other reportorial requirements.

Amount spent on research and development activities

There are no major expenses on research and development activities. Expenses incurred related to these activities are included in the regular business expense of the Bank.

Costs and effects of compliance with environmental laws

Not applicable

Total Number of Employees

Below is the breakdown of the manpower complement in 2022 as well as the projected headcount for 2023:

	2022 Actual			2023 Projected		
	Officers	**Staff**	**Total**	**Officers**	**Staff**	**Total**
Marketing	503	242	745	535	272	807
Operations	440	769	1,209	479	816	1,295
Support	130	76	206	136	80	216
Technical	109	148	257	117	153	270
Grand Total	**1,182**	**1,235**	**2,417**	**1,267**	**1,321**	**2,588**

CBS ended the year 2022 with a total manpower of 2,417 employees. The number increased by 10% from the previous year (2021 manpower: 2,196). Of the total headcount, 49% are officers and 51% are staff. The expansion of ADPS' business largely contributed to the increase.

As part of the Bank's institutional-building program, the Bank has an Employee Recognition Program to motivate, recognize, and reward the movers and performers among its junior officers and staff, especially those who provide valuable back-office support to the marketing frontline.

The China Bank Savings Employees Union has an existing Collective Bargaining Agreement for the period November 1, 2019 to October 31, 2024.

Risk Management Framework

The Bank is exposed to all business risks that confront all banks in general, such as credit, market, interest rate, liquidity, legal, regulatory and operational risk. The Bank's risk management structure and process that serve as mechanism to identify, assess and manage these risks are further discussed in Note 5 of the Audited Financial Statements (**Exhibit 2**).

Disclosure on Capital Structure and Capital Adequacy

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

Capital Fundamentals

The Bank can only achieve sustainable growth by maintaining strong capital fundamentals. Major business initiatives with the appropriate capital planning were undertaken in coordination with the Parent Bank which also took into consideration constraints and changes in the regulatory environment. This was necessary to ensure that the Bank's commercial objectives are equally aligned with its ability to maintain an adequate capital position. The Board of Directors and management recognize that a balance should be achieved with respect to the Bank's earnings outlook vis-à-vis capital fundamentals that can take advantage of growth opportunities while increasing the Bank's ability to absorb shocks.

Risk-based capital components, including deductions for 2022 and 2021 are shown below:

	2022	2021
Common Equity Tier (CET) 1 Capital:		
Paid-up common stock	**₱10,541,414,900**	₱10,541,414,900
Additional paid-in capital	**485,349,012**	485,349,012
Retained earnings	**638,281,212**	(59,072,919)
Undivided profits	**1,867,054,672**	1,032,198,311
Other comprehensive income	**(82,144,316)**	7,347,694
Unsecured DOSRI	**(2,193,545)**	(371,549)
Deferred tax assets	**(1,319,430,712)**	(1,169,743,040)
Goodwill	**(119,621,347)**	(119,621,347)
Other intangible assets	**(820,030,170)**	(796,640,416)
Other equity investment	**(2,192,208)**	(2,192,208)
Other capital adjustments	**(493,509,489)**	(452,725,776)
Defined benefit pension fund (assets) liabilities	**(5,703,593)**	(68,886,624)
Total CET 1 Capital	**10,687,274,416**	9,397,056,038
Additional Tier 1 Capital	**2,164,200**	2,164,200
Total Tier 1 Capital	**10,689,438,616**	9,399,220,238
Tier 2 Capital:		
Appraisal increment reserve	**66,095,270**	66,095,270
General loan Loss provision	**785,367,497**	583,541,107
Total Tier 2 Capital	**851,462,767**	649,636,377
Total Qualifying Capital	**₱11,540,901,383**	₱10,048,856,615

Risk-based capital ratios:

	2022	2021
CET 1 Capital	**₱13,449,955,480**	₱12,007,236,997
Less regulatory adjustments	**(2,762,681,064)**	(2,610,180,959)
Total CET 1 Capital	**10,687,274,416**	9,397,056,038
Additional Tier 1 Capital	**2,164,200**	2,164,200
Total Tier 1 Capital	**10,689,438,616**	9,399,220,238
Tier 2 Capital	**851,462,767**	649,636,377
Total Qualifying Capital	**11,540,901,383**	10,048,856,615
Risk Weighted Assets	**₱91,012,765,690**	₱71,311,763,512
CET 1 Capital Ratio	**11.74%**	13.18%
Capital Conservation Buffer	**5.74%**	7.18%
Tier 1 Capital Ratio	**11.74%**	13.18%
Total Capital Adequacy Ratio	**12.68%**	14.09%

The regulatory Basel III qualifying capital of the Bank consists of Common Equity Tier 1 capital (going concern capital), which comprises paid-up common stock, additional paid-in capital, deposit for common stock subscription, retained earnings, undivided profits and other comprehensive income less required deductions such as unsecured credit accommodations to DOSRI, deferred tax assets, goodwill, other intangible assets, and other equity investment. The other component of regulatory capital is Tier 2 capital (gone-concern capital), which includes general loan loss provision and appraisal increment reserve. A capital conservation buffer of 2.50% comprised of CET 1 capital is likewise imposed in the Basel III capital ratios.

The capital requirements for Credit, Market and Operational Risk are listed below:

	2022	2021
Credit Risk	**₱81,600,250,665**	₱63,288,210,435
Market Risk	**49,526,196**	66,915,295
Operational Risk	**9,362,988,828**	7,956,637,782
Total Capital Requirements	**₱91,012,765,689**	₱71,311,763,512

Credit Risk-Weighted Assets

On-balance sheet exposures, net of specific provisions and not covered by CRM:

	As of December 31, 2022		As of December 31, 2021	
	Exposures, net of Specific Provisions	**Exposures not Covered by CRM**	Exposures, net of Specific Provisions	Exposures not Covered by CRM
Cash on Hand	**₱2,369,380,657**	**₱2,369,380,657**	₱2,100,768,428	₱2,100,768,428
Checks and Other Cash Items	**4,875,191**	**4,875,191**	6,532,842	6,532,842
Due from BSP	**14,041,089,169**	**14,041,089,169**	9,615,676,558	9,615,676,558
Due from Other Banks	**2,233,452,981**	**2,233,452,981**	1,760,568,266	1,760,568,266
Available-for-Sale Financial Assets	**1,974,905,319**	**1,974,905,319**	1,909,562,807	1,909,562,807
Held-to-Maturity Financial Assets	**5,958,606,158**	**5,958,606,158**	5,368,984,191	5,368,984,191
Loans and Receivables	**88,683,937,232**	**88,683,937,232**	66,058,392,341	57,654,611,779
Loans and Receivables arising from Repurchase Agreements	**1,967,743,130**	**1,967,743,130**	1,528,295,330	1,528,295,330
Sales Contract Receivables	**1,006,571,964**	**1,006,571,964**	709,626,242	709,626,242
Real and Other Properties Acquired	**1,864,866,272**	**1,864,866,272**	2,055,952,441	2,055,952,441
Other Assets	**2,835,761,409**	**2,835,761,409**	4,051,861,803	4,051,861,803
Total On-Balance Sheet Assets	**₱122,941,189,482**	**₱122,941,189,482**	₱95,166,221,249	₱86,762,440,687

Credit equivalent amount for off-balance sheet items, broken down by type of exposures, are as follows:

	As of December 31, 2022		As of December 31, 2021	
	Notional Principal	**Credit Equivalent**	Notional Principal	Credit Equivalent
Direct credit substitutes	**₱–**	**₱–**	₱–	₱–
Transaction-related contingencies	**84,280,000**	**42,140,000**	93,960,357	46,980,179
Trade-related contingencies arising from movement of goods	**7,000,000**	**1,400,000**	3,850,000	770,000
Other commitments (which can be unconditionally cancelled at any time by the bank without prior notice)	**1,454,441,562**	**–**	537,525,361	–
Total Notional Principal and Credit Equivalent Amount	**₱1,545,721,562**	**₱43,540,000**	₱635,335,718	₱47,750,179

There is no credit equivalent amount for counterparty credit risk in the trading books as the Bank has no derivative exposures.

The following credit risk mitigants are used in the December 2022 capital adequacy ratio (CAR) report:

- guarantees by government-owned and controlled corporation (GOCC), which guarantees are counter-guaranteed by the Philippine National Government;
- holdout vs. peso deposit or deposit substitute;
- holdout vs. foreign currency-denominated unit (FCDU) deposit; and
- assignment or pledge of government securities.

Total credit exposure after risk mitigation, broken down by type of exposures, risk buckets, as well as those that are deducted from capital:

	As of December 31, 2022		
	On-balance sheet	**Off-balance sheet**	**Total**
Below 100 %	**₱9,080,216,599**	**₱–**	**₱9,080,216,599**
100% and above	**72,476,494,065**	**43,540,000**	**72,520,034,065**
Total	**₱81,556,710,664**	**₱43,540,000**	**₱81,600,250,664**

	As of December 31, 2021		
	On-balance sheet	Off-balance sheet	Total
Below 100 %	₱8,204,898,943	₱–	₱8,204,898,943
100% and above	55,035,561,313	47,750,179	55,083,311,492
Total	₱63,240,460,256	₱47,750,179	₱63,288,210,435

Total credit risk-weighted assets, broken down by type of exposures, are as follows:

	As of December 31, 2022		
	On-balance sheet	**Off-balance sheet**	**Total**
Below 100 %	**₱9,080,216,599**	**₱–**	**₱9,080,216,599**
100% and above	**72,476,494,065**	**43,540,000**	**72,520,034,065**
Covered by CRM	**–**	**–**	**–**
Excess GLLP	**–**	**–**	**–**
Total	**₱81,556,710,664**	**₱43,540,000**	**₱81,600,250,664**

	As of December 31, 2021		
	On-balance sheet	Off-balance sheet	Total
Below 100 %	₱8,204,898,943	₱–	₱8,204,898,943
100% and above	55,035,561,313	47,750,179	55,083,311,492
Covered by CRM	–	–	–
Excess GLLP	–	–	–
Total	₱63,240,460,256	₱47,750,179	₱63,288,210,435

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard & Poor's, Moody's and Fitch, while PhilRatings were used on peso-denominated exposures to Corporates.

Market Risk-Weighted Assets
The Standardized Approach is used in the Bank's market risk-weighted assets.

	2022	2021
Interest Rate Exposures		
Specific Risk	**₱–**	₱–
General Market Risk		
PhP	**–**	–
USD	**–**	–
Total Capital Charge	**–**	–
Adjusted Capital Charge	**–**	–
Risk-Weighted Interest Rate Exposures	**–**	–
Risk-Weighted Equity Exposures	**–**	–
Foreign Exchange Exposures		
Total Capital Charge	**3,962,096**	5,353,224
Adjusted Capital Charge	**4,952,620**	6,691,529
Risk-Weighted Foreign Exchange Exposures	**49,526,196**	66,915,295
Risk-Weighted Options	**–**	–
Total Market Risk-Weighted Assets	**₱49,526,196**	₱66,915,295

Operational, Legal, and Other Risks
For operational risk, the exposure of the Bank is profiled using a number of methodologies which also include the analysis of reported losses arising from operations, compliance risk, environment and social risk, and legal risk as part of the internal capital adequacy assessment process (ICAAP) to validate if the computed capital requirement using the Basic Indicator Approach (BIA) is enough to cover the assessed exposure under plausible scenario and worst-case scenario. In its 2023 ICAAP submission, the capital allocation for operational risk amounted to ₱936.3 million. The result of the analysis on reported losses under plausible scenario is estimated at ₱95.1 million while loss impact on worst-case is estimated at ₱645.8 million.

Tools such as the risks and controls self-assessment (RCSA), the analysis of historical loss reports and the monitoring of key risk indicators (KRI) further allow risk management to identify high risk areas, loss drivers, and trends which can be acted upon by management to prevent material failures in its processes, people, systems, and resiliency measures against external events. These results are periodically reported to management and cover all aspects of the business from core operating capabilities of the units, all products and services, outstanding legal cases, and even its sales and marketing practices.

For legal risk, the Bank assessed the status of pending legal cases with the objective of identifying those subject to final resolution in the next twelve months and with high probability for the Bank to lose the legal proceedings.

Operational Risk-Weighted Assets
The Bank's Operational Risk Weighted Assets under the BIA is ₱9.36 billion and ₱7.96 billion as of December 31, 2022 and 2021, respectively.

Internal measurement of interest rate risk in the banking book
The Bank's interest rate risk (IRR) originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. Internally, the Earnings-at-Risk (EaR) method

is used to determine the effects of adverse interest rate change on the Bank's interest earnings. The Bank's loans is assumed affected by interest rate movements on its repricing date for floating rates and on its maturity for fixed rates.

Demand and savings deposits, on the other hand, are generally not interest rate sensitive. Provided in the table below are the approximate reduction in annualized interest income of a 100bps adverse change across the PhP and USD yield curves. Although the loan portfolio growth that was mainly funded by short term time deposits has become a negative factor due to the rising interest rates, the increase in time deposits funded loans that are with yields at around 12% as compared to funding cost of around 4.51% as of December 31, 2022.

Earnings-at-Risk In ₱ millions	**2022**	2021
PhP IRR Exposures	**(₱80)**	₱69
USD IRR Exposures	**(8)**	10

Item 2. PROPERTIES

CBS whose principal office is located at CBS Building, 314 Sen. Gil J. Puyat Avenue, Makati City, owns several properties situated in various locations in Metro Manila and provinces.

The Bank owns various properties which are used in its banking business and acquires, by way of foreclosure, dacion en pago and other lawful means, various properties to satisfy unpaid obligations due to it and disposes of these properties on a regular basis. Moreover, it leases several properties principally for the use of its expanded branch network.

a. Bank-Owned Properties

NO	DESCRIPTION	LOCATION
1	Angeles City Branch Land and Building - CBS Branch	Rizal Street, Barangay Lourdes Sur, Angeles City, Pampanga
2	Angeles City Property Land and Building - Warehouse	Asuncion Street cor. Miranda Street Extension Barangay San Nicholas, Angeles City, Pampanga
3	Balibago Sta. Rosa Land and Building - CBS Branch and Cash Center	National Highway cor. R. Lazaga Street, Barangay Balibago, Sta. Rosa City, Laguna
4	Batangas Branch Land and Building - CBS Branch	P. Burgos Street, Poblacion, Batangas City
5	Biñan Branch Land and Building - CBS Branch and Warehouse	National Road, Barangay San Vincente, Biñan City, Laguna
6	Calamba Property - Vacant	No. 5-A-1, Barangay I Poblacion Crossing, Calamba City, Laguna
7	Caloocan Property - Leased to China Bank Branch	Mac Arthur Highway, Barangay 78, Kalookan City
8	CBS Buendia Land and Building - Head Office	314 Sen. Gil Puyat Ave., Barangay Bel Air, Makati City
9	Dau Branch Land and Building - CBS Branch and On Lease	Mac Arthur Highway, Barangay Dau, Mabalacat City, Pampanga
10	España Property - Leased to China Bank Branch	España Boulevard cor. Valencia Street, Sampaloc District, Manila
11	Masantol Branch Land and Building - Vacant	Apalit-Macabebe-Masantol Road, Barangay Poblacion, Pampanga
12	Orani Branch Land and Building - CBS Branch and On Lease	National Highway cor. Torres Bugallon Street, Barangay Balut, Orani, Bataan

NO	DESCRIPTION	LOCATION
13	Orani Branch Land and Building - Vacant	National Road, Barangay Tenejero, Poblacion, Orani, Bataan
14	Urdaneta Property - On Lease	Alexander Street cor. Belmonte Street, Barangay Poblacion, Urdaneta City, Pangasinan
15	VGP Building (Ground, Mezzanine, 2nd, 3rd, 7th and 8th Floor) - CBS Office and Leased to China Bank Office	VGP Center, No. 6772 Ayala Ave., Makati City
16	General Trias – Warehouse	Block 11 Gateway Business Park Brgy. Javalera General Trias Cavite

All bank-owned properties are free from any and all liens and encumbrances. There are no restrictions on titles and the Bank does not have any contractual commitments for acquisition of properties.

b. Leased Properties

NO	BRANCH	CONTRACT PERIOD		RENTAL RATE PER MONTH (₱)
		FROM	TO	
1	ACACIA ESTATES - SAVEMORE	December 1, 2021	November 30, 2023	62,054.00
2	ALABANG HILLS	August 16, 2017	August 15, 2022	121,830.87
3	AMANG RODRIGUEZ -SAVEMORE	April 1, 2022	March 31, 2024	76,580.00
4	AMORANTO AVENUE	October 15, 2021	October 14, 2026	75,000.00
5	ANGONO	June 1, 2016	May 31, 2023	67,138.79
6	ANTIPOLO	May 1, 2015	April 30, 2025	119,998.79
7	ARANETA CENTER COD - SAVEMORE	December 1, 2021	November 30, 2022	44,324.00
8	ARAYAT	November 16, 2021	November 15, 2022	45,961.83
9	BACLARAN	April 5, 2016	April 4, 2023	109,887.84
10	BACOLOD	October 16, 2021	October 15, 2031	253,023.00
11	BACOOR - MOLINO	October 1, 2021	September 30, 2026	110,000.00
12	BACOOR - TALABA	February 1, 2017	January 31, 2027	121,550.62
13	BAGUIO	June 17, 2021	June 16, 2026	165,844.93
14	BALAGTAS	March 6, 2017	March 5, 2022	36,465.19
15	BALANGA – DM BANZON	October 15, 2017	October 14, 2022	125,209.52
16	BALIBAGO	January 1, 2016	December 31, 2022	134,009.56
17	BALIUAG	September 11, 2019	September 10, 2026	165,375.00
18	BANAWE	November 22, 2012	November 21, 2022	148,333.57
19	BANGKAL	June 21, 2012	June 21, 2022	147,597.19
20	BINONDO - JUAN LUNA	September 16, 2013	September 15, 2023	268,341.00
21	BLUMENTRITT	March 28, 2017	March 27, 2027	133,705.69
22	BONI AVENUE	September 1, 2017	August 31, 2027	80,223.41
23	BUTUAN	May 1, 2021	April 30, 2028	138,494.75
24	CABANATUAN - BAYAN	March 1, 2022	February 28, 2029	117,346.62
25	CAGAYAN DE ORO	November 1, 2010	October 31, 2022	128,275.45
26	CALAMBA	November 1, 2017	October 31, 2022	126,639.04
27	CAVITE CITY	October 31, 2021	October 30, 2026	55,000.00
28	CEBU - LAHUG	June 1, 2017	May 31, 2025	253,401.40
29	CEBU - MANGO with Business Center	January 1, 2018	December 31, 2022	344,696.41
30	CEBU MANDAUE	August 1, 2021	July 31, 2022	100,000.00
31	CEBU MANDAUE - BASAK	August 1, 2018	July 31, 2023	58,635.73
32	COMMONWEALTH AVE.	April 16, 2016	April 15, 2023	72,365.16
33	CUBAO	July 1, 2015	June 30, 2022	93,079.71
34	DAGUPAN	November 2, 2020	November 1, 2030	146,600.52
35	DARAGA	June 15, 2021	June 14, 2026	84,000.00
36	DASMARIÑAS	April 1, 2016	March 31, 2026	86,821.88
37	DAVAO - RECTO	August 1, 2018	July 31, 2023	92,610.00
38	DAVAO with Business Center	January 1, 2021	October 31, 2023	93,994.31
39	DEL MONTE	April 1, 2018	March 31, 2028	203,411.25
40	DOLORES	July 1, 2015	June 30, 2025	78,820.14
41	E. RODRIGUEZ SR. HEMADY	September 1, 2021	August 31, 2028	155,911.52

NO	BRANCH	CONTRACT PERIOD		RENTAL RATE PER MONTH (₱)
		FROM	TO	
42	ESPAÑA - SUN MALL	November 1, 2021	October 31, 2022	133,251.75
43	FELIX HUERTAS - JT CENTRALE	December 16, 2016	December 15, 2023	104,979.48
44	FILINVEST CORPORATE CITY	August 1, 2017	July 31, 2022	177,294.65
45	FTI HYPERMARKET TAGUIG	May 2, 2019	June 30, 2024	78,825.20
46	G.ARANETA	March 15, 2017	March 14, 2024	75,452.55
47	GENERAL TRIAS	April 15, 2022	April 14, 2029	90,960.00
48	GENERAL SANTOS	April 1, 2020	March 31, 2027	87,106.23
49	GIL PUYAT-BAUTISTA	July 1, 2017	June 30, 2024	166,281.26
50	GREENHILLS - ORTIGAS AVE.	December 1, 2020	November 30, 2025	111,633.74
51	GREENHILLS - WILSON	October 16, 2017	October 15, 2022	192,536.19
52	GUAGUA	January 1, 2013	December 31, 2023	112,936.69
53	GUIGUINTO-RIS	September 25, 2017	September 24, 2027	36,465.19
54	ILOILO - IZNART	February 1, 2018	January 31, 2028	182,650.00
55	ILOILO - JARO	May 1, 2013	April 30, 2023	105,490.32
56	IMUS	November 26, 2020	November 25, 2027	105,000.00
57	KALIBO – CITYMALL	May 1, 2021	April 30, 2031	100,000.00
58	KALOOKAN	August 16, 2017	August 15, 2025	177,345.31
59	KALOOKAN MABINI	January 1, 2017	December 31, 2023	141,019.18
60	KATIPUNAN AVE.	February 16, 2016	February 15, 2023	167,511.96
61	LAGRO	September 9, 2016	September 8, 2023	92,666.19
62	LAGUNA - STA. CRUZ	November 8, 2021	November 7, 2026	58,000.00
63	LAOAG CITY	July 1, 2015	June 30, 2022	106,810.82
64	LAS PINAS - ALMANZA UNO	September 1, 2017	August 31, 2022	122,560.49
65	LEGAZPI	March 1, 2018	February 28, 2027	203,280.00
66	LINGAYEN	July 1, 2018	June 30, 2028	150,491.25
67	LIPA – CM RECTO	March 1, 2022	February 28, 2027	187,792.35
68	LOS BAÑOS - CROSSING	January 1, 2021	December 31, 2023	97,072.50
69	LUCENA	September 16, 2018	September 15, 2023	83,497.99
70	MACABEBE	June 16, 2017	June 15, 2027	60,144.77
71	MAKATI - CHINO ROCES	October 1, 2013	September 30, 2023	157,083.06
72	MAKATI - J.P. RIZAL	September 1, 2013	August 31, 2023	145,860.75
73	MALABON-FRANCIS MARKET-SAVEMORE	August 1, 2021	July 31, 2022	40,213.29
74	MALOLOS	July 1, 2017	June 30, 2022	84,425.59
75	MALOLOS - CATMON	April 6, 2020	April 5, 2030	85,600.00
76	MANDALUYONG	March 1, 2012	May 31, 2022	161,832.50
77	MANDALUYONG - SHAW	December 1, 2018	November 30, 2023	163,454.69
78	MANILA – STA. ANA	August 1, 2022	March 31, 2023	56,346.78
79	MARIKINA	May 26, 2020	May 25, 2027	231,525.00
80	MARIKINA - GIL FERNANDO AVENUE	January 1, 2018	December 31, 2022	107,751.40
81	MEYCAUAYAN	November 1, 2016	October 31, 2023	75,190.99
82	MOUNT CARMEL	July 20, 2015	July 19, 2025	134,009.56
83	MUÑOZ - JACKMAN	June 1, 2017	May 31, 2024	105,755.24
84	NAGA	July 16, 2022	July 15, 2027	104,672.90
85	NEPA - Q MART - SAVEMORE	December 1, 2021	November 30, 2022	44,324.00
86	NINOY AQUINO AVE.	June 1, 2012	May 31, 2022	165,916.60
87	OLONGAPO	October 25, 2017	October 24, 2022	124,417.63
88	ONGPIN	July 1, 2022	June 30, 2027	167,922.00
89	ORTIGAS CENTER	March 1, 2021	February 28, 2026	142,387.86
90	PARAÑAQUE - BETTER LIVING	October 1, 2018	September 30, 2023	107,904.51
91	PARANAQUE – BF HOMES	July 1, 2013	June 30, 2023	88,647.33
92	PARANAQUE - JAKA PLAZA	April 19, 2016	April 18, 2023	109,724.28
93	PARAÑAQUE - LA HUERTA	October 1, 2013	September 30, 2028	132,970.99
94	PARAÑAQUE - MOONWALK	April 17, 2022	April 16, 2023	105,398.52
95	PASAY - LIBERTAD	February 20, 2017	February 19, 2024	105,293.23
96	PASIG - CANIOGAN	June 15, 2016	June 14, 2023	89,339.71
97	PASIG - MUTYA	July 16, 2017	July 15, 2027	119,790.00
98	PASIG - PADRE BURGOS	June 16, 2018	June 15, 2023	115,631.11
99	PASO DE BLAS	February 1, 2021	January 31, 2026	72,277.62
100	PATEROS	December 1, 2020	November 30, 2025	72,450.00
101	PATEROS - ALMEDA	August 30, 2017	August 30, 2022	103,425.50
102	PEDRO GIL	September 1, 2018	August 31, 2025	133,498.31

NO	BRANCH	CONTRACT PERIOD		RENTAL RATE PER MONTH (₱)
		FROM	TO	
103	PLARIDEL	September 1, 2012	August 31, 2022	177,294.65
104	PLAZA STA. CRUZ	April 1, 2016	March 31, 2026	133,100.00
105	PORAC	December 14, 2020	December 13, 2025	65,584.02
106	QUEZON AVENUE - PALIGSAHAN	April 16, 2021	April 15, 2026	132,915.61
107	QUEZON AVENUE	November 1, 2018	October 31, 2028	166,288.91
108	QUIAPO - ECHAGUE	August 1, 2018	July 31, 2028	173,643.75
109	RADA	June 16, 2021	June 15, 2023	178,600.29
110	ROOSEVELT	June 15, 2017	May 31, 2024	85,085.44
111	ROXAS AVE. CAPIZ - CITYMALL BRANCH	November 14, 2018	November 13, 2023	77,210.69
112	SAN FERNANDO	July 16, 2020	July 15, 2027	179,178.41
113	SAN FERNANDO - BAYAN with Business Center	June 1, 2018	May 31, 2025	129,599.98
114	SAN ILDEFONSO - SAVEMORE	June 22, 2020	July 31, 2025	111,932.47
115	SAN JOSE DEL MONTE	August 1, 2012	July 31, 2022	107,854.25
116	SAN JUAN	September 1, 2021	August 31, 2026	85,000.00
117	SAN MIGUEL	December 1, 2018	November 30, 2023	97,240.50
118	SAN NARCISO	December 8, 2016	December 7, 2024	47,402.81
119	SAN PABLO – RIZAL AVE.	April 1, 2015	March 31, 2022	121,550.63
120	SAN PEDRO	February 28, 2022	February 27, 2023	55,000.00
121	SAN RAFAEL	December 13, 2015	December 12, 2022	93,579.15
122	SANTIAGO - VICTORY NORTE	October 15, 2017	October 14, 2022	140,710.05
123	SAVEMORE - ANONAS	December 1, 2021	November 30, 2023	62,054.00
124	SAVEMORE TAGAYTAY - MENDEZ	August 1, 2021	July 31, 2024	55,233.14
125	SAVEMORE TALISAY NEGROS OCCIDENTAL	May 23, 2019	November 30, 2024	119,674.91
126	SORSOGON	May 1, 2021	April 30, 2028	145,000.00
127	SOUTH TRIANGLE	September 1, 2018	August 31, 2025	194,536.83
128	STA. ANA	December 1, 2018	November 30, 2023	64,828.46
129	STA. MARIA	December 8, 2020	December 7, 2021	112,000.00
130	STA. MESA	March 16, 2017	March 15, 2024	77,300.12
131	STA. RITA	October 8, 2012	October 7, 2022	49,975.12
132	STA. ROSA	June 17, 2013	June 16, 2022	196,994.06
133	STO. TOMAS	October 26, 2020	October 25, 2025	145,378.86
134	SUBIC	March 1, 2019	February 28,2029	85,201.20
135	TACLOBAN CITY	September 16, 2019	September 15, 2024	128,801.25
136	TAFT – QUIRINO AVE.	February 1, 2022	January 31, 2029	70,400.00
137	TAGUM	June 1, 2017	May 31, 2022	64,178.73
138	TANAUAN CITY	December 1, 2018	November 30, 2028	83,536.54
139	TANDANG SORA	May 16, 2017	May 15, 2024	92,986.23
140	TARLAC – MAC ARTHUR	September 15, 2016	September 14, 2023	102,176.55
141	TAYTAY	October 15, 2018	October 14, 2023	137,806.90
142	TAYUMAN	October 1, 2016	September 30, 2023	127,628.16
143	TIMOG	May 1, 2017	April 30, 2024	146,009.53
144	TUGUEGARAO	August 16, 2017	August 15, 2022	131,446.99
145	TWO E-COM	November 1, 2019	October 31, 2022	169,503.25
146	UN AVENUE	February 1, 2019	January 31, 2024	196,249.53
147	URDANETA	August 24, 2016	August 23, 2023	91,162.97
148	VALENZUELA - MARULAS	October 20, 2020	October 19, 2025	76,576.89
149	VIGAN	June 5, 2017	June 4, 2027	268,674.91
150	VISAYAS AVE.	March 2, 2022	March 1, 2027	133,486.37
151	ZAMBOANGA – CITYMALL	September 30, 2015	September 29, 2020	107,936.96

Note: These lease contracts are renewable under certain terms and conditions and include pre-termination clause.

c. Description of Properties The Bank Intends To Acquire/Lease In The Next 12 Months

The Bank has future plans to acquire/lease properties but no description/location of properties yet at this time.

Item 3. LEGAL PROCEEDINGS

There are pending cases for and against the Bank arising from normal business activities. In the opinion of the management and the legal counsel, the Bank has no material pending legal proceedings to which the Bank is a party or which any of its property is the subject.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There are no matters that will be included in the agenda of the annual stockholders' meeting that may give rise to the exercise by a dissenting stockholder of the right of appraisal and demand payment of the fair value of his shares under Section 80 of the Revised Corporation Code (Republic Act No. 11232).

PART II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information

The registrant's equity is not listed in any exchange.

PERIOD	NO. OF SHARES TRANSFERRED	PRICE PER SHARE	
		High	Low
January 1, 2021 to December 31, 2022	**2***		

**Note: 1 Shareholding of Dir. Margarita L. San Juan transferred to newly appointed Dir. Antonio S. Espedido, Jr.*
1 Shareholding of Dir. Rosemarie C. Gan was transferred to newly appointed Dir. Jose L. Osmeña, Jr.

2. Holders

The Bank's authorized common shares (₱100 par value) amounted to 134.0 million in 2022 and 2021 and authorized preferred shares (₱100 par value) amounted to 6.0 million in 2022 and 2021. There are approximately 1,423 stockholders of the 105,414,149 subscribed common shares as of December 31, 2022. The top 20 common shareholders as of December 31, 2022 are as follows:

NO	NAME OF STOCKHOLDER	NUMBER OF SHARES	% OF HOLDINGS
1	China Banking Corporation	104,995,882	99.60%
2	Marinduque Mining and Industrial Corp.	46,002	0.04%
3	Bogo Medellin Milling Co., Inc.	33,521	0.03%
4	Reyes, Rodrigo C.	31,205	0.03%
5	Estate of Gil J. Puyat	13,729	0.01%
6	Development Bank of the Philippines	8,418	0.01%
7	Jipson, Espinela A.	8,248	0.01%
8	Cruz, Manuel C.	6,313	0.01%
9	Puyat, Patria Gil VDA. DE	5,350	0.01%
10	Newsal Enterprise	5,036	0.00%
11	Pryce Plans, Inc.	4,984	0.00%
12	Del Rosario, Pedro R.	4,938	0.00%
13	Gocolay, Antonio K.	4,587	0.00%
14	Magsaysay, Cecilia Hernaez	4,284	0.00%
15	Hernaez, Celina R.	4,283	0.00%
16	Ponce, Teofilo L.	3,852	0.00%
17	Estate of Bienvenido P. Buan	3,789	0.00%
18	Heirs of Florencio and Rizalina Buan	3,789	0.00%
19	Reyes, Edmundo A.	3,789	0.00%
20	Reyes, Felipe Delos, and OR Reyes, Rose M. R. De Los Reyes	3,670	0.00%

3. Dividends

There were no dividends declared in 2022 and 2021.

4. Recent Sales of Unregistered Securities or Exempt Securities

There were no unregistered securities sold by the Bank for the past three (3) years.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

1. Plan of Operation

Over the next years, CBS remains committed to become a top-of-mind financial services provider for both the SME and retail markets. The Bank will sustain the existing segmented strategy to maximize gains, diversify revenues, and meet customer demands with its distinct brand of quality service. The Bank will leverage on the expertise of each business group and develop opportunities in high-growth industries in order to build market presence. Accordingly, CBS envisions becoming one of the top-performing financial institutions in terms of profitability and shareholder value over the next five years.

The Bank will focus on increasing its customer base by developing long-term, beneficial relationships with its customers and use network of branches, sales offices and business centers to deepen its reach within its existing territories. The Bank will leverage its strong tradition of personalized service to attract borrowers from teachers, auto and homebuyers, SMEs, without neglecting its services for entry-level customers like young professionals, wage-earners and micro entrepreneurs.

To achieve the net income target over the next twelve months, the Bank's efforts and action plan shall cover the following priority areas: (a) shift to high-yielding loan portfolio that will generate sustainable earnings stream; (b) build-up current accounts/savings accounts (CASA) deposits on the back of CBS' wide market coverage and strong client acquisition and service culture build; (c) reduce non-performing assets (NPAs) composed of real and other properties acquired (ROPA) and non-performing loans (NPLs) as the Bank prudently manages its balance sheet and utilizes its capital efficiently; (d) increase non-interest income mainly coming from fee-based loans and deposit generation, Digital Banking Business, CMS products/services, Bancassurance, and NPA recovery efforts that will provide recovery income and gains from ROPA disposal; and (e) improve operational efficiency that involves refining the organizational structure, driving innovation across products and channels, and pursuing cost-efficient automation and process improvements. CBS has established its business strategy for 2023, to expand the business through loans and CASA growth and with emphasis on asset quality, digital banking transformation and the expansion of the Bank's distribution network.

The top priority is to continuously expand the higher-yielding loan products. The APDS (teachers') loans and consumer loan products, composed of retail housing, auto, personal, handy salary and handy credit loans, will continue to be the major component of CBS' loan portfolio for 2023. The Bank would further build up its APDS loan portfolio by widening the geographical footprint of sales offices. The strategy is to bridge the market gap by opening additional lending centers, lending kiosks, establishing additional payment channels, digitalizing the onboarding of clients and booking of loans and utilizing majority of its brick-and-mortar branch network. The Bank will also implement grass-root acquisition strategies and build presence amongst educators and administrators. The Bank's consumer business is also set to steadily expand and grow its share of the total loan portfolio while the SME/corporate segment will concentrate on growing the Smallbiz loan facility and the smaller-ticket SME business loans. To meet the projected growth in consumer loans, CBS aims to tap new industries, particularly those that have recovered and adjusted well in the post-pandemic business environment. To support the target growth in Housing loans, CBS will seek to maintain its rapport with prime developers and accredit new pocket developers. For Auto loans, planned initiatives include opening additional sales desks, optimizing existing dealer relationships and expanding its auto dealer network; while for Salary loans, CBS plans to onboard additional clients from its pool of new and existing commercial and SME clients. Additionally, the ongoing automation projects and enhancements in the pipeline will significantly improve CBS' turn-around time on credit approval for consumer loans that will boost its ability to further compete with the players and meet the greater customer demand for speed and convenience.

While high interest rates and high inflation could dampen credit demand in 2023, the Bank is optimistic about the sustained growth of its lending business. The revitalization of the economy and the country's growing middle class could help prop up demand for consumer loans.

The Bank will also continue to deepen market penetration through active leads generation, widening the branch network coverage, solidifying relationships through top-notch customer experience, active social media and marketing campaigns, and offering a broader menu of thrift banking products and services.

To fund its growing lending business, CBS will also focus on building up its low cost of funds or CASA. To meet the projected growth in CASA, CBS plans to expand its distribution network by opening new branches and deploying additional ATMs and armored cars. These initiatives will be complemented by new digital banking projects and intensified marketing and promotional activities to increase foot traffic in branches. The Bank will improve client prospecting and servicing the emerging industries and deepening relationship with existing clients by offering comprehensive products and services. The Bank will aggressively push for more Cash Management Services (CMS) enrollments and accelerate its digital readiness as these initiatives will address the face-to-face limitations brought about by the current pandemic. The Bank will continue to pursue its digital banking effort, which transforms the traditional banking model into a customer-centric, process efficient, and technologically-driven business and integrates automated backroom support, channel management, and better customer engagement. The Bank will enhance the customer experience at every channel and touchpoint through product improvements and core banking system upgrades.

For asset quality, the Bank will continue to pursue a more proactive and aggressive reduction of NPAs through its active remediation and NPL Recovery Program, ROPA Reduction through sale and disposal and enhanced Customer Engagement Initiatives.

Growth in the core business will also result to the increase in non-interest income on the back of higher fee-based income from Loans and Deposits. Fee-based income is projected to improve as segment cross-selling and up-selling initiatives continue. Additional income would also come from Digital Banking Business and CMS products/services, and Bancassurance. Central to the Bank's strategy is Digital Banking Transformation, wherein more of its services will cater to digital mediums to provide a vastly improved customer experience. Together with China Bank, CBS will develop a "true" omnichannel platform that allows clients to access financial services faster and easier online or through mobile. In line with this, the Bank's digital presence, primarily through its website, will be mobile-optimized and sales-centric. Digital marketing for clients will also be developed, including criteria-based marketing campaigns and automatic lead tracking and nurturing.

The aforementioned strategies will also be strongly supported by improved operational efficiency. The Bank will focus on addressing productivity through manpower optimization and workforce planning, process improvements and automation on the backroom support.

With the growth in loan portfolio, improvement in asset quality, increase in CASA, higher fee-based income and effective cost management, net income will significantly increase over the next 5 years.

2. Management's Discussion and Analysis

a. Analysis of Statements of Condition

As of December 31, 2022 and 2021

CBS achieved another remarkable run in 2022, further strengthening its position in the industry and a valuable subsidiary of the China Bank Group. Assets increased by 29% to ₱124.0 billion, setting a new record and marking a milestone in CBS' banking history. The sustained expansion in lending and deposit-taking drove the Bank's solid performance. Gross loans grew by 32% to ₱90.9 billion and total deposits jumped by 32% to ₱108.2 billion, strengthened by the 5% growth in low-cost deposits. CBS grew its client base by 8% with the total of 703,000 customers as of December 31, 2022. Despite a difficult year, CBS achieved good performance across all of its businesses.

Repositioned to focus on the retail market segment, the APDS loan portfolio expanded by 104% on a year-on-year basis, followed by the 16% sustained annual growth in retail housing loans and 10% annual increase in auto loans.

The Bank continued to focus on sourcing retail and cheaper funds. However, the high interest rate environment intensified the competition and liquidity pressure for banks, including CBS. During the year, the high-cost funds increased by 64% or equivalent to ₱ 24.0 billion which mainly supported the consistent growing demand and volume of both the APDS and consumer loans. Accordingly, the significant growth in short-term high-cost deposits faster than the CASA growth resulted to a CASA ratio of 43.2% as of December 31, 2022.

Capital increased to ₱12.8 billion, as a result of the improved operations of the Bank for the year. The Bank's total CAR was computed at 12.7% as of December 31, 2022, which remained well above the BSP's regulatory threshold of 10.0%.

As of December 31, 2021 and 2020

CBS' foundational strength, customers' unwavering trust and loyalty, and the tremendous efforts of the CBS team enabled the Bank to rise above the ongoing challenges of the pandemic and to set the stage for CBS' sustained growth in 2021.

CBS ended 2021 with solid financial results, with ₱95.8 billion in assets. The Bank continued to focus on preventing further deterioration of its asset quality more than loan growth, building-up stable and low-cost sources of funding, maintaining adequate level of liquidity, improving cost-efficiency and strengthening the balance sheet.

Even as the Bank adjusted its growth targets to reflect the realities of the crisis and adopt a more prudent strategic stance, CBS grew its client base from 0.60 million to 0.65 million as of December 31, 2021.

Gross loans is almost flat at ₱68.6 billion as loan demand remained weak due to the lingering economic uncertainties. Repositioned to focus on the retail market segment, the APDS loan portfolio expanded by 21% or equivalent to growth of ₱2.9 billion and replaced the decline in SME loans. Despite the slowdown in the retail lending landscape, the retail housing and auto loans steadily recovered in 2021.

Total Deposits reached ₱81.8 billion underpinned by 19% growth in checking and savings accounts (CASA). As the Bank focused on retail and cheaper sources, CASA ended with ₱44.4 billion, representing 54.3% of the deposit mix. The CASA growth, decline in high-cost funds and continued downward repricing resulted in an overall improvement in year-to-date cost of funds that translated to a significant improvement in net interest margin.

Capital increased to ₱11.3 billion, as a result of the improved operations of the Bank for the year. The Bank's total CAR was computed at 14.1% as of December 31, 2021, which remained well above the BSP's regulatory threshold of 10.0%.

b. Discussion of Results of Operations

For the years ended December 31, 2022 and 2021

The Bank achieved a record net income of ₱1.58 billion in 2022. This represents an increase of 60% on a year-on-year basis. CBS continued to post strong growth in its core businesses, while maintaining sufficient liquidity buffers and ample level of reserves.

The financial results were supported by the 20% growth in net interest income due to the 28% significant increase in interest income in view of the growth in consumer and APDS loans albeit the 72% increase in interest expense due to the growth in high-cost funds.

Service charges, fees and commissions decreased by 9%. Meanwhile, gain on asset exchange, primarily composed of sale and foreclosure of investment properties significantly improved by 85% to ₱376.18 million on account of increased foreclosures and repossession activities during the year. Overall, total operating income improved by 20% to ₱7.55 billion.

In line with the Bank's thrust to further strengthen its balance sheet, the Bank set aside a total of ₱1.51 billion provisions for impairment and credit losses for the year ended December 2022. Compensation and fringe benefits slightly increased by 4% primarily due to the expansion of the Bank's APDS lending business offset by the efforts to reduce manpower cost through its rationalization and redeployment programs.

Total operating expenses went up by ₱873.6 million or 18% from previous year's level. Increase in operating expenses was driven mainly by the increase in provisions for impairment and credit losses, documentary stamp tax and the ongoing branch expansion and set-up of additional lending centers in 2022. Other cost items were kept at a manageable single-digit growth, notwithstanding the continued investment in branch network expansion, technology, system upgrades, and customer acquisition initiatives.

For the years ended December 31, 2021 and 2020

The Bank achieved a net income of ₱986.46 million in 2021. Amid the economic downturn due to the pandemic, CBS continued to post strong growth in its core businesses, to provide higher pandemic-related buffers, and to keep the growth of operating expenses moderate despite adjusting priorities for pandemic-related expenses.

The financial results were supported by the 25% growth in net interest income due to 8% increase in interest income in view of the growth in consumer and APDS loans and 42% drop in interest expense due to high CASA level and reduction of high-cost funds.

Total interest income increased by 8% or ₱484.80 million, higher than the ₱5.87 billion recorded in 2020. On the other hand, interest expense on the Bank's deposit liabilities was lower by 42% to ₱841.04 million compared to ₱1.45 billion during the same period in 2020 due to the combined impact of significant CASA growth, decline in high-cost funds and continued downward repricing.

Service charges, fees and commissions increased by 144%. Despite hampered activities of the Bank, CBS was still able to catch-up on earning service fee and collection charges, mainly attributed to its retail lending business and deposit generation. The Bank also registered an increase in its gain on the sale and foreclosure of investment properties on account of foreclosures and repossession activities.

To address potential loan defaults that may arise from a drawn-out pandemic, CBS booked credit provisioning of ₱1.25 billion, which is 38% higher than the ₱905.5 million provisions booked for the same period of previous year. Compensation and fringe benefits decreased by 5% due to the Bank's efforts to reduce manpower cost through its rationalization and redeployment programs. The overall slight increase in operating expenses of 3%, excluding provisions, was due to the continued implementation of cost management initiatives which resulted to cost savings. In addition, moderate banking operations in areas implementing stricter quarantine measures contributed to further OPEX savings.

c. Key Performance Indicators

	2022	2021	2020
Capitalization Ratio			
Total Capital Adequacy Ratio	**12.68%**	14.09%	12.77%
Asset Quality			
Non-Performing Loans to Total Loans	**4.50%**	6.89%	8.06%
Liquidity			
Liquid Assets to Total Deposits	**20.86%**	20.67%	21.63%
Profitability			
Return on Equity (ROE)	**13.06%**	9.12%	5.06%
Return on Assets (ROA)	**1.44%**	1.02%	0.50%
Cost Efficiency			
Operating Expenses (excluding Provisions for Losses) to Total Income	**57.22%**	58.81%	75.58%

2022 vs. 2021 Comparative highlights on key performance indicators

Capital adequacy ratio as of December 31, 2022 decreased to 12.7%. NPL ratio improved to 4.5% as of end-2022 as compared to the 6.9% in 2021.

ROE and ROA for the year 2022 is at 13.1% and 1.4%, respectively, which are better than end-2021's 9.1% and 1.0%, respectively. Meanwhile, cost efficiency ratio improved to 57.2% as of December 31, 2022, from 58.8% as of December 31, 2021.

2021 vs. 2020 Comparative highlights on key performance indicators

Capital adequacy ratio as of December 31, 2021 increased to 14.1%. NPL ratio improved to 6.9% as of end-2021 as compared to the 8.1% in 2020.

ROE and ROA for the year 2021 is at 9.1% and 1.0%, respectively, which is almost double than end-2020's 5.1% and 0.5%, respectively. Meanwhile, cost efficiency ratio improved to 58.8% as of December 31, 2021, from 75.6% as of December 31, 2020.

Key Variables and Other Qualitative and Quantitative Factors

a. Liquidity

The Bank manages its liquidity position to ensure that it has more than adequate funds to meet its obligations at any given time. The Bank monitors its daily liquidity and reserve position by determining inflows and outflows, short-term and long-term obligations, holdings and repayments. Short-term liquidity management identifies obligations and repayments in the next 12-months, aids in the determination of the securities trading strategy, and influences the Bank's pricing mechanism. On the other hand, long-term liquidity management covers maturing obligations and repayments of loans and investments beyond the next 12-months. The level of liquid assets remained strong, exhibiting healthy growth in both placements with BSP/other banks and investments.

With the Bank's current capitalization, current liquidity position, strong deposit growth trend, continuing development of retail and corporate accounts, and prudent liquidity management, CBS does not anticipate encountering any cash flow or liquidity problems in the next 12 months. It remains confident of its ability to meet its obligations and is committed to providing the necessary funding to support the projected loan growth, investment activities and expenditures for 2023.

b. Events that will Trigger Direct or Contingent Financial Obligation

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are part of its lending and related businesses but due to their nature, may not be reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

Also, several suit and claims, in behalf or against the Bank in relation to its operations, are pending before the courts and quasi-judicial bodies. In the opinion of management, these suits and claims, if decided adversely, will not involve an amount having a material effect on the financial statements.

c. Material Off-Balance Sheet Transactions, Arrangements and Obligations

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2022	2021
Committed credit lines	**₱1,431,696,797**	₱531,083,989
Standby domestic letters of credit	**84,280,000**	93,960,357
Late deposits/payments received	**22,965,523**	8,320,699
Outward bills for collection	**2,040,344**	1,866,299
Others	**4,738,897**	104,374
	₱1,545,721,561	₱635,335,718

None of these off-balance sheet transactions, arising in the ordinary course, either individually or in the aggregate, are expected to have a material adverse effect on the Bank's financial condition.

c. Material Commitments for Capital Expenditures

The Bank's capital expenditures in 2022 included expenses for renovation and relocation of branches, new APDS loan centers and upgrade of bank premises including infrastructure, furniture, fixtures and equipment, IT-related activities on systems and licenses. For 2023, the Bank plans to open a number of brick-and-mortar branches, APDS lending centers, APDS lending branch lites and portable lending kiosks and relocate some branches, among others. Capital expenditures will be sourced from the Bank's capital and operations.

d. Causes for Any Material Changes from Period to Period of Financial Statements

See previous discussion on Analysis of Statements of Condition and Discussion of Results of Operations.

e. Known Trends, Events or Uncertainties or Seasonal Aspects

The financial statements of the Bank have been prepared in compliance with PFRS.

Item 7. FINANCIAL STATEMENTS

Please refer to the attached **Exhibit 2** for the Audited Financial Statements as of and for the years ended December 31, 2022 and 2021.

Independent Public Accountant

SyCip, Gorres, Velayo, & Co. (SGV & Co.), independent certified public accountants, audited the Bank's financial statements without qualification and in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of its examination, in its report to the stockholders and Board of Directors.

The following table sets out the aggregate fees billed for each of the years ended December 31, 2022 and 2021 for professional services rendered by SGV & Co. for the audit of the Bank's annual financial statements.

	2022	2021
Audit and Audit-Related Fees:		
▪ Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱2,836,000	₱2,336,000

The Bank did not engage the services of SGV & Co. for a non-audit related work in 2022 and 2021.

Audit Committee's Approval Policies and Procedures for Above Services

As China Bank's subsidiary, the Bank adopted the Parent Bank's policies and procedures on audit engagement contract for external auditors. The same was discussed and approved by the Audit Committee. Included in the duties and responsibilities of the Audit Committee as provided for in the Audit Committee Charter are to recommend to the Board of Directors the appointment, re-appointment and dismissal of external auditors; to review and evaluate the external auditors' qualifications, performance, independence, and objectivity; and to review the external auditors' audit plan and scope among others.

The following are the members of Bank's Audit Committee:

Chairman	Claire Ann T. Yap, *Independent Director*
Vice-Chairman	Philip S. L. Tsai, *Independent Director*
Member	Antonio S. Espedido Jr., *Independent Director*

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The financial statements of the Bank for the years ended December 31, 2022 and 2021 have been audited by SGV & Co. in accordance with Philippine Financial Reporting Standards. There were no changes in and disagreements with accountants on accounting and financial disclosures.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

1. The Members of the Board of Directors *(as of December 31, 2022)*

The Board of Directors is composed of distinguished members with extensive background in banking and business. The members of the Board hold the office for the remainder of the term of their successors and, with prior approval of the MB, concurrently with their position/s in the Parent Bank are as follows:

Ricardo R. Chua, 71, Filipino, is the Chairman of the Board of CBS since 2007. He is the advisor to the Board of China Bank since November 1, 2017. He held several key positions with CBC, including Director from 2008 up to October 2017, President and Chief Executive Officer from September 2014 up to October 2017, and Chief Operating Officer from 2012 to 2014. He is the Advisor of CBC's Technology Steering Committee. He currently sits in the boards of other CBC subsidiaries: Chairman of China Bank Capital Corporation (CBCC) and Director of CBC Properties and Computer Center, Inc. (CBC-PCCI) and also in other companies not listed in the PSE - CAVACON Corporation, and Sun & Earth Corporation, among others. A Certified Public Accountant, Mr. Chua earned his Bachelor of Science degree in Business Administration, Major in Accounting, *cum laude*, from the University of the East, and finished his Master's in Business Management (MBM) degree from the Asian Institute of Management. He has had extensive training in banking operations and corporate directorship, and attended AML and corporate governance seminars, among others.

Nancy D. Yang, 83, Filipino, is the Vice Chairman of the Board since 2007and is currently the Vice Chairman of Executive Committee. She held the position of Senior Vice President and the Head of CBC Retail Banking Business from 1995 to 2016. She is a Director of CBC subsidiary, China Bank Insurance Brokers, Inc. (CBC-IBI). She currently sits in the Board-level committee of the Bank: Vice Chairman of Executive Committee. She also holds various positions in the following institutions: Val Gardena Development Corporation, Hamersley Development Corporation, GDSK Development Corporation, Pacifica Royale Properties, Makati Curb Holdings, Corporation, Great Expectation Holdings, Inc., The Big D Holdings Corporation, Richesse Development Corporation, and Azureblue Properties, Inc., among others. Ms. Yang is a degree holder of Bachelor of Arts from the Philippine Women's University and Human Development & Child Psychology from Merrill Palmer Institute in Detroit, Michigan, USA. She has attended the Allen Management Program in 1990, BAI Retail Delivery Conference in Phoenix, Arizona, USA in 1994, Environmental Risk Management Program for Bankers conducted by the Bank of America in 1997, BAI Retail Delivery Conference in Miami Beach, Florida in 1999, and BAI Retail Delivery Conference in Orlando, Florida in 2008.

James Christian T. Dee, 49, Filipino, is the President of the Bank. The Bangko Sentral ng Pilipinas (BSP) approved his secondment appointment on November 19, 2012. Prior to his election as Director/President of CBS, he was the Asset-Liability Management Head of the Treasury Group of China Bank since 2009 and Treasurer and Head of Treasury Group of CBS since 2012. He is also a member of CBS Board-level committees: Vice Chairman of Retirement Committee and Remuneration Committee, and a member of Executive Committee. In the past, he held several key positions at the Trust Group of China Bank and Citibank N.A. Philippines. Mr. Dee is a degree holder of Bachelor of Science in Mechanical Engineering from the University of the Philippines and Master's degree in Business Management from the AIM. He trained with the Regional Treasury Certifications from Citigroup, N.A., Treasury Certification Program from Ateneo-BAP, and ICAAP Risk Models

Validation from SGV. He likewise graduated with distinction on the one (1) year course on Trust Operation from Trust Institute
Foundation of the Philippines. ***Note: Seconded to CBS and duly approved by the BSP.***

William C. Whang, 64, Filipino, is a member of the Board of CBS, and a Director and the President of CBC since November 1, 2017. He does not hold any directorship position in any other Philippine Stock Exchange (PSE)-listed company apart from CBC. He also serves in the boards of CBC subsidiaries: China Bank Insurance Brokers, Inc. (CBC-IBI), CBC Properties and Computer Center, Inc. (CBC-PCCI), and China Bank Capital Corporation (CBCC). He is also a member of CBS Board level committees: Chairman of Executive Committee and Retirement Committee. He is actively involved in the boards of BancNet, Inc., Banker's Association of the Philippines, Philippine Payments Management Inc., and Manulife China Bank Life Assurance Corporation (MCBLife). He has more than 40 years of banking experience, previously holding key positions in various financial institutions including Metropolitan Bank & Trust Co., Republic National Bank of New York, International Exchange Bank, Security Bank, and Sterling Bank of Asia. Mr. Whang is a Bachelor of Science degree holder in Commerce, Major in Business Management, from the De La Salle University. He participated in numerous seminars and conferences on corporate governance, AML, branch based marketing, quality service management, sales management, and corporate strategy, among others.

Herbert T. Sy, Jr., 36 Filipino, was elected as a Regular Director on June 17, 2021. Mr. Sy presently works for SM Retail, Inc., under the SM Group of Companies. For the SM Markets Merchandising Group, he handles product selection for the SM Markets stores, manages international house brand procurement, manages store orders, and negotiates with suppliers. For SM Markets Marketing Group, he manages in-store promotions and marketing. For SM Markets Operations Group, he manages overall store operations and expenses, and contributes to store efficiencies with inventory. For the SM Markets Online Group, he handles online retail operations, development and expansion, as well as negotiations with third party online retailers. He graduated with a degree in Bachelor of Science in Marketing Management from De La Salle University in Manila in 2009.

Patrick D. Cheng, 60, Filipino, is a CBS Director. He is also a Senior Vice President and the Chief Finance Officer of CBC. He is also in the board of another China Bank subsidiary – China Bank Insurance Brokers, Inc. (CBC-IBI) as Chairman, and in the Bank's affiliate - Manulife Chinabank Life Assurance Corporation (MCBLife) as Director. He also serves in the boards of Manila Overseas Commercial Inc., and SR Holdings Corporation, among others. In the past, he held several key positions at the Philippine Bank of Communications, HSBC Savings Bank (Philippines), HSBC (Philippine Branch), Citicenter Condominium Corp., and Citibank N.A. (Philippine Branch). He was the President and Chief Executive Officer of HSBC Savings Bank (Philippines) from 2008 to 2013 and was also a two-term President of the Chamber of Thrift Banks from 2011 to 2012. A Certified Public Accountant placing 7th in the National Exams, Mr. Cheng graduated *magna cum laude* from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy. He earned his Master's in Management degree, with Distinction, from the Hult International Business School in Cambridge, Massachusetts, and finished the Trust Operations and Investment Management course, also with Distinction, from the Trust Institute of the Philippines. In 2010, he received the Distinguished Alumnus Award from the Virata School of Business of the University of the Philippines-Diliman. He has had extensive training on corporate governance, AML, asset liability management, operational risk, and information security.

Rosemarie C. Gan, 64, Filipino, was a CBS Director. She was also an Executive Vice President and Segment Head of Retail Banking Business of CBC. She served as a Director in CBC subsidiary CBC Properties and Computer Center, Inc. (CBC-PCCI). She was also a member CBS Executive Committee. With nearly 40 years of experience in the banking industry, she has had wide exposure and training in marketing, financial analysis, credit portfolio management, strategic planning and corporate governance. Ms. Gan obtained a Bachelor of Science degree in Business Administration, Major in Management, from the University of Santo Tomas, where she graduated *magna cum laude* and received the distinguished Rector's Award. She attended the Asian Institute of Management's (AIM) Advanced Bank Management Program in 2013. She also participated in the BAI Retail Delivery Conference conducted by the Bank Administration Institute in 2012, and Corporate Governance workshops/seminars conducted by the Institute of Corporate Directors (ICD) from 2014 to 2018, and AMLA seminar conducted by ICD in December 2017, among others. ***Note: Retired as Director from CBS as of December 15, 2022***

Jose L. Osmeña, Jr., 63, Filipino is a CBS newly elected Director. He is a member of the CBS Executive Committee. He is an Executive Vice President and the Group Head of Retail Branch Banking of CBC. He has been with CBC for more than 30 years. He previously worked at Insular Bank of Asia and America and Producers Bank of the Philippines prior to joining CBC. Mr. Osmeña holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of San Carlos, and he earned his Master of Science degree in Business Administration from the same university. He also completed the AIM's Advance Bank Management Program. He participated in several trainings on export financing, loan documentation, money market, service quality management, channels marketing, corporate governance, and AML. ***Note: Appointed as CBS Director effective December 15, 2022***

Philip S.L. Tsai, 71, Filipino, was elected as Independent Director of CBS and CBC on November 7, 2018 to serve the unexpired term of Mr. Roberto F. Kuan who passed away on September 15, 2018. He currently serves as an Independent Director of China Bank subsidiaries China Bank Capital Corporation (CBCC) and China Bank Insurance Brokers, Inc. (CBC-IBI). He is a member of CBS Board-level committees: Chairman of Risk Oversight Committee, Vice Chairman of Audit Committee, and a member of Remuneration Committee and Related Party Transaction Committee. Aside from the China Bank Group, he does not hold any position in other PSE-listed companies. He has had more than 36 years of banking experience. He previously held positions in First CBC Capital (Asia) Limited, Midwest Medical Management, Fortune Paper Inc., Chemical Bank New York, Consolidated Can Corp., Plastic Container Packaging, and in the Bank's Retail Banking Business until his retirement in 2015. Director Tsai earned his Bachelor of Science degree in Business Administration from the University of the Philippines, and received his Master's degree in Business Administration from the Roosevelt University in Chicago, Illinois. He has attended several trainings on corporate governance, bank protection, AML, and branch-based marketing, among others.

Claire Ann T. Yap, 67, Filipino, is an independent director. She serves as Independent Director in CBC subsidiaries CBCC, CBSC, and in CBCC's subsidiary RCI, and as Board Trustee and Vice Chairperson in Vedruna Foundation, Inc. She is presently Senior Vice President and Head of Global Service Centre of Global Payments Process Centre, Inc., a Fortune 500 company and worldwide leader providing payments and financial technology solutions. She has more than 30 years of experience in banking and finance in the Philippines. She is also a member of CBS Board level committees: Chairman of Audit Committee, Vice Chairman of Corporate Governance Committee and Nomination Committee, and a member of Risk Oversight Committee. She has extensive leadership experience in operations beginning with local financial institutions and expanding to global organizations, with considerable exposure from credit card and payments to financial technology solutions in a shared services environment. She has exposures in cross-geographical and cultural team integration, strategic business unit development, revenue generation and cost control, client relationship management, financial and credit analytics, merchant life cycle management, industry standard audits and compliance, and process improvement. In the past, she held executive leadership roles at Australia and New Zealand Banking Group Ltd./Metrobank Card Corporation and Hongkong Shanghai Banking Corporation. She was also Chairman of the Credit Card Association of the Philippines from 2009 to 2010 and President from 2007 to 2009. A Certified Public Accountant, Ms. Yap is a graduate of Bachelor of Science in Accounting, *cum laude*, from the De La Salle University. She has had various trainings on Managing Customer Experience, Credit Card Fraud and Security, Information Security and Data Privacy.

Genaro V. Lapez, 65 years old, Filipino, was elected as an independent director on June 17, 2021. He has more than 10 years of experience in banking and finance in the Philippines, having handled key executive positions at Union Bank, including Head of Center for Strategic Partnerships and Head of Consumer Finance. He also serves as Independent Director in the China Bank subsidiary CBSC. He is a member of CBS Board level committees: Chairman of Related Party Transaction Committee and Remuneration Committee, and a member of Corporate Governance Committee, Retirement Committee, and Nomination Committee. He has considerable exposure across various local and global industries spanning fast-moving consumer goods (FMCG), pharmaceuticals, multi-media publishing, banking and financial services. He had been posted in Hong Kong, Singapore and Indonesia, and he is conversant in Chinese and Bahasa. Mr. Lapez is a seasoned StracTical (Strategic and Tactical) and GloCal (combining Global Best Practices with Local Realities) thinker. In the past, he held various senior leadership positions in Royal Numico, Coca-Cola Bottlers Phils. Inc., San Miguel Corporation, Nabisco, and Time Life Books, Inc./Time-Warner Inc. Mr. Lapez earned his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He has had various trainings on Strategic Marketing (Certificate Program) from the University of Michigan; Retail Banking Future from the John Clements and Harvard Business School; Global Consumer Banking from the likes of THE ASIAN BANKER, and on Corporate Governance from the Institute of Corporate Directors and others.

Antonio S. Espedido, Jr, 67 years old, Filipino, has more than 30 years of experience in banking and finance in the Philippines. He was recently a consultant of Intellect Design Arena, a company that provides banking system/solutions. He has extensive leadership experience in treasury and marketing operations. He was a consultant in the implementation of the Treasury system in China Bank from July 2016 to September 2016. Prior to this, he was CBC's Executive Vice President, Treasurer and Financial Market Business Segment, responsible in managing the investment portfolio of the bank in fixed income and exposure in foreign exchange. He was likewise responsible in managing the bank's liquidity and funding requirements. He also provided direction in identifying market coverage for expanding client base product offerings and helped identify and structure financial funding options based on client's requirements, on the Investment Banking side. He joined CBC as early as 1990 as its Treasurer responsible in managing fixed income portfolio and foreign exchange exposure. He was the Director of CBS and CBC Forex from June 2004 to June 2016. While holding these positions with CBC, he was also a member of the Capital Market Committee of the Bankers Association of the Philippines (BAP) from April 2011 to April 2015 and Director of the Association of Foreign Exchange Dealers of the Philippines from January 1997 to January 1998. Mr. Espedido held the positions in the Bank of the Philippine Islands (BPI) and Citytrust Banking Corporation handling proprietary exposures in fixed income and foreign exchange. His most recent trainings were hosted by the Asian Development Bank (ADB) on Financial Situation Caused by Covid-19 pandemic and Digital Transformation in Banking. He earned his Bachelor's Degree in Business Administration from the University of San Francisco, California, U.S.A. in 1979.

The Directors' number of years including number of shares held are as follows:

NAME OF MEMBERS	PRINCIPAL STOCKHOLDER REPRESENTED	NUMBER OF YEARS SERVED AS DIRECTOR	NUMBER OF DIRECT AND INDIRECT SHARES HELD	PERCENTAGE OF SHARES HELD TO TOTAL OUTSTANDING SHARES OF THE BANK
1. Ricardo R. Chua	None	15 years and 3 months	1	0.00000000948%
2. Nancy D. Yang	None	15 years and 3 months	1	0.00000000948%
3. James Christian T. Dee	None	1 year and 8 months	1	0.00000000948%
4. William C. Whang	None	6 years	1	0.00000000948%
5. Jose L. Osmena, Jr,	None	15 days	1	0.00000000948%
6. Patrick D. Cheng	None	5 years	1	0.00000000948%
7. Herbert T. Sy, Jr.	None	1 year and 6 months	1	0.00000000948%
8. Philip S. L. Tsai*	None	4 years and 1 month	1	0.00000000948%
9. Claire Ann T. Yap*	None	2 years	1	0.00000000948%
10. Genaro V. Lapez*	None	1 year and 6 months	1	0.00000000948%
11. Antonio S. Espedido, Jr.*	None	6 months	1	0.00000000948%

** Independent Director*

2. Executive Officers *(as of October 20, 2022)*

a. Non-Director Member of Executive Committee

Aloysius C. Alday, Jr., 53, Filipino, is non-director member of the Board-level Committee, Executive Committee. He is a Senior Vice President, is the Head of the Consumer Banking Segment, and interlocked with CBS as of the date of his appointment. Prior to his current appointment, he was the Group Head of the Bank's Cards Business and Customer Contact Center, which was reorganized into the Consumer Banking Segment to oversee Consumer Banking and Multi-Purpose Loan in addition to the Cards Business and Customer Contact Center. He has over 25 years of experience in the banking industry in the Philippines and abroad, having worked at HSBC, Metrobank Card Corporation, and Metrobank in the fields of cards and payments, retail banking, consumer and corporate credit risk, and bancassurance. Mr. Alday, Jr. holds a Bachelor of Science degree in Business Administration from the University of the Philippines, and has had extensive training on AML, data privacy, and corporate governance. ***Note: Appointed as of December 15, 2022***

b. Incumbent Executive Officers *(as of October 20, 2022)*

Jan Nikolai M. Lim, 46 years old, Filipino, Senior Vice President I, is the Head of Consumer Lending Group. He has been with CBS for more than 10 years now. He joined China Bank Savings, Inc. on December 1, 2011 as Head of Housing and Personal Loans with the rank of First Vice President I. With his success in housing loans and personal loans, he was appointed as the Head of Consumer Lending Group in 2015 and was promoted to FVPII in January 2017. Prior to joining the Bank, he served as the Vice President of East West Banking Corporation, Vice President of Philippine Savings Bank, Assistant Vice President of Standard Chartered Bank and started his banking career in Citibank, N.A. as a Manager in 2001. Mr. Lim is a degree holder of Bachelor of Science in Manufacturing Engineering and Management from De La Salle University.

Luis Bernardo A. Puhawan, 47, Filipino, First Vice President II, is the Controller of the Bank. Prior to CBS, he was the Controller of the former Planters Development Bank. In 2006, he joined Planters Development Bank as Assistant Vice President and Head of the Financial Reporting and Control Department. Before joining Planters Development Bank, he worked for Philippine Veterans Bank from 2002 to 2005, Deutsche Knowledge Services - Manila from 2005 to 2006 and SGV & Co. from 1997 to 2002. A Certified Public Accountant, Mr. Puhawan is a degree holder of Bachelor of Science in Accountancy from the University of Santo Tomas.

Jaydee P. Caparas, 49, Filipino, First Vice President, is the Branch Banking Group Head of China Bank Savings, Inc. (CBS). Prior to joining CBS, he has held managerial positions in the Bank of the Philippine Islands and was Vice President at Philippine Savings Bank. With around 25 years of experience in banking, he has had extensive exposures in sales, operations and business development. He is a Certified Public Accountant (CPA) and a holder of a degree in Master in Business Administration. He obtained his Bachelor of Science in Accountancy at San Sebastian College – Recoletos de Cavite in 1993 where he graduated magna cum laude. He pursued his graduate studies and earned full academic units in Doctor of Business Administration at the De La Salle University – Manila. He is currently enrolled at the Asian Institute of Management (AIM) taking Executive MBA course (Batch 2023). Over the years, as a CPA, he has obtained various accreditations from the Professional Regulation Commission (PRC), the Board of Accountancy (BOA), the Cooperative Development Authority (CDA), the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR). He continues to pursue further advancement in his career as a professional CPA and is currently enrolled in the certification programs; namely, Certified Internal Auditor (CIA) and Certified Management Accountant (CMA).

Adonis C. Yap, 53, Filipino, First Vice President I, is the head of the Digital Banking Group. Mr. Yap was formerly the head of the Marketing Group and was an *Ex-Officio* member of the Information Technology (IT) Steering Committee. He was hired by Planters Development Bank (PDB) in June 1999. He was also the Cash Management Services Department Head from June 1999 to September 2002 and head of Product Management and Marketing Department from 2003 to 2007. In 2015, and during the integration of CBS and PDB until 2017, he handled the Alternative Channels and Business Process Management Group. He also took over the Marketing Division when its Head resigned in early 2018.

Atty. Josephine F. Fernandez, 60, Filipino, First Vice President, is the Head of Human Resources Division. She was a former Senior Vice President and Head of Human Resources of East West Banking Corporation, Vice President and Deputy Head of Human Resources of Bank of the Philippine Islands, and First Vice President and Deputy Head of Human Resources of Metropolitan Bank & Trust Co. She also held various positions at Equitable Banking Corporation and Bank of Tokyo-Mitsubishi. She started her career as College Instructor at University of Luzon with the Commerce Department. Atty. Fernandez is a degree holder of Bachelor of Science degree in Business Administration from University of the Philippines - Diliman in 1983 and completed Bachelor of Laws in San Beda College and San Sebastian College, Manila in 1993.

Niel C. Jumawan, 53, Filipino, First Vice President, is the Head of APDS Lending Group. Before joining CBS, he held various key positions at City Savings Bank, Inc. He also worked as Front Desk Officer of Staff Experts, Inc. (assigned at Pag-Ibig Fund), Loan Programmer of WVSU Multi-Purpose Cooperative, Sales and Training Supervisor of Forest Lake Development, Inc., Sales Manager, Branch Head and Business Development Officer of Visayas for Sky Internet, Inc. Mr. Jumawan is a degree holder of Computer Science Major in Computer Technology and Bachelor of Science in Commerce Major in Management.

Edith N. Young*, 64, Filipino, Vice President II, is the Head of Information Technology of China Bank. BSP approved her interlocking functions with CBS on April 27, 2016. She is concurrently the Chief Technology Officer of CBC subsidiary, CBC Properties and Computer Center, Inc. (CBC-PCCI). Prior to joining the China Bank group, she held various IT-related positions in PCIBank, IBAA, Bank of the Philippine Islands, Family Bank/FMLSC, Cybernetics and Pascual Laboratories. Ms. Young is a degree holder of Bachelor in General Science from the University of the East. ***Note: Interlocked with CBS April 27, 2016***

Sonia B. Ostrea, 59, Filipino, Vice President II, is the Head of Centralized Operations Group. Prior to CBS, she was the Clearing Operations Head of the former Planters Development Bank. Before joining Planters Development Bank, she served as the Central Operations Department Head of PCIBank and Dao Heng Bank, Phils. A Certified Public Accountant, Ms. Ostrea is a degree holder of Bachelor of Science in Commerce, major in Accounting, from Saint Louis University.

Atty. Roberto M. Buenaventura, 50, Vice President, is the head of the Legal Services Division. Prior to CBS, he was with united Coconut Planters Bank (UCPB) since 2010 as Legal Officer and Legal Services Head. He engaged in private legal practice under his own law firm from 1998 to 2010.He has served in the government as Provincial Legal Officer of the Province of Basilan from 1998 to 2007. He has also served as Associate Professor in Western Mindanao State University College of Law from 1998 to 2007 and Basilan State College Law Department from 1998 to 2000. Atty. Buenaventura took his pre-law degree in Bachelor of Arts in Public Administration from the University of the Philippines in 1993 and Bachelor of Laws Degree from San Beda College of Law in 1997.

Charmaine S. Hao, 45, Filipino, Vice President, is the Treasurer of the Bank. Before CBS, Ms. Hao joined Planters Development Bank in 2001 and was assigned as a Senior Dealer from September 3, 2001 to August 15, 2010. On August 16, 2010, she was appointed as Deputy Treasury Head until August 15, 2015. Consequently, she also became the Secretary of Assets and Liability Committee (ALCO). On December 18, 2015, after Planters Development Bank was merged with CBS, Ms. Hao was assigned as Head of Funds Management Department. As the Funds Management Department Head, she assists the Treasury Group Head in managing and supervising the Bank's liquidity and trading activities. For the past years, she has been ensuring that all funding requirements of the Bank are efficiently serviced. Moreover, she has been managing the cost of short-term placements to minimize the funding cost and thereby improve the carry income of the Bank. Ms. Hao is a degree holder of Bachelor of Science in Legal Management from the Ateneo De Manila University.

Mary Grace F. Guzman, 57, Filipino, Vice President, is the Head of Asset Recovery Group (ARG). Before joining CBS, she was Account Officer in United Overseas Bank Phil., and consultant, Project Manager for ECSLR Project of the World Bank – LGU Guarantee Corp. She is a degree holder of Bachelor of Science in Business Administration from the University of the Philippines.

Raymond C. Apo, 55, Filipino, Vice President, is the Risk Management Division Head. He has more than 20 years of banking experience. Prior to joining the Bank, he held various key positions at Solidbank Corporation, First Metro Investment Corporation, Rizal Commercial Banking Corporation, Asiatrust Development Bank, and Export and Industry Bank. A Certified Public Accountant, Mr. Apo is a degree holder of Bachelor of Science in Commerce Major in Accountancy from Far Eastern University.

Atty. Corazon T. Llagas, 57, Vice President, is the Chief Compliance Officer of the Bank. Prior to CBS, she was with Bank of Commerce from 2016 to 2021 as Chief Compliance Officer, and head of Remedial and Litigation Department from 2011 to 2016. She was also with Metro

Bank as Compliance Specialist from 2003 to 2011 and as Legal Officer from 2003 to 2008. Atty. Llagas took her higher education from the University of the Philippines where she obtained a degree in Bachelor of Arts in Sociology in 1987, Master of Arts in Sociology in 1991, and Bachelor of Laws Degree in 1998.

Hanz Irvin S. Yoro*, 41, Filipino, Senior Assistant Vice President, is the Information Security Officer of China Bank. BSP approved his interlocking functions with CBS on April 27, 2016. He is concurrently the Information Security Officer of CBC. Prior to joining CBC, he was the Information Security Officer of Megalink and EPacific Global. Mr. Yoro is a degree holder of Bachelor of Science in Computer Science Information Technology from Asia Pacific College.
Note: Interlocked with CBS April 27, 2016

Brenda S. Santiago, 53, Filipino, Senior Assistant Vice President, is the Head of SME Lending Group. Before joining CBS, she was hired as the Small Biz Division Head in April 2018 and was promoted as SLG Luzon Lending Division Head effective July 15, 2021. Her previous bank stints were as an account officer starting 2002 in United Coconut Planters Bank, then to LBC Development Bank from 2007 to 2011, and then Metropolitan Bank & Trust & Co., from 2011 to 2013. Her role grew from an Account Officer to a Relationship Manager in PBCom from 2013 to 2015 and also in Maybank from 2015 to 2018 prior to joining CBS in 2018. She is a degree holder of Bachelor of Science in Information and Computer Science in 1990 and Bachelor of Science in Nursing in 2004. ***Note: Appointed Effective October 20, 2022***

Atty. Arturo Jose M. Constantino, III, 39, Filipino, Assistant Vice President, is the Corporate Secretary of the Bank. Prior to joining the Bank, he served as Corporate Legal Counsel for both multinational and local companies, including Music Group of Companies and Filinvest Land, Inc. He was also Associate Lawyer for Paras and Manlapaz Lawyers, and Valerio and Associates Law Offices, where he acted as Corporate Secretary for various clients. He holds a Juris Doctor Degree from the Ateneo De Manila Law School.

Note 1: All the foregoing officers have been involved in the banking industry for more than five (5) years, except for Mr. Herbert T. Sy., Jr., who is in SM Group of Companies since January 2009.

Note 2: None of the above-mentioned directors and officers works with the government.

Note 3: (marked *) With interlocking functions with China Bank Savings, Inc., as duly approved by the BSP.

3. Term

The Directors are elected to hold office for one (1) year until the next succeeding annual stockholders' meeting or until the respective successors have been elected and qualified.

4. Significant Employees

The registrant is not highly dependent on the services of certain key personnel.

5. Family Relationship

None of the directors or officers is related to each other within the fourth degree either by consanguinity or affinity.

6. Involvement in Certain Legal Proceedings

The Bank has no knowledge of any involvement of any of the directors or executive officers in any material legal proceedings affecting their ability or integrity before any court of law or administrative body in the Philippines or elsewhere for the last five (5) years.

Item 10. EXECUTIVE COMPENSATION

Comparative amount of salaries paid for the Directors and Key Executives of the Corporation (with cut off of December 31, 2022), and, any amount of per diem including bonus of the directors for the last three years.

	YEAR	SALARY	BONUS, PER DIEM and OTHER COMPENSATION	TOTAL
Total for the 5 most highly compensated executive officers	2023 (estimate)	₱23,531,544	₱8,251,862	₱31,783,406
	2022 (actual)	21,976,344	7,668,662	29,645,006
	2021 (actual)	23,649,108	9,247,163	32,896,271
Total for all key executive officers	2023 (estimate)	28,228,412	9,921,285	38,149,697
	2022 (actual)	26,513,612	9,278,235	35,791,847
	2021 (actual)	31,317,746	10,797,862	42,115,608
Total for all Directors	2023 (estimate)	–	2,807,000	2,807,000
	2022 (actual)	–	2,646,000	2,646,000
	2021 (actual)	–	2,485,000	2,485,000

Note: The top 5 most highly compensated executive officers for 2022 are: SVPI Jan Nikolai M. Lim, FVPI Niel C. Jumawan, FVPII Luis Bernardo A. Puhawan, FVPI Josephine F. Fernandez and FVPI Jaydee C. Caparas.

- The Key Executive Officers who were appointed by China Bank to CBS on a concurrent/seconded basis do not receive salaries and other bank benefits, bonuses and per diem from the registrant.
- The Directors, who hold their offices concurrently with their positions in China Bank, likewise receive no fees, per diem and bonuses from the registrant. Only the Independent Directors received per diems from the registrant.
- The only contract existing between the executive officers and the registrant is that of an employee–employer relationship.
- There are no other compensation arrangements for their services.
- There are no outstanding warrants or stock options held by the registrant's officers and directors.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owners

The following own more than 5% of any class securities as of December 31, 2022.

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP W/ ISSUER	BENEFICIAL OWNER AND RELATIONSHIP W/ RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	%
Common Stock	China Banking Corporation		Filipino	104,995,882	99.60%

The Chairman, Mr. Ricardo R. Chua, is the duly authorized representative of China Bank, and shall exercise the right to vote all the above-enumerated shares by appropriate proxy.

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

2. Security Ownership of Directors and Top Management

TITLE OF CLASS	NAME OF RECORD OWNER	AMOUNT (₱)	CITIZENSHIP	PERCENTAGE
Directors				
Common Stock	Ricardo R. Chua	100	Filipino	0.00010%
Common Stock	Nancy D. Yang	100	Filipino	0.00010%
Common Stock	James Christian T. Dee	100	Filipino	0.00010%
Common Stock	William C. Whang	100	Filipino	0.00010%
Common Stock	Patrick D. Cheng	100	Filipino	0.00010%
Common Stock	Herbert T. Sy, Jr.	100	Filipino	0.00010%
Common Stock	Jose L. Osmeña	100	Filipino	0.00010%
Common Stock	Philip S. L. Tsai	100	Filipino	0.00010%
Common Stock	Claire Ann T. Yap	100	Filipino	0.00010%
Common Stock	Genaro V. Lapez	100	Filipino	0.00010%
Common Stock	Antonio S. Espedido, Jr.	100	Filipino	0.00010%
	Total as a Group	**1,100**		**0.0011%**

3. Voting Trust Holders of 5% or More

No other person holds more than 5% of a class under voting trust or similar agreement.

Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

In the ordinary course of business, the Board of Directors continues to ensure that loans and other transactions with its DOSRI are made substantially on terms not less favorable to the Bank than those offered by others. Full disclosures for these transactions were made through timely reports with the BSP.

None of the directors or officers is related to each other within the fourth civil degrees either by consanguinity or affinity.

PART IV. CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

GOVERNANCE MECHANISMS AND POLICIES

The corporate governance structure of the Bank is supported by the policies and mechanisms adopted to foster a culture of good governance. These are enshrined in the Bank's Corporate Governance Manual, Code of Ethics, Compliance Manual and various internal circulars. The Bank has also adopted leading practices in corporate governance for the continuous promotion and protection of its stakeholders.

The Bank is continuously updating its Board-approved Manual on Corporate Governance. The Manual embodies the principles of good corporate governance and best practices. To comply with the new regulations issued by the BSP, the Manual was recently revised and approved by the Board. The amendment solidifies the Bank's commitment to formalize and institutionalize the principles of good corporate governance in the entire organization and strengthened the oversight function of the Board of Directors.

The Board of Directors, management, employees and shareholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management. Thus, it has, within the bounds of its resources, implemented all planned action to create a heightened and continuing awareness on good corporate governance within the organization.

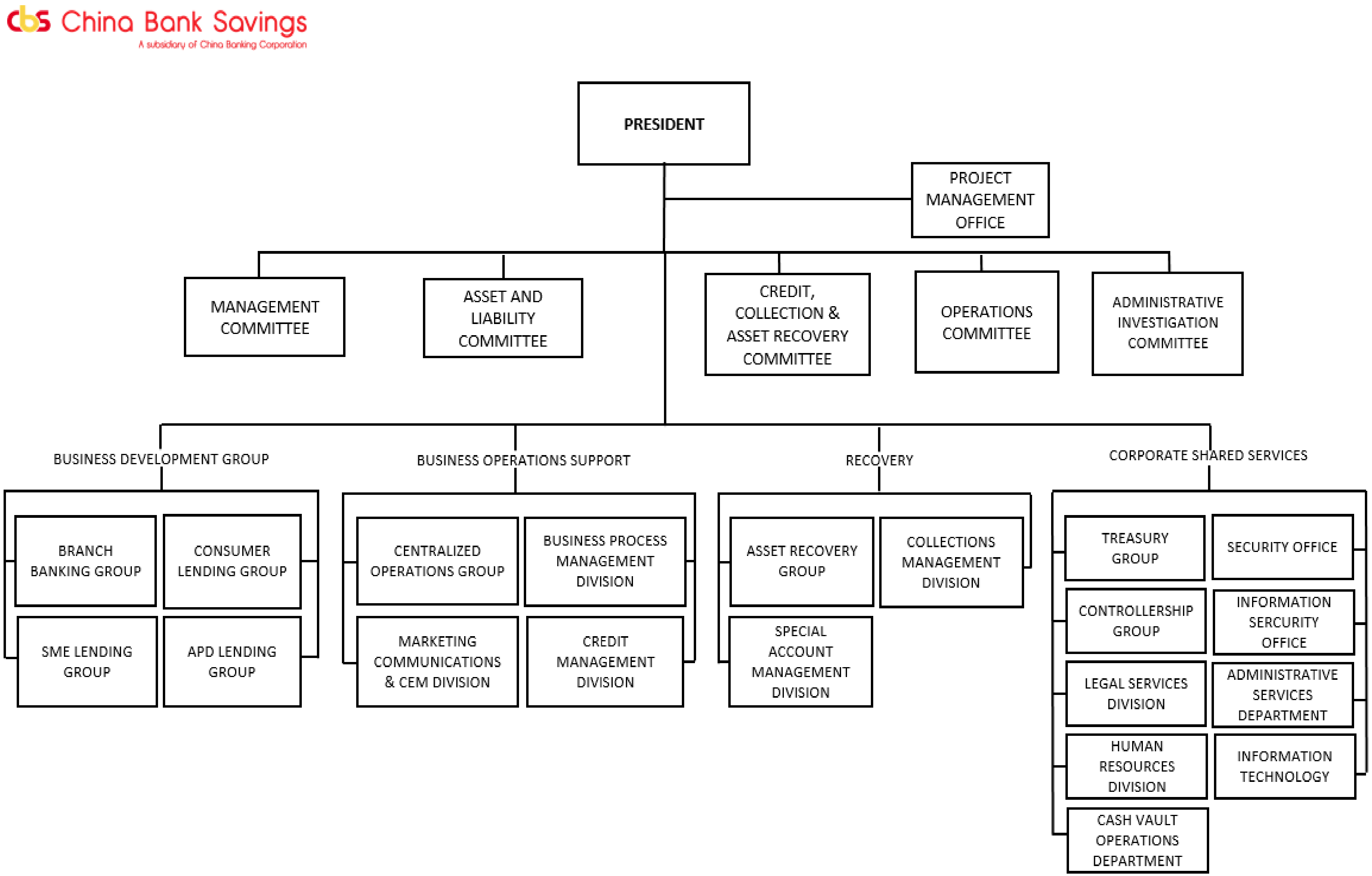
To ensure good governance, there is an evaluation system for the Board, individual Directors and various Board Committees such as Executive Committee, Risk Oversight Committee, Audit Committee and Corporate Governance Committee.

The Annual Corporate Governance Report (ACGR), which was duly submitted to the SEC, can be found in the Bank's website.

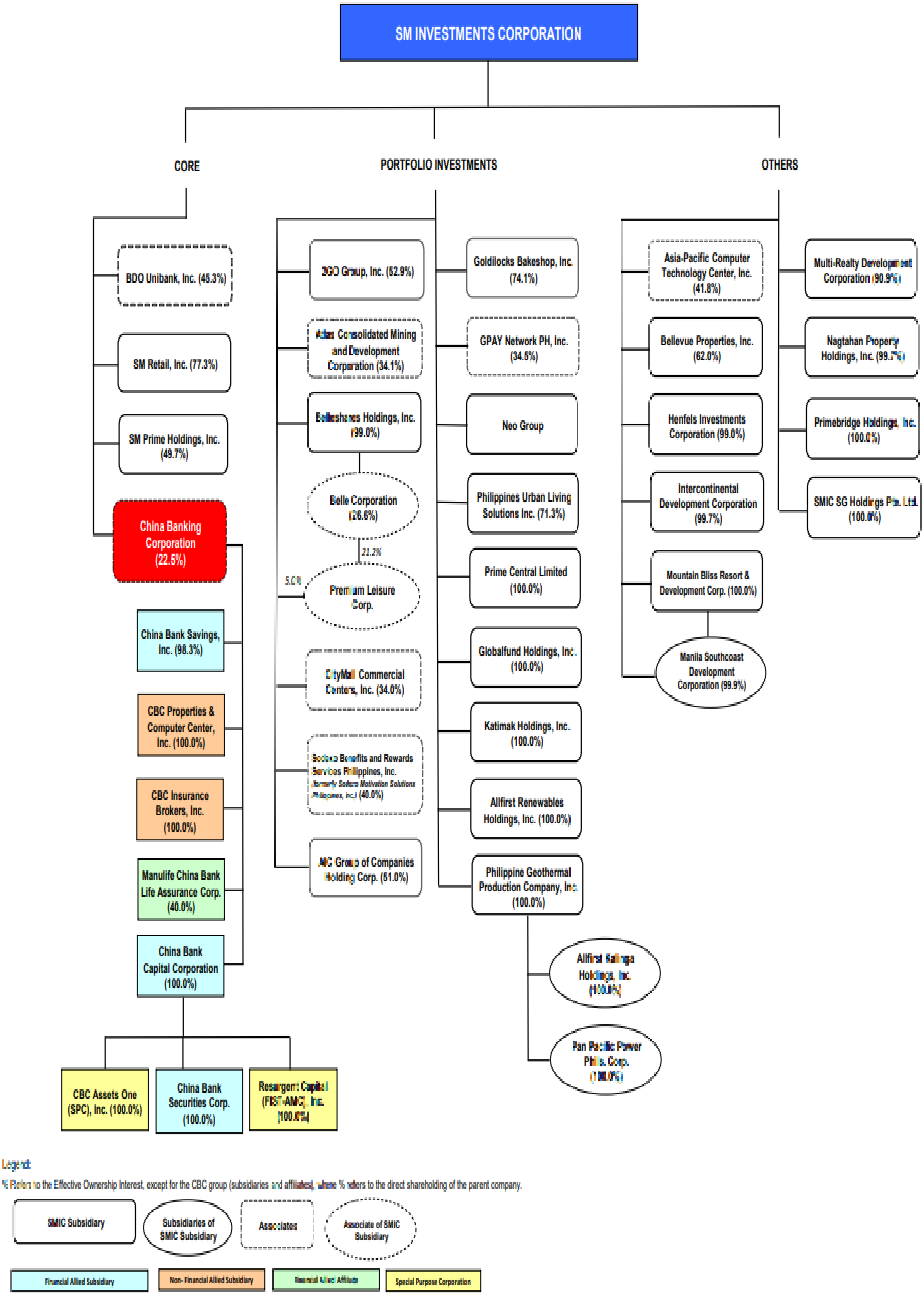
Organizational structure

The Board of Directors being at the core of the Bank's corporate governance structure continues to foster a culture of a proactive Board that is accountable and responsible for the affairs and performance of the Bank supported by dynamic officers and staff in achieving its goal of governance of going beyond best practice compliance.

The Board approved the new table of organization for the year 2022, to wit:



Conglomerate Structure



Board of Directors

The Bank has presently eleven (11) directors out of eleven (11) per By-Laws. In accordance with the Bank's Manual on Corporate Governance aligned with laws, rules and regulations, the members of the Board are selected from a broad pool of qualified candidates after considering, among other things, their integrity, competence, independence, leadership, ability to exercise sound judgment, and experience at policy-making levels involving issues affecting business, government, as well as other areas relevant to the Bank's operations.

Acknowledging the significant and crucial roles of Independent Directors, the Bank has four (4) independent directors in the Board to promote independent oversight of management by the Board of Directors. The Bank's Independent Directors are independent of management and major/substantial shareholders, and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with exercise of independent judgment in carrying out their responsibilities as directors of the Bank.

The members of the Board are given a copy of their general and specific duties and responsibilities as prescribed by the Manual of Regulations for Banks (MORB); the directors acknowledge that they have received and certify that they read and fully understood the same. Copies of the acknowledgement receipt and certification are submitted to the BSP within the prescribed period. Moreover, the Directors individually submit a Sworn Certification that they possess all the qualifications as enumerated in the MORB. These certifications are submitted to the BSP after their election. Additional certifications are executed by Independent Directors to comply with Securities Regulation Code and BSP rules which are then submitted to the SEC.

Board Meetings and Supply of Information

The meetings of the Board are scheduled in advance in accordance with the Bank's By-Laws every third Thursday of each month. Special meetings are held when necessary.

The Directors are expected to prepare for, attend and participate in these meetings, and to act judiciously, in good faith and in the interest of the Bank and its shareholders, thus, they are provided Board materials related to the agenda days in advance of meetings by the Corporate Secretary.

A director may participate via telephone-conferencing when exigencies prevent him from attending a Board meeting in person.

The Board is provided with the information and resources needed to effectively discharge its fiduciary duty. The Board is informed on an ongoing basis of the Bank's performance, major business issues, new developments, and the impact of recent developments in the economic and regulatory environment.

Members of Senior Management are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals tabled to enable the Board to make an informed decision. The meetings of the Board and its committees are recorded in minutes, and all resolutions are documented.

For the period January to December 2022, the Board of Directors had 13 Board meetings and 78 committee meetings. The incumbent directors attended/participated in more than 50% of all the meetings, as follows:

NAME OF DIRECTORS	20 JAN	17 FEB	05 MAR	21 APR	05 MAY	19 MAY	16 JUN	21 JUL	18 AUG	15 SEP	20 OCT	17 NOV	15 DEC	Percentage of Meetings Attended per Director (as applicable)
Ricardo R. Chua	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
Nancy D. Yang	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
James Christian T. Dee	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
William C. Whang	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
Rosemarie C. Gan	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
Patrick D. Cheng	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
Herbert T. Sy, Jr.	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
Margarita L. San Juan	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	100%
Genaro V. Lapez	√	√	√	√	√	x	√	√	√	√	√	√	√	93%
Philip S. L. Tsai	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
Claire Ann T. Yap	√	√	√	√	√	√	√	√	√	√	√	√	√	100%
Antonio S. Espedido Jr.	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	100%

LEGEND:
√ - Present
x – Absent

* Ms. Margarita L. San Juan's term as Independent Director ended on June 16, 2022.
** Mr. Antonio S. Espedido, Jr. was elected on June 16, 2022 Annual Stockholders' Meeting as the new Independent Director.
*** Ms. Rosemarie C. Gan retired as member of the Board of Directors effective December 15, 2022.

Board Committees *(Board Approved on June 16, 2022 and December 15, 2022)*

In order to effectively carry out its mandate of good corporate governance through compliance with laws, rules, regulations and best practices, the Board of the Bank is supported by various committees, as follows:

a. **Executive Committee** when the Board is not in session has the powers of the Board in the management of the business and affairs of the Bank, to the fullest extent permitted under Philippine law.

Executive Committee (ExCom)	
Chairman	William C. Whang
Vice-Chairman	Nancy D. Yang
Member /President	James Christian T. Dee
Member	Jose L. Osmeña, Jr.
Member	Aloysious C. Alday, Jr.

Note: As of December 15, 2022 with the appointment of Mr. Aloysius C. Alday, Jr.

b. **Corporate Governance Committee** is responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines, and oversees the periodic evaluation of the Board and its Committees, as well as of the Executive Management.

Corporate Governance Committee (CGCom)	
Chairman	Antonio S. Espedido Jr., *Independent Director*
Vice-Chairman	Claire Ann T. Yap, *Independent Director*
Member	Genaro V. Lapez, *Independent Director*

c. **Audit Committee** primarily oversees all matters pertaining to audit, including the evaluation of the adequacy and effectiveness of the Bank's internal control system. It likewise provides oversight on the activities of management and the internal and external auditors. The Committee is also empowered to oversee the Bank's external audit functions, financial reporting and policies, by selecting the auditors and approving their fees, reviewing and discussing the scope and plan of annual audit, and reviewing and discussing with management and auditors the annual audited financial statements of the Bank. It also provides oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank, including regular receipts from management of information on risk exposures and risk management activities.

Audit Committee (AuditCom)	
Chairman	Claire Ann T. Yap, *Independent Director*
Vice-Chairman	Philip S.L. Tsai, *Independent Director*
Member	Antonio S. Espedido Jr., *Independent Director*

d. **Risk Oversight Committee** is responsible for the oversight and development of all the Bank' s risk management functions, including the evaluation of the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness.

Risk Oversight Committee (ROC)	
Chairman	Philip S.L. Tsai, *Independent Director*
Vice-Chairman	Antonio S. Espedido, Jr., *Independent Director*
Member	Claire Ann T. Yap, *Independent Director*

e. **Nomination Committee** is responsible for reviewing and evaluating the qualifications of all persons nominated to the Board and other appointments that require Board approval, including promotions favorably endorsed by the Promotions Review Committee. It also has the task of identifying the qualities of the nominees/appointees to the Board aligned with the Bank's strategic directions.

Nomination Committee (NomCom)	
Chairman	Antonio S. Espedido Jr., *Independent Director*
Vice Chairman	Claire Ann T. Yap, *Independent Director*
Member	Genaro V. Lapez, *Independent Director*
Ex-Officio	Maria Rosanna L. Testa
Ex-Officio	Atty. Josephine F. Fernandez

f. Remuneration Committee provides oversight on the remuneration of Senior Management and other key personnel, ensuring that compensation is consistent with the Bank's culture, strategy and control environment.

Remuneration Committee (RemCom)	
Chairman	Genaro V. Lapez, *Independent Director*
Vice Chairman/President	James Christian T. Dee
Member	Philip S.L. Tsai, *Independent Director*
Ex-Officio	Maria Rosanna L. Testa
Ex-Officio	Atty. Josephine F. Fernandez

g. Retirement Committee shall discharge the Board of Directors' responsibilities relating to oversight of the investment of the funds of the Company's retirement benefit plans and the performance of plan trustee and investment fiduciaries.

Retirement Committee (RetCom)	
Chairman	William C. Whang
Vice Chairman/President	James Christian T. Dee
Member	Genaro V. Lapez, *Independent Director*
Ex-Officio	Maria Rosanna L. Testa
Ex-Officio	Atty. Josephine F. Fernandez

h. Related Party Transaction Committee is responsible for reviewing all material related party transactions to ensure that they are conducted in accordance with the arm's length principles.

Related Party Transaction Committee (RPTCom)	
Chairman	Genaro V. Lapez, *Independent Director*
Vice Chairman/	Philip S. L. Tsai*, Independent Director*
Member	Antonio S. Espedido Jr., *Independent Director*

For the period January to December 2022, the incumbent directors and executive officer attended/participated in more than 50% of all the committee meetings, as follows:

NAME OF MEMBERS	EXCOM	CG COM	AUDIT COM	ROC	NOM COM	RET COM	RPT COM	REM COM
No. of Meetings	**26**	**13**	**6**	**6**	**14**	**1**	**11**	**1**
1. Nancy D. Yang	100%	-	-	-	-	-	-	-
2. James Christian T. Dee	100%	-	-	-	-	100%	-	100%
1. William C. Whang	92%	-	-	-	-	100%	-	-
4. Rosemarie C. Gan	92%	-	-	-	-	-	-	-
5. Margarita L. San Juan*	-	100%	100%	100%	100%	-	100%	-
6. Philip S. L. Tsai*	-	-	100%	100%	-	-	100%	100%
7. Claire Ann T. Yap*	-	100%	100%	100%	100%	-	-	-
8. Genaro V. Lapez*	-	100%	-	-	100%	100%	100%	-
9. Antonio S. Espedido, Jr.*	-	100%	100%	-	100%	-	100%	-
10. Jose L. Osmeña, Jr.**	100%	-	-	-	-	-	-	-

** Independent Director*
*** Appointed as Regular Director in December 15, 2022.*

OTHER MANAGEMENT COMMITTEES *(Board Approved on October 20, 2022)*

MANAGEMENT COMMITTEE

Chairman	President James Christian T. Dee
Vice Chairman	SVP I Jan Nikolai M. Lim, Consumer Lending Group Head
Members	FVP II Luis Bernardo A. Puhawan, Controller
	FVP I Jaydee P. Caparas, Branch Banking Group Head
	FVP I Niel C. Jumawan, APDS Lending Group Head
	FVP I Atty. Josephine F. Fernandez, Human Resources Division Head
	VP I Mary Grace F. Guzman, Asset Recovery Group Head
Resource Person	VP I Raymond C. Apo, Risk Management Division Head
Secretary	AVP Faye Abigail A. Mora, Financial Planning and Regulatory Reporting Division Head

ASSET AND LIABILITY COMMITTEE (ALCO)

Chairman	President James Christian T. Dee
Vice Chairman	VP I Charmaine S. Hao, Treasurer
Members	SVP I Jan Nikolai M. Lim, Consumer Lending Group Head
	FVP II Luis Bernardo A. Puhawan, Controller
	FVP I Jaydee P. Caparas, Branch Banking Group Head
	VP I Raymond C. Apo, Risk Management Division Head
Secretary	Myles P. Sia - Portfolio Officer, Treasury Group

CREDIT, COLLECTIONS, AND ASSET RECOVERY COMMITTEE (CRECOM)

Chairman	President James Christian T. Dee
Vice Chairman	SVP I Jan Nikolai M. Lim, Consumer Lending Group Head
Members	FVP II Luis Bernardo A. Puhawan, Controller
	SAVP Julius Joseph L. Romabiles, SME Credit Division Head
	VP I Mary Grace F. Guzman, Asset Recovery Group Head
Ex-Officio	VP I Christian Hermes M. Bite, Collections Services Division Head
	VP I Atty. Roberto M. Buenaventura, Legal Services Division Head
	VP I Raymond C. Apo, Risk Management Division Head
	FVP I Jaydee P. Caparas, Branch Banking Group Head
Secretary	Jaynee Ann C. Victoria, Credit & Collections Management Group

OPERATIONS COMMITTEE (OPCOM)

Chairman	VP II Sonia B. Ostrea, Centralized Operations Group Head
Vice Chairman	FVP I Adonis C. Yap, Digital Banking Group Head
Members	VP I Frederick M. Pineda, Centralized Operations Group Deputy Head
	AVP Grace Z. Floresca, Consumer Credit Division Head
	AVP Marilou M. De Guzman, Branch Services Operations Management Division Head
Ex-Officio	VP I Raymond C. Apo, Risk Management Division Head
	VP I Atty. Corazon T. Llagas, Chief Compliance Officer
Secretary	Officer from Business Process Management Division, Digital Banking Group

ADMINISTRATIVE INVESTIGATION COMMITTEE (AIC)

Chairman	FVP I Atty. Josephine F. Fernandez, Human Resources Division Head
Vice Chairman	FVP I Atty. Roberto M. Buenaventura, Legal Services Division Head
Members	FVP II Luis Bernardo A. Puhawan, Controller
	FVP I Jaydee P. Caparas, Branch Banking Group Head
	VP I Raymond C. Apo, Risk Management Division Head
Secretary	Human Resources Officer

OTHER COMMITTEES *(Under the Office of the President as Project Management Office Committees)*

ANTI MONEY LAUNDERING COMMITTEE (AMLACOM)

Chairman	VP I Atty. Corazon T. Llagas, Chief Compliance Officer
Vice Chairman	VP I Raymond C. Apo, Risk Management Division Head
Members	VP I Atty. Roberto M. Buenaventura, Legal Services Division Head
	VP I Frederick M. Pineda, Centralized Operations Group Deputy Head
	AVP Marilou M. De Guzman, Branch Services Operations Management Division Head
Secretary	Compliance AML Officer

HUMAN RESOURCES COMMITTEE (HRCOM)

Chairman	FVP I Atty. Josephine F. Fernandez, Human Resources Division Head
Vice Chairman	FVP II Luis Bernardo A. Puhawan, Controller
Members	SVP I Jan Nikolai M. Lim, Consumer Lending Group Head
	FVP I Jaydee P. Caparas, Branch Banking Group Head
	FVP I Niel C. Jumawan, APDS Lending Group Head
Secretary	Human Resources Officer

SERVICE AND QUALITY ASSURANCE COMMITTEE (SQACOM)

Chairman	President James Christian T. Dee
Vice Chairman	VP II Christian Hermes M. Bite, Collections Services Division Head
Members	FVP I Atty. Josephine F. Fernandez, Human Resources Division Head
	VP Frederic M. Pineda, Deputy Head of Centralized Operations Group
	AVP Ma. Theresa A. Santos, Customer Experience Management Department Head
	FVP I Adonis C. Yap, Digital Banking Group Head
	VP I Atty. Corazon T. Llagas, Chief Compliance Officer
Secretary	Lara A. Juanico, Customer Experience Management Department Head

Selection Process for the Board and Senior Management

The nomination committee and/or corporate governance committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the Board of Directors.

The corporate governance committee shall be responsible for ensuring the board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance. The committee chairman shall certify that it conducts a "proper and fit test" on the Bank's directors and Senior Management.

Powers/Responsibilities and Duties of Directors

The duties of care and loyalty are the two key elements of the fiduciary duty of the Board. The duty of care requires the members of the Board to act on a fully informed basis, in good faith, with due diligence and care, while, the duty of loyalty is where the board members should act in the best interest of the Bank and all its stakeholder, such as the depositors, creditors, employees and regulators.

a. Powers of the Board of Directors. The corporate powers of the bank shall be exercised, its business conducted, and all its property shall be controlled and held by the Board of Directors. The powers of the Board of Directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the Bank.

b. General responsibility of the Board of Directors. The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of Senior Management as the latter manages the day-to-day affairs of the institution.

c. Specific duties and responsibilities of the Board of Directors

- To define the Bank's corporate culture and values.
- To approve Bank's objectives and strategies and oversee management's implementation thereof.
- To appoint/select key members of Senior Management and heads of control functions and for the approval of a sound remuneration and other incentive policies for personnel.
- To approve and oversee implementation of the Bank's corporate governance framework.
- To approve the Bank's risk governance framework and oversee management's implementation thereof.
- To approve and oversee the implementation of policies governing major areas of banking operations.
- To consistently conduct the affairs of the institution with a high degree of integrity.
- To constitute committees to increase efficiency and allow deeper focus in specific areas.

Duties and Responsibilities of the Chairperson of the Board of Directors

The duties and responsibilities of the Chairperson include, among others, the following:

a. To provide leadership in the Board of Directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members.

b. To ensure that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process. In relation to this, the chairperson shall guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.

Specific Duties and Responsibilities of a Director

a. To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat Board of Directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.

b. To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions. Directors should avoid situations that would give rise to a conflict of interest. If transactions with the institutions cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

c. To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interest of other stakeholders.

d. To devote time and attention necessary to properly discharge their duties and responsibilities. Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.

e. To act judiciously. Before deciding on any matter brought before the Board of Directors, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

f. To contribute significantly to the decision-making process of the board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.

g. To exercise independent judgment. A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, he should support plans and ideas that he thinks will be beneficial to the institution.

h. To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies. A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.

i. To observe confidentiality. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors.

Board and Committee Performance Evaluation

The Board conducts an annual assessment of its performance and effectiveness as a body, as well as its various committees, and the individual directors through self-assessment. The results thereof are reported to the Board through the Corporate Governance Committee. This exercise covers the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board and board-level committees.

In 2022, there are no significant deviations noted and, in general, the Bank has complied with the provisions and requirements of the MORB and the Bank’s Corporate Governance Manual.

Corporate Governance Manual

The Corporate Governance Manual contains the governance principles and policies that serves as a guide/reference in complying with regulations. The manual formalizes and institutionalizes the principles of good corporate governance in the Bank.

In furtherance of its responsibilities under the Manual and Corporate Governance Charter, the Corporate Governance Committee reviewed and approved the following:

a. Revised Corporate Governance Manual;
b. Amended Corporate Governance Charter; and
c. Updated Board and board-level committees' Self-Assessment Questionnaires.

Compliance Risk Management System

The compliance risk management system is designed to specifically identify and mitigate risks that may erode the franchise value of the Bank such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation, the Bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities.

It is the method by which the Bank manages the compliance process. It consists of rules, policies and procedures which provide assurance for an effective compliance culture in the Bank. The Bank’s compliance system includes compliance policies and procedures which provide the framework for the bank’s compliance processes as source of reference of all stakeholders, the Board of Directors, officers and employees.

Compliance risk management is an integral part of the culture and risk governance framework of the Bank. Compliance is a responsibility and shared accountability of all personnel, officers, and the Board of Directors.

The Compliance System of the Bank was established pursuant to the regulatory mandate of the BSP and SEC. It is carried out through a Board-approved Compliance Program by the Compliance Office, which reports directly to the Corporate Governance Committee. Compliance Office oversees the implementation of the Compliance Program, and is responsible for, among others, (i) identification of all relevant laws and regulations applicable to the activities and business of the Bank, and monitoring and controlling of attendant compliance risks, (ii) creating awareness on all banking laws and regulations among Bank employees with dissemination of all regulatory issuances and regular trainings; (iii) regular compliance testing of all Bank activities and products; and (iv) liaise and dialogue with BSP and other government regulatory agencies.

Bank Compliance Framework

The Bank's Compliance Framework was established to implement a strong compliance system. The Bank employs a triple level approach for observing laws and regulation.

- 1st level - Employee participation (compliance with the relevant regulations)
- 2nd level - Compliance Office (implementation of the compliance program)
- 3rd level - Internal Audit Department (post audit)

The Compliance Office, in particular, has an approved manpower count of 16 members including the CCO, Department Heads for AML Compliance Department, Compliance Testing Department, and Regulatory and Corporate Governance Department including a total of 12 Compliance Officers. Unit Compliance Coordinators are assigned on each unit of the Bank to help the compliance office perform the monitoring and testing functions.

Compliance Program

The compliance program includes an annual plan that should ensure that the bank's compliance system is effectively running and in place, rules and regulations are adhered to, taking into account the risks involved for the protection of its clients, bank's reputation, its employees, business efforts and strategies.

Components of the Compliance Program

1. Review and implementation of specific policies and procedures
2. Compliance risk assessment
3. Compliance testing
4. Educating personnel on compliance matters
5. Monitoring compliance risk exposures
6. Regular reporting to the board and board-level committees

Testing and Reporting

Compliance Office conducts its regular compliance testing in accordance with the approved Compliance Testing Plan. The basis of the Compliance Testing Plan is the result of the latest risk assessment of business units. The risk profile is used as guide of Compliance Office in the prioritization of a unit/branch to be included in the annual Compliance Testing Plan.

All bank compliance issues and concerns, including results of compliance testing and internal audit, BSP examinations results, implementation of internal control policies, and all other issues monitored by the BSP are reported to the CGCOM every other month. The Members of the CGCOM, on the other hand, provide guidance on the effectiveness of all actions taken/to be taken.

Anti-Money Laundering Prevention

The Bank adheres to the Anti-Money Laundering Act and all related and applicable rules, regulations and issuances of the BSP. The Bank commits to protect and preserve the integrity and confidentiality of its customers' accounts and shall not allow them to be used as money laundering site for the proceeds of unlawful activity.

The Bank has in place a board-approved Money Laundering and Terrorist Prevention Program (MTPP) which contains and consolidates all laws and regulations on anti-money laundering, such as, know-your-client (KYC) requirements, monitoring of accounts and transactions, training of all officers and employees on AML laws and regulations and other relevant information. The MTPP manual is updated on an annual basis using the most recent updates on the applicable rules, regulations and issuances of the BSP.

Dissemination of laws and regulations is regularly made to all officers and employees of the Bank to equip them with necessary knowledge and information to combat money laundering activities. AML trainings are regularly given during orientation sessions of new employees and refresher courses are regularly conducted.

Conflict of Interest

Conflict between the interest of the Bank, of the employees and related parties should be avoided at all times. In cases of conflict, the interest of the Bank should prevail. Our Directors, Officers, Stockholders and related parties are not allowed to have direct or indirect financial interests that conflict or appear to conflict with their duties and responsibilities as employees of the Bank.

In this regard, the Directors and/or Officers concerned shall disclose any direct, indirect or on behalf of third parties, a financial interest in the transaction or matter affecting the Bank.

Directors and/or officers with personal interest, related or any form of connection which may potentially result to a conflict of interest in the transaction shall abstain from the discussion, deliberation, approval and management of such transaction or matter affecting the Bank.

Code of Ethics

CBS is committed to carry out its business operations in accordance with the highest standards of ethics. The Bank, as a whole, together with the members of the Board of Directors, stakeholders, and all employees are dedicated in ensuring that they abide by the acceptable rules and regulations which dictate its operations.

The Code of Ethics is founded on basic standards and ethical business and personal conduct, including honesty and candor in all activities, avoidance of activities and transactions that could result or potentially result in conflicts between personal and the Bank’s interest, maintenance of the Bank’s reputation, avoidance of personal gain at the expense of the institution, and conduct contrary to ethical business practices. The Code also embodies policies that will prevent fraud, or the use of the facilities of the Bank in the furtherance of any unlawful or immoral pursuit. In all activities and decisions, one must consider the ethics or propriety of every situation, full transparency and be beyond reproach.

Related Party Transactions

The Bank recognizes that transactions between and among related parties may create financial, commercial and economic benefits to individuals, institutions and to the entire group where the Bank belongs.

In this regard, as required by existing regulations for related party transaction (RPT), the Bank, its Board, management, all officers and staff ensure that RPTs are done on an arm's length basis and that the appropriate oversight and implementation of an effective control system for the management of exposures are in place.

Therefore, the Bank's Board of Directors, management, officers and staff are mandated to comply with the board-approved policies in the RPT Framework (RPT Framework or Framework) and shall not allow RPTs that may lead to abuses or may cause disadvantages to the Bank, its depositors, creditors, fiduciary clients, and other stakeholders.

The RPT Framework was approved by the Board on July 21, 2016. The Framework is supported by an implementing policy guideline which was approved by the Board on January 17, 2019. The RPT policy guidelines was revised to incorporate latest regulatory updates which was approved by the Corporate Governance Committee on October 20, 2022 and ratified by the Board on November 17, 2022.

Overarching Policies and Procedures for Managing Related Party Transactions

The Bank's Policy on Related Party Transactions applies to all covered RPT of the Bank, regardless of the amount, and the Bank has set specific procedures and guidelines in managing the Bank's RPTs.

Related Party Transactions are transactions or dealings with related parties of the Bank, regardless of whether or not a price is charged. These include, but not limited to the following:

a. On-and-off balance sheet credit exposures and claims and write-offs;
b. Investment and/ or subscription for debt/ equity issuances;
c. Consulting, professional, agency and other service arrangements/ contracts;
d. Purchase and sales of assets, including transfer of technology an intangible items;
e. Construction arrangements/ contracts;
f. Lease arrangements/ contracts;
g. Trading and derivative transactions;
h. Borrowings, commitments, fund transfer and guarantees;
i. Sale, purchase or supply of any goods or materials; and
j. Establishment of joint venture entities

RPTs shall be conducted at an arm's length terms to ensure that the transaction is conducted in the regular course of business; and not undertaken on more favourable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement, etc.) to such related parties covering similar transactions with non-related parties under similar circumstances.

The concept of arm's length terms is to ensure that both parties in the transaction are acting in their own self-interest and are not subject to any pressure from the other. It ensures that parties to transaction are on equal footing. It is used specifically in the contract law to make an equitable agreement which stands up to legal scrutiny, even though parties may be closely related or may have shared interest.

In this regard, to ensure that transactions are engaged into at terms that promote the best interest of the Bank and its stakeholders, an effective Price Discovery Mechanism should be implemented.

Related Party Transaction Committee

The committee is responsible for the following, among others:

1. Evaluating on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified.
2. Evaluating all material RPTs
3. Ensuring that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposure, and policies on conflicts of interest or potential conflicts of interest.
4. Reporting to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
5. Ensuring that transactions with Related Parties, including write-off of exposures, are subject to periodic independent review or audit process; and
6. Overseeing the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Materiality Threshold

The business units (BUs) shall identify if transactions are classified as material RPTs based on the following criteria:

- If the parties and relationship of parties involved in the transaction are classified as RPs, as defined in the policy; and
- If the amount of transaction is equal or higher than the materiality threshold set by the Bank.

The materiality threshold shall be retained unless the responsible units send a change request. An email shall be sent by the BU Head to Compliance Office on the change of materiality threshold stating the proposed/recommended threshold and justification for changing the same.

A. Approval Requirements of Material RPTs

   All material RPTs shall be endorsed to the RPT Committee using the prescribed forms and approved by the Board of Directors.

   All board-approved material RPT shall be ratified by the Stockholders (by majority vote) during the Annual Stockholders' Meeting.

B. Approval Requirements of Non-material RPTs

   All non-material RPTs shall follow the existing approval requirements of the respective business unit transactions.

C. For credit transactions to DOSRI, approval by the Board of Directors shall be required.

Health and Safety

The Bank strives to provide employees and officers with a safe and healthy work environment. The Bank has established the Corporate Safety and Health Committee with the following objectives:

a) Plan, develop and implement policies and programs on employee safety and health;
b) Monitor and look into all aspects of work pertaining to general safety and health programs of all employees of the Bank following the environmental, safety and health rules and practices; and
c) Ensure that employees are protected against injuries, illness and death.

At the onset of the Covid-19 pandemic, the Bank formed the CBS Medical Team to help establish and implement health and safety protocols as well as monitor the infected employees, conduct contact tracing and facilitate the testing, vaccination and other preventive measures. The Bank also attended to the immediate needs of its employees by providing Covid Care Kits containing alcohol, face masks, medicines and vitamins, financial assistance to those infected by Covid-19 and shuttle services for employees due to limited transportation brought about by the lockdowns and other government restrictions.

Performance Assessment Program

The Bank has a Performance Management System (PMS), a vital tool for aligning individual performance with the Bank's strategic direction and operational business plans. It is an integrated process by which the organization involves its employees in improving organizational effectiveness towards the accomplishment of its mission and strategic goals.

Orientation and Education Program

The Bank has a CBS Academy that serves as the central facility for training and development of the Bank's professionals in line with the Easy Banking for You service promise of the Bank. CBS Academy boasts a full-scale mock-up CBS branch, a lecture hall and several conference rooms.

The opening of the CBS Academy boosted the efforts of the Bank's Human Resources Division in delivering a high level of professional training and banking skills to help each one of them optimize his/ her full potential. It is imperative that such a dedicated facility is available to bring everyone under one roof to deliver greater efficiency and to meet the competency, training and developmental needs of the Bank's employees at all levels that will help them grow and contribute within the Bank's overall framework.

With the continuing and growing footprint of CBS in the banking industry, the CBS Academy plays a very central and crucial role. In today's dynamic environment, it is essential that the Bank continues to keep abreast of the latest trends and developments in the financial services world. CBS owes it to its customers, who put their trust in the Bank. Knowledge, skills and attitude assimilation is a very important aspect of ensuring the continuing competitiveness of any financial institution. The Bank looks upon its people as one of its key stakeholders, and investing in their personal development is integral to the Bank's corporate responsibility.

CBS Academy is committed to systematically improve the competency and quality of our workforce by providing a meaningful and value-added certification programs – whether for personal or professional development. These certification programs include Certification on Banking Fundamentals, Certification on Revenue Generation, Certification on Branch Banking, Certification on Support and Operations, and Certification on Credit and Collections. This strength should be then be translated into results which will lead to improved employee productivity and increased revenues. In addition to expanding their knowledge base and skills, these certification programs enable its workforce to enhance their career development prospects. It is of great importance though that the Bank ensures that the Training Academy remains current and relevant. The Bank will ensure that they are perfectly aligned to the Bank's strategy and business needs, as well as in synch with emerging regulatory requirements.

Retirement and Succession Policy

The Bank believes that excellent leadership talent positively contributes to the overall organizational performance. The Bank implements and maintains a Succession Planning and Management Program that ensures the availability of qualified officers for key positions for the entire life of the organization.

a. Board of Directors – any vacancy, expect those caused by removal by the stockholders or by expiration of term, may be filled by election or appointment by the remaining Directors, if still constituting a quorum. If there is no quorum, the vacancy must be filled by the stockholders owning and/or representing majority of the subscribed capital stock at a special meeting duly called for the purpose.

b. Chairman of the Board – vacancy will be temporarily filled up by the Vice Chairman, until such time the Board of Directors elects a successor who will hold office for the unexpired term. In the absence or inability of both the Chairman and the Vice Chairman, the President shall preside the meeting of the Board in order not to hold up important matters requiring the action of the Board, and in which case the decision on all matters to be considered must be unanimous.

c. Vice Chairman – it will be filled by a successor in the same manner the position of Chairman is filled. The successor will serve and hold office for the unexpired term.

d. President/Chief Executive Officer – will be temporarily filled by the next most ranking officer, who will act as Officer-in-Charge until such time that the Board of Directors, by majority vote, elects a successor who will hold office for the unexpired term.

e. Corporate Secretary – the Assistant Corporate Secretary, if any, or if none, the Chief Legal Counsel, will temporarily assume the position until such time the Board of Directors appoints a successor.

f. Treasurer – will be temporarily filled by the next ranking officer, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

g. Internal Auditor – will be temporarily filled by the Assistant Auditor or the next most senior ranking officer in the Internal Audit Department, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

h. Operations Group Head – will be temporarily filled by the next most senior ranking officer in the Group, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

i. Risk Officer - will be temporarily filled by the next most senior ranking officer in the Risk Management Division, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

j. Compliance Officer - will be temporarily filled by the Assistant Compliance Officer or the next most senior ranking officer, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

k. Chief Legal Counsel - will be temporarily filled by the next most senior ranking Legal Officer, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

l. Other Group/Division Heads - will be temporarily filled by the next most senior ranking officer, who will act as Officer-in-Charge, until such time the Board of Directors appoints a successor.

Remuneration Policy

The Bank grants annual salary increases to its officers in accordance with its Pay for Performance policy. The increases are given in the form of merit increases which vary depending on the officers' performance rating and corporate rank for the given year. On top of the regular bonuses, CBS officers are entitled to a performance bonus based on their previous year's performance rating. On a continuing and regular basis, the Bank, through its Senior Management evaluates recommendations of various Division/Department Heads for the promotion of their subordinate officers to the following corporate rank. Those whose promotions are approved are given promotion increase in addition to the change in their fringe benefits package.

Dividend Policy

In accordance with the Amended By-Laws of the Bank, dividends shall be declared and paid out of surplus and/or net profits of the Bank, after allocating the percentage of the net profits, as often and such time as the Board of Directors may determine and in accordance with the provisions of law and the regulations of the BSP. There were no dividends declared in 2022 and 2021.

Consumer Welfare Protection

The Board of Directors is ultimately responsible in ensuring that consumer protection practices are embedded in the Bank's operations. The Bank adheres to the highest standards and embrace a culture of fair and responsible dealings in the conduct of its business.

The Board and Senior Management are responsible for the Bank's protection strategy and establishing an effective oversight function over the Bank's consumer protection programs. The Board is primarily responsible for approving and overseeing the implementation of the consumer protection policies of the Bank.

The Bank subscribes to the perspective that creating a positive customer experience and performing excellent customer service mean managing customer expectations and delivering what is promised, in a manner that manifests its mission that is: "We understand the needs of our customers, thus, we provide value-enhancing, customer-driven solutions through their preferred channels" and one of its core values on Customer Service Focus: "We value our relationships with all our stakeholders."

The Bank undertakes to manage customer expectations and resolve complaints within the bounds of pertinent policies and guidelines. It endeavors to institute appropriate actions to continuously improve or minimize, if not, prevent the incidence and/or recurrence of complaints.

The Consumer Protection Risk Management System (CPRMS) is a means by which the Bank identifies, measures, monitors and controls consumer protection risks inherent in its operations. These include both risks to the financial consumers and the Bank.

Independent of the compliance function, the Audit Division reviews the Bank's consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. The Bank's internal audit of the different business units/functions includes the Consumer Protection Audit Program.

The Human Resources Division and respective business units ensure that all relevant personnel specifically those whose roles and responsibilities have customer interface, receive specific and comprehensive training that reinforces and helps implement written policies and procedures on consumer protection. The training program should be able to address changes in consumer protection laws, rules and regulations and policies and procedures should be provided in a timely manner.

The Bank increased its awareness and adherence to the Consumer Act of the Philippines and such other regulations promoting consumer protection. As part of its intensified drive for a positive customer experience and excellent customer service, the ServCom meets on a weekly basis not only to address complaints but to dynamically reposition the Bank to meet customer expectation.

Conformably with BSP Circular No. 857, in relation to consumer protection, the Bank continues to track the significant statistics on customer concerns.

Corporate Social Responsibility Initiatives

Being a socially responsible corporate citizen is a requisite for operating a sustainable corporation. The focus of CBS' CSR efforts continued to be in community investment and engagement in programs in public education and social development. The Bank supports a wide range of noteworthy projects for the underprivileged sector, provide educational assistance to promising children, undertake charitable fundraising, and encourage employee volunteerism in its efforts to give back to society.

Brigada Eskwela - CBS supports clean, safe, learner-friendly school facilities and improving the quality of public education in the country. The Bank is a regular participant of Brigada Eskwela, the annual campaign of the Department of Education to mobilize parents, students, faculty and private sector stakeholders to clean, refurbish and rehabilitate pubic elementary and high school campuses and facilities before the start of each school year.

CBS committed in collaborating with DepEd by upscaling ongoing programs and projects of the Bank to improve the learning system and achieve MATATAG goals. The Bank will continue to support teachers to fast track their career progression through professional development programs like Project Gurong Matatag.

The **“MATATAG’** program hopes to resolve basic education challenges, namely:
MA – Make the curriculum relevant to produce job-ready, active and responsible citizens;
TA – Take steps to accelerate delivery of basic education facilities and services;
TA – Take good care of learners by promoting learner well-being, inclusive education, and a positive learning environment
G – Give support to teachers to teach better

In 2022, CBS distributed school supplies, bags, lunch kits, meal packs and donated cleaning materials. This response mobilized employees to provide volunteer labor, deliver construction materials and cleaning supplies, and distribute snacks and refreshments in 398 campuses nationwide.

Gadget Assistance Program – CBS continues to respond to the Department of Education’s call for private sector support in filling resource gaps in public education. The Bank sponsored Gadget Assistance Program, part of the Bank’s nationwide Build & Rise Initiative, turned over brand new digital devices to the Department of Education Divisions in 16 regions. This response contributed to DepEd’s call for greater private sector participation in ensuring safe, uninterrupted education for learners during the pandemic.

National Teachers Day – CBS delivered prizes and giveaways for more than 5,000 beneficiaries composed of the Department of Education teachers and staff attending National Teachers’ Month and World Teachers Day celebrated in Bangued, Abra. The Bank officers and staff led by CBS President James Christian T. Dee and CBS APDS Lending Group Head Niel C. Jumawan presented the donation to the DepEd Undersectary Atty. Gerard Chan and Education officials.

CBS is committed to closer private sector-DepEd cooperation, in line with our nationwide CBS Build & Rise Initiative that envisions and aspires to help Build and Raise a nation that enjoys common prosperity; a country where Filipinos can all pursue lives that are strongly-rooted, comfortable, and secure. Among the anchors of the CBS Build & Rise Initiative is financial inclusion. CBS is presently expanding its network of kiosk-type branches to meet the growing demand for personal finance of teachers and employees of the Department of Education, especially in the countryside.

The following are the APDS Partnership Activities Summary for 2022:

BRIGADA ESKWELA	
Region	**Number of School Beneficiaries**
NCR	4
CAR	51
1	30
2	34
3	53
4	52
5	25
6	25
7	19
8	12
9	5
10	24
11	18
12	16
13	4
NIR	26
TOTAL:	**398**

JOURNEY TOWARDS SUSTAINABILITY

CBS provides financial products and services to entry-level customers, the broad consumer market and the strategic Small and Medium Enterprise (SME) sector. In line with its mission to promote financial inclusion and uplift the quality of life in the communities it serves, CBS is in the process of adopting sustainability principles and policies to guide its business operations, risk management and decision-making process.

CBS is committed to sustainability and to creating positive economic, social, and environmental outcomes. Sustainability is an institutional commitment at CBS, regarded as fundamental to sound business practices and good corporate citizenship. CBS recognizes that the continued growth of business is interconnected with the fulfillment of broader development goals, including environmental and social sustainability. And as investors and customers become more aware of the world's environmental and social challenges, the Bank sharpens its focus not only on delivering strong financial performance, but also in making a positive social and environmental impact.

The Bank is currently developing its Sustainable Finance Framework, aligning it with BSP's Circular No. 1085, and the Parent Bank's standards and principles to define the strategies in the Bank's continuing journey towards sustainability.

In compliance with BSP Circular No. 1085, the Bank documented its transition plan which was subsequently approved by the Board of Directors on October 21, 2021. The sustainability principles were embedded in the Corporate Governance Manual; and the sustainable finance roles were incorporated in the respective charters of the Corporate Governance Committee, Audit Committee, and Risk Oversight Committee.

Board Statement

The Board and Management of CBS including its Parent Bank (China Bank), are committed to fully comply with all the material requirements of the Sustainable Finance Framework (BSP Circular No. 1085) of the Bangko Sentral ng Pilipinas (BSP). The Board recognizes its obligation to perform well in order to fulfil broader development goals. The practice of good corporate citizenship means social responsibility and environmental sustainability will be woven into the pursuit of growth and profitability in CBS.

Sustainability Framework

To contribute to a more inclusive banking landscape for customers, generate shareholder value, and protect stakeholders, CBS adopted the Global Reporting Initiative (GRI) Framework of its Parent Bank.

GRI is an appropriate, sustainable and comprehensive reporting model, which embraces the economic, environmental, social and governance (EESG) concerns of CBS. Sustainability reporting allows the Bank to identify, better understand, and effectively manage and assess sustainability risks and opportunities for the future.

Sustainability Strategy

The Bank's Sustainability Strategy is to support its vision and mission through responsible Value Creation activities that Contribute to the environment and society, while being Resilient.

In doing so, the Bank operates under conditions that are Viable to the company and the community. The Bank will ensure that its contributions are Equitable to the environment and society, and that risks are Manageable. It shall be governed by its Corporate Governance and Risk Management framework.

The Approach

Recognizing CBS' vital role in advancing sustainable development—not just by being responsible in managing the impact of its operations, but also in making responsible decisions in lending, investing, and the services it offers—the Bank has been progressively integrating sustainability principles on three fronts: through value creation, through its contribution, and by being resilient.

PART V. EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS

(a) Exhibits

Exhibit 1 Statement of Management's Responsibility for Financial Statements
Exhibit 2 Audited Financial Statements as of December 31, 2022 and 2021
Exhibit 3 Supplementary Schedules
a Independent Auditors' Report on Supplementary Schedules
b Schedules Required under Securities Regulation Code Rule 68

(b) Reports on SEC Form 17-C

	REPORT	DATE REPORTED
1	**Board Meeting – March 17, 2022** I. Approval of the 2021 Audited Financial Statements II. Approval of the Revision of the Audit Committee Charter III. Ratification of ExCom Resolution No. 05-02.24.2022-04	March 22, 2022
2	**Board Meeting – April 21, 2022** I. Setting of the 2022 Annual Stockholders' Meeting on June 16, 2022	April 21, 2022
3	**Stockholders' and Board Meetings – June 16, 2022** I. Approval of the 2021 Annual Report II. Approval of the 2021 Audited Financial Statements III. Ratification of all acts and proceedings of the Board of Directors, Executive Committee, and other Board and Management levels committees for the year 2021, including Related Party Transactions (RPTs) Reports. IV. Re-election of the following to the Board of Directors: 1. Ricardo R. Chua 2. Nancy D. Yang 3. James Christian T. Dee 4. William C. Whang 5. Rosemarie C. Gan 6. Patrick D. Cheng 7. Herbert T. Sy, Jr.	June 17, 2022

<table>
<tr><th></th><th>REPORT</th><th>DATE REPORTED</th></tr>
<tr><td></td><td>8. Philip S. L. Tsai, Independent Director
9. Claire Ann T. Yap, Independent Director
10. Genaro V. Lapez, Independent Director
11. Antonio S. Espedido, Jr.

V. Appointment of SGV as the external auditor</td><td></td></tr>
<tr><td>4</td><td>Board Organizational Meeting – June 16, 2022

I. Appointment/Re-appointment of the Members of the Board in the Board-level Committees for the ensuing year 2022-2023

II. Election/Appointment of China Bank Savings Management-level Committees and Compositions effective June 16, 2022.

III. Election/Appointment of the following key officers of the bank for the year 2022-2023

Chairman of the Board – Mr. Ricardo R. Chua
Vice- Chairman of the Board – Ms. Nancy D. Yang
President – Mr. James Christian T. Dee
Senior Vice President – Mr. Jan Nikolai M. Lim
Controller – Mr. Luis Bernardo A. Puhawan
Treasurer – Ms. Charmaine S. Hao
Chief Compliance Officer – Atty. Corazon T. Llagas
Corporate Secretary – Atty. Arturo Jose M. Constantino III

IV. Re-appointment of all CBS Officers – AM and up, including interlocked and seconded CBC employees from June 16, 2022 until the next organization meeting in 2022</td><td>June 21, 2022</td></tr>
<tr><td>5</td><td>Board Meeting – October 20, 2022

I. Approval of Updated Management Level Committee Memberships effective October 20, 2022

II. Ratification of Resolution No. EC No. 20-10.13.2022-05 Approving the Appointment of SAVP Brenda S. Santiago as Head of SME Lending Group, effective upon approval of the Board.</td><td>October 24, 2022</td></tr>
<tr><td>6</td><td>Board Meeting – November 17, 2022

I. Officer's Resignation – October 16, 2022 to November 16, 2022 approving the resignation of Officers for the period stated which includes the resignation of the SME Lending Group Head, VPI Marjorie T. Esplana effective 1 November 2022.</td><td>November 21, 2022</td></tr>
</table>

	REPORT	DATE REPORTED
7	**Board Meeting – December 15, 2022** I. Retirement of Ms. Rosemarie C. Gan as Director of China Bank Savings, Inc. effective 15 December 2022 II. Appointment of Mr. Jose L. Osmeña, Jr. as Regular Director of China Bank Savings, Inc, effective 15 December 2022 III. Appointment of Mr. Aloysius C. Alday, Jr., as Member of the Executive Committee of China Bank Savings, Inc., effective 15 December 2022 IV. Approval of Officers' Resignation for the period covering 16 November 2022 to 1 January 2023 which include the resignation of the following Senior Officers: 1. Ms. Maria Theresa E. Santos, AVP/ Department Head, Customer Experience Management and Marketing Services Department, effective December 1, 2022 ; and 2. Mr. Christian Hermes M. Bite, VP, Collection Services Division Head, Credit and Collections Management Group, effective January 1, 2023.	December 19, 2022

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned in the City of Makati on this __ day MAR 3 1 2023 3.

CHINA BANK SAVINGS, INC.

By:

JAMES CHRISTIAN T. DEE
President

CHARMAINE S. HAO
Vice President I and Treasurer

LUIS BERNARDO A. PUHAWAN
First Vice President II and Controller

Atty. ARTURO JOSE M. CONSTATINO III
Assistant Vice President and Corporate Secretary

SUBSCRIBED AND SWORN to before me this __ day of MAR 3 1 2023 2023 at Makati City, affiants exhibited to me their government issued identification cards, as follows:

NAME	NUMBER
James Christian T. Dee	SSS No. 33-49988673
Charmaine S. Hao	P6588111A
Luis Bernardo A. Puhawan	Unified Multi-Purpose ID No. CRN-0033-4600510-6
Arturo Jose M. Constantino III	Passport ID No. P1283873B

Doc. No. 18 ;
Page No. 17 ;
Book No. 127 ;
Series of 2023.

FELIPE I. ILEDAN JR.
Notary Public for and in Makati City
Until Dec. 31, 2024, Appt. No. M-003
Roll No.27625, TIN 136897808
Rm. 412,4th Flr. VGP Center, Ayala, Makati City
2023 PTR No. MLA 0661144, 01/03/2023
IBP No. 119431, 06/17/2020
MCLE Compliance No. V1-0012066

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **CHINA BANK SAVINGS, INC.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2022, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company'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 or members.

SyCip Gorres Velayo & Co. (SGV & Co.), the independent auditor appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

RICARDO R. CHUA
Chairman of the Board

JAMES CHRISTIAN T. DEE
President

CHARMAINE S. HAO
Vice President I and
Treasurer

LUIS BERNARDO A. PUHAWAN
First Vice President II and
Controller

MAKATI CITY

SUBSCRIBED AND SWORN to before me this MAR 3 1 2023 day of ________ 2023 affiant(s) exhibiting to me their government-issued identification cards, as follows:

NAME	NUMBER
Ricardo R. Chua	SSS No. 03-2416389-8
James Christian T. Dee	SSS No. 33-49988673
Charmaine S. Hao	P6588111A
Luis Bernardo A. Puhawan	Unified Multi-Purpose ID No. CRN-0033-4600510-6

Doc. No. 71;
Page No. 17;
Book No. 121;
Series of 2023.

FELIPE I. ILEDAN JR.
Notary Public for and in Makati City
Until Dec. 31, 2024, Appt. No. M-003
Roll No.27625, TIN 136897808
Rm. 412,4th Flr. VGP Center, Ayala, Makati City
2023 PTR No. MLA 0861144, 01/03/2023
IBP No. 119431, 06/17/2020
MCLE Compliance No. VI-0012066

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY STAMPED "RECEIVED."

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	1	6	9	6	2

COMPANY NAME

CHINA BANK SAVINGS, INC.

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

CBS BUILDING, 314 SEN. GIL PUYAT AVENUE, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
cbs@chinabank.ph	8367-8341	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,545	3rd Thursday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Luis Bernardo A. Puhawan	lbapuhawan.cbs@chinabank.ph	8988-9555	N/A

CONTACT PERSON's ADDRESS

CBS Building, 314 Sen. Gil Puyat Avenue, Makati 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*

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING DIVISION
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SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
China Bank Savings, Inc.
CBS Building, 314 Sen. Gil Puyat Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of China Bank Savings, Inc. (the Bank), a subsidiary of China Banking Corporation, which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A 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 financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Building a better working world

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 30 and Revenue Regulations 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of China Bank Savings, Inc. 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.

SYCIP GORRES VELAYO & CO.

Redgienald G. Radam

Redgienald G. Radam
Partner
CPA Certificate No. 118866
Tax Identification No. 249-000-259
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118866-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. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024
PTR No. 9564682, January 3, 2023, Makati City

March 16, 2023

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING & QUALITY ASSURANCE DIVISION
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CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash and Cash Equivalents (Notes 6 and 23)	**₱20,615,819,887**	₱15,011,773,502
Financial Assets at Fair Value through Other Comprehensive Income (Note 7)	**1,957,702,296**	1,893,635,076
Investment Securities at Amortized Cost (Note 7)	**5,897,415,630**	5,297,944,720
Loans and Receivables (Note 8)	**87,710,830,245**	65,376,612,619
Non-current Assets Held for Sale (Note 9)	**166,771,807**	252,798,022
Property and Equipment (Note 10)	**1,660,962,436**	1,647,203,494
Investment Properties (Note 11)	**2,164,036,936**	2,338,390,848
Branch Licenses (Note 12)	**74,480,000**	74,480,000
Software Costs (Note 12)	**58,480,170**	35,090,416
Deferred Tax Asset (Note 22)	**1,341,911,234**	1,164,473,203
Other Assets (Notes 13 and 24)	**2,339,012,702**	2,660,077,987
	₱123,987,423,343	₱95,752,479,887
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Notes 15 and 23)		
Demand	**₱24,253,375,850**	₱23,768,918,860
Savings	**22,524,549,072**	20,646,073,006
Time	**61,418,964,928**	37,380,174,149
	108,196,889,850	81,795,166,015
Manager's Checks	**254,559,553**	388,246,464
Accrued Interest and Other Expenses (Note 16)	**642,707,097**	343,030,744
Income Tax Payable	**11,344**	146,099
Other Liabilities (Notes 16 and 24)	**2,078,823,847**	1,896,742,525
	111,172,991,691	84,423,331,847
Equity		
Capital stock (Note 18)	**10,543,579,100**	10,543,579,100
Additional paid-in capital (Note 18)	**485,049,814**	485,049,814
Other equity - stock grants (Note 18)	**17,277,400**	17,277,400
Other equity reserves (Note 27)	**(2,248,520,637)**	(2,248,520,637)
Surplus (Note 18)	**4,035,772,746**	2,458,819,483
Remeasurement gains on retirement benefit (Note 20)	**62,564,193**	66,113,624
Net unrealized losses on financial assets at fair value through other comprehensive income (Note 7)	**(160,439,115)**	(31,783,083)
Cumulative translation adjustment	**79,148,151**	38,612,339
	12,814,431,652	11,329,148,040
	₱123,987,423,343	₱95,752,479,887

See accompanying Notes to Financial Statements.

CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)
STATEMENTS OF INCOME

	Years Ended December 31		
	2022	2021	2020
INTEREST INCOME			
Loans and receivables (Notes 8 and 23)	**₱7,494,313,474**	₱5,955,951,115	₱5,371,098,892
Investment securities (Note 7)	**273,068,574**	242,801,087	252,198,202
Interbank loans receivable and securities purchased under resale agreements (Note 6)	**70,835,452**	29,351,355	73,474,293
Due from Bangko Sentral ng Pilipinas and other banks (Notes 6 and 23)	**266,726,823**	126,186,058	172,715,868
	8,104,944,323	6,354,289,615	5,869,487,255
INTEREST EXPENSE			
Deposit liabilities (Notes 15 and 23)	**1,484,426,834**	841,037,755	1,447,786,542
Lease liabilities (Note 21)	**39,109,419**	43,017,890	49,175,465
	1,523,536,253	884,055,645	1,496,962,007
NET INTEREST INCOME	**6,581,408,070**	5,470,233,970	4,372,525,248
Service charges, fees and commissions	**429,240,918**	471,562,919	193,495,165
Gain on asset exchange - net (Notes 9, 11 and 23)	**376,181,268**	202,952,436	75,905,376
Income from property rentals (Notes 11, 21 and 23)	**49,157,087**	58,804,838	19,283,808
Trading and securities gains - net (Note 7 and 23)	**–**	15,123,373	26,696,960
Miscellaneous (Note 19)	**114,873,080**	85,568,387	74,081,491
TOTAL OPERATING INCOME	**7,550,860,423**	6,304,245,923	4,761,988,048
Provision for impairment and credit losses (Note 14)	**1,507,585,488**	1,246,979,955	905,504,244
Compensation and fringe benefits (Notes 20 and 23)	**1,331,232,664**	1,275,225,169	1,341,048,485
Depreciation and amortization (Notes 10, 11 and 12)	**429,654,413**	435,646,811	453,125,761
Taxes and licenses	**417,738,766**	357,274,981	245,326,535
Security, clerical, messengerial and janitorial	**315,748,912**	252,474,530	224,520,234
Documentary stamp taxes	**306,664,676**	208,543,219	270,887,419
Acquired asset and other litigation expenses	**288,336,187**	200,911,325	119,601,890
Insurance	**261,649,400**	246,850,371	260,729,345
Occupancy costs (Note 21)	**145,333,551**	105,445,275	122,204,001
Transportation and travel	**135,525,399**	102,765,466	100,385,221
Utilities	**108,849,238**	88,991,334	84,248,310
Entertainment, amusement and recreation (Note 22)	**88,557,677**	89,924,769	89,984,965
Data processing and information technology (Note 23)	**64,450,418**	47,259,282	35,945,342
Stationery, supplies and postage	**30,188,618**	32,556,116	23,340,781
Management and other professional fees	**5,063,951**	6,554,546	5,596,519
Miscellaneous (Notes 19)	**391,335,676**	256,863,413	222,161,631
TOTAL OPERATING EXPENSES	**5,827,915,034**	4,954,266,562	4,504,610,683
INCOME BEFORE INCOME TAX	**1,722,945,389**	1,349,979,361	257,377,365
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)	**145,992,126**	363,523,499	(249,002,718)
NET INCOME	**₱1,576,953,263**	₱986,455,862	₱506,380,083

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 04 2023
ERWIN PACINIO

CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱1,576,953,263**	₱986,455,862	₱506,380,083
OTHER COMPREHENSIVE INCOME			
Items that recycle to profit or loss in subsequent periods:			
Changes in fair value of debt financial assets at fair value through other comprehensive income, net of tax (Note 7)	**(133,339,660)**	(38,318,200)	18,917,818
Cumulative translation adjustment	**40,535,812**	9,577,830	(14,073,094)
Items that do not recycle to profit or loss in subsequent periods:			
Changes in fair value of equity financial assets at fair value through other comprehensive income, net of tax (Note 7)	**4,683,628**	2,236,096	(2,054,474)
Remeasurement gains (losses) on retirement asset (liability), net of tax (Note 20)	**(3,549,431)**	66,518,179	46,527,276
	(91,669,651)	40,013,905	49,317,526
TOTAL COMPREHENSIVE INCOME	**₱1,485,283,612**	₱1,026,469,767	₱555,697,609

See accompanying Notes to Financial Statements.

CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Other Equity - Stock Grants (Note 18)	Other Equity Reserves (Note 27)	Surplus (Note 18)	Remeasurement Gains on Retirement Benefit (Note 20)	Net Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income (Note 7)	Cumulative Translation Adjustment	Total Equity
Balances at January 1, 2022	**₱10,543,579,100**	**₱485,049,814**	**₱17,277,400**	**(₱2,248,520,637)**	**₱2,458,819,483**	**₱66,113,624**	**(₱31,783,083)**	**₱38,612,339**	**₱11,329,148,040**
Total comprehensive income (loss) for the year	–	–	–	–	**1,576,953,263**	**(3,549,431)**	**(128,656,032)**	**40,535,812**	**1,485,283,612**
Balances at December 31, 2022	**₱10,543,579,100**	**₱485,049,814**	**₱17,277,400**	**(₱2,248,520,637)**	**₱4,035,772,746**	**₱62,564,193**	**(₱160,439,115)**	**₱79,148,151**	**₱12,814,431,652**
Balances at January 1, 2021	₱10,543,579,100	₱485,049,814	₱18,286,290	(₱2,248,520,637)	₱1,472,363,621	(₱404,555)	₱4,299,021	₱29,034,509	₱10,303,687,163
Total comprehensive income (loss) for the year	–	–	–	–	986,455,862	66,518,179	(36,082,104)	9,577,830	1,026,469,767
Stock grants (Note 18)	–	–	(1,008,890)	–	–	–	–	–	(1,008,890)
Balances at December 31, 2021	₱10,543,579,100	₱485,049,814	₱17,277,400	(₱2,248,520,637)	₱2,458,819,483	₱66,113,624	(₱31,783,083)	₱38,612,339	₱11,329,148,040
Balances at January 1, 2020	₱10,543,579,100	₱485,049,814	₱–	(₱2,248,520,637)	₱965,983,538	(₱46,931,831)	(₱12,564,323)	₱43,107,603	₱9,729,703,264
Total comprehensive income (loss) for the year	–	–	–	–	506,380,083	46,527,276	16,863,344	(14,073,094)	555,697,609
Stock grants (Note 18)	–	–	18,286,290	–	–	–	–	–	18,286,290
Balances at December 31, 2020	₱10,543,579,100	₱485,049,814	₱18,286,290	(₱2,248,520,637)	₱1,472,363,621	(₱404,555)	₱4,299,021	₱29,034,509	₱10,303,687,163

See accompanying Notes to Financial Statements.

CHINA BANK SAVINGS, INC.
(A Subsidiary of China Banking Corporation)
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,722,945,389**	₱1,349,979,361	₱257,377,365
Adjustments for:			
Provision for impairment and credit losses (Note 14)	**1,507,585,488**	1,246,979,955	905,504,244
Depreciation and amortization (Notes 10, 11 and 12)	**429,654,413**	435,646,811	453,125,761
Gain on asset exchange (Notes 9, 11 and 23)	**(376,181,268)**	(202,952,436)	(75,905,376)
Interest on lease liabilities (Note 21)	**39,109,419**	43,017,890	49,175,465
Amortization of premium on investment securities	**36,511,967**	47,999,579	43,544,062
Realized trading gains on financial assets at fair value through other comprehensive income (Note 7)	**–**	(15,123,373)	(26,696,960)
Stock grants (Note 18)	**–**	(1,008,890)	18,286,290
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Loans and receivables	**(24,448,446,068)**	(2,150,499,948)	(1,078,173,616)
Other assets (Note 13)	**80,588,617**	743,557,820	(1,191,294,339)
Increase (decrease) in the amounts of:			
Deposit liabilities	**26,401,723,835**	(3,663,576,643)	(3,742,195,675)
Manager's checks	**(133,686,911)**	(113,887,391)	39,391,450
Accrued interest and other expenses	**299,676,353**	142,960,867	(194,154,593)
Other liabilities (Note 16)	**182,081,322**	(282,654,556)	447,752,865
Net cash generated from (used in) operations	**5,741,562,556**	(2,419,560,954)	(4,094,263,057)
Income tax paid (Note 22)	**(323,634,787)**	(323,273,569)	(158,117,747)
Net cash provided by (used in) operating activities	**5,417,927,769**	(2,742,834,523)	(4,252,380,804)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment securities at amortized cost	**(2,674,609,330)**	(67,900,069)	(2,104,961,524)
Property and equipment (Note 10)	**(388,711,433)**	(194,970,740)	(76,220,684)
Financial assets at fair value through other comprehensive income	**(149,720,981)**	(1,234,574,317)	(1,236,366,324)
Software costs (Note 12)	**(35,863,358)**	(6,507,841)	(10,289,163)
Proceeds from sale/maturity of:			
Investment securities at amortized cost	**2,067,000,000**	199,548,000	561,936,292
Investment properties (Note 11)	**897,932,696**	707,861,301	615,356,498
Non-current assets held for sale (Note 9)	**504,667,774**	712,456,137	373,039,790
Property and equipment (Note 10)	**137,893,929**	14,315,678	9,568,633
Financial assets at fair value through other comprehensive income	**–**	768,751,800	781,605,587
Net cash provided by (used in) investing activities	**358,589,297**	898,979,949	(1,086,330,895)
CASH FLOWS FROM FINANCING ACTIVITY			
Payments of principal portion of lease liabilities (Note 21)	**(233,139,024)**	(235,555,861)	(214,834,299)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**60,668,343**	32,671,151	(60,840,554)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,604,046,385**	(2,046,739,284)	(5,614,386,552)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**15,011,773,502**	17,058,512,786	22,672,899,338
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱20,615,819,887**	₱15,011,773,502	₱17,058,512,786

OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received	**₱8,198,291,816**	₱6,874,027,454	₱4,732,347,952
Interest paid	**1,325,671,162**	905,850,428	1,622,113,895

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

In 2007, China Bank Savings, Inc. (CBS or the Bank) was acquired by China Banking Corporation (CBC or the Parent Bank). Following the change in its majority owners, the Bank continues to operate as a thrift bank. As of December 31, 2022 and 2021, the Bank has 161 and 160 branches, respectively.

The Bank's original Certificate of Incorporation was issued by the Philippine Securities and Exchange Commission (SEC) on May 23, 1960. The Bank reopened to the public on June 26, 1999 as a thrift bank in accordance with the Monetary Board (MB) Resolution No. 512 dated April 21, 1999. On August 20, 2009, the Board of Directors (BOD) approved the amendment of the Bank's Articles of Incorporation to extend its corporate term for another fifty (50) years, from and after May 23, 2010, the end of the original term of the Bank's corporate existence. The amendment to the Articles of Incorporation to extend the Bank's corporate term was subsequently approved by the stockholders of the Bank, who own/represent at least two thirds (2/3) of the outstanding capital stock, at the Annual Stockholders' Meeting held in October 2009. The Amended Articles of Incorporation was approved by the SEC on March 25, 2010. By virtue of Section 11 of Republic Act No. 11232 also known as the "Revised Corporation Code of the Philippines, which took effect on February 23, 2019, the Bank now has perpetual existence.

As of December 31, 2022 and 2021, CBC, the ultimate parent bank, has ownership interest in the Bank of 99.60%.

The registered office address of the Bank is at CBS Building, 314 Sen. Gil Puyat Avenue, Makati City.

2. Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (OCI) that have been measured at fair value and non-current assets held for sale (NCAHS) that have been measured at the lower of their carrying amount and fair value less cost to sell. All values are rounded to the nearest peso unless otherwise stated.

The accompanying financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and the United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso (see accounting policy on foreign currency translation). The financial statements of these units are combined after eliminating inter-unit accounts and transactions.

Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Presentation of Financial Statements
The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17.

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

Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

<u>Consolidation</u>
Consolidated financial statements are prepared for the same reporting year as the parent company's using consistent accounting policies. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full. Subsidiaries are consolidated from the date on which control is transferred to the parent company.

Principles of control are discussed under the accounting policy on investment in subsidiary. The subsidiaries are immaterial to the financial statements; hence the Bank did not prepare the consolidated financial statements.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new accounting pronouncements which became effective as of January 1, 2022. These changes in the accounting policies did not have any significant impact on the financial position or performance of the Bank.

- 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*

Significant Accounting Policies

<u>Common Control Business Combinations</u>
Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Bank accounts for such business combinations using pooling of interests method.

In applying the pooling of interests method, the Bank follows Philippine Interpretations Committee (PIC) Q&A No. 2012-01, *PFRS 3.2 Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity as additional paid-in capital, i.e., either as contribution or distribution of equity.
- An entity has an option for restatement or non-restatement of financial information in the consolidated financial statements for the periods prior to the date of business combination.

In applying the above guidance, the Bank has made the accounting policy choice of:

- Recognizing the assets acquired and liabilities assumed from the absorbed entity based on their respective carrying values as reported in the financial statements of the absorbed entity as of merger date and adjusted to harmonize with the accounting recognition and measurement policies of the Bank.
- Not restating the consolidated financial statements of the Bank for presentation of the merged balances for periods prior to the merger date.
- Recognizing equity reserves of the absorbed entity such as those arising from the remeasurement of financial assets at FVOCI, retirement plan and cumulative translation adjustment, based on amounts reflected in the financial statements of the absorbed entity on merger date.

Foreign Currency Translation
The financial statements are presented in Philippine peso, which is the Bank's functional currency.

Transactions and balances
The books of accounts of the RBU are maintained in Philippine peso, the RBU's functional currency, while those of the FCDU are maintained in United States (US) dollars (USD), the FCDU's functional currency. For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate at the reporting date, and foreign currency-denominated income and expenses, at the exchange rates on transaction dates.

Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU
As at the reporting date, the assets and liabilities of the FCDU are translated into the Bank's presentation currency (the Philippine Peso) at the BAP closing rate at the reporting date, and its income and expenses are translated at the BAP weighted average rate for the year.

Exchange differences arising on translation are taken directly to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon actual remittance or transfer of the FCDU income to RBU, the related exchange difference arising from translation lodged under 'Cumulative translation adjustment' is recognized in the statement of income of the RBU books.

Fair Value Measurement

The Bank measures financial instruments, such as financial assets at FVOCI, at fair value at each reporting date. The fair values of financial instruments measured at amortized cost (or cost) and nonfinancial assets are disclosed in Note 4.

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

If a financial instrument measured at fair value has a bid price and an ask price, the price within bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For purposes of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and fair value hierarchy as explained above.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, and securities purchased under resale agreements (SPURA) that are convertible to known amounts of cash and which have original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value.

Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents wherein withdrawals can be made as allowed by the BSP to meet the Bank's cash requirements.

SPURA

The Bank enters into short-term purchases of securities under resale agreements of identical securities with the BSP. Resale agreements are contracts under which a party purchases securities and resells such securities to the same selling party at a specified future date at a fixed price. The amount of advances made under resale agreements are carried as SPURA in the statement of financial position. SPURA are carried at cost. Interest earned on resale agreements is reported as 'Interest income' in the statement of income.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Bank. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at fair value through profit or loss (FVPL), and in equity for assets classified as financial assets at FVOCI. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference

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

Classification, Reclassification and Impairment of Financial Assets

Classification and measurement

The classification and measurement of financial assets is determined based on the contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the ‘solely payments of principal and interest’ (SPPI) test. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (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 Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

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

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregation 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); and
- the expected frequency, value and timing of sales are also important aspects of the Bank’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 Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but considers such information when assessing newly originated or newly purchased financial assets going forward.

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value. The amortization is included in ‘Interest income’ in the statement of income.

Gains or losses are recognized in the statement of income when these financial assets are derecognized or impaired, as well as through the amortization process. Gains or losses arising from disposals of these instruments are also included in 'Gains (losses) on disposal of financial assets at amortized cost' in the statement of income. The impairment based on expected credit loss is recognized in the statement of income under provision for impairment and credit losses. The effects of revaluation of foreign currency-denominated investments are recognized in the statement of income.

The Bank's financial assets at amortized cost are presented in the statement of financial position as cash and cash equivalents, investment securities at amortized cost, loans and receivables and certain accounts under other assets.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial assets at FVPL
Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Bank has chosen to designate as at FVPL at initial recognition to eliminate or significantly reduce an accounting mismatch, are classified as financial assets at FVPL. Equity investments are classified as financial assets at FVPL, unless the Bank designates an equity investment that is not held for trading as at FVOCI at initial recognition. As of December 31, 2022 and 2021, the Bank does not have financial assets at FVPL.

Financial assets at FVOCI - equity investments
At initial recognition, the Bank 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 Bank for trading purposes. The Bank has designated its unquoted equity investments as at FVOCI as these are not held for trading purposes and are not intended to be sold in the foreseeable future.

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 gains (losses) on financial assets at fair value through other comprehensive income in the statement of financial position.

When the asset is disposed of, the cumulative gain or loss previously recognized in the net unrealized gains (losses) on financial assets at fair value through other comprehensive income is not reclassified to profit or loss, but is reclassified directly to 'Surplus' account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Miscellaneous income' account.

Financial assets at FVOCI - debt investments
The Bank applies the category of debt instruments measured at FVOCI when both of the following conditions are met:
- the contractual terms of the instrument give rise, or specified dates, to cash flows that are SPPI on the principal amount outstanding; and
- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Debt instruments at FVOCI 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 profit or loss in the same manner as for financial assets measured at amortized cost. The 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 profit or loss.

Reclassification
The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets:
(i) from amortized cost to FVPL or FVOCI, if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
(ii) from FVPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristic of the instrument's contractual cash flows are SPPI; and,
(iii) from amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVPL or equity financial assets at FVOCI is not permitted.

A change in business model occurs when the Bank either begins or ceases to perform an activity that is significant to its operations. A change in the objective of the Bank's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Impairment of financial assets
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 (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 result from all possible default events over the expected life of a financial instrument.

For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The 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 credit-impaired financial instruments.

Refer to Note 5 for the Bank's ECL methodology.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

The transfer of risks and rewards is evaluated by comparing the Bank's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The Bank has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer (e.g., because the entity has sold a financial asset subject to an agreement to buy it back at a fixed price or the sole price plus a lender's return).

The Bank has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset (e.g., because the entity has sold a financial asset subject only to an option to buy it back at its fair value at the time of repurchase or has transferred fully proportionate share of the cash flows from a larger financial asset in an agreement).

Whether the Bank has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control.

Modification of financial assets

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

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

- introduction of an equity feature;
- change in counterparty; and
- if the modification results in the asset no longer considered SPPI.

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

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

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).

Write-offs
Financial assets are written off either partially or in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss.

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

Exchange or modification of financial liabilities
The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered 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 liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the

modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

NCAHS
NCAHS include repossessed vehicles acquired in settlement of loans and receivable. The Bank classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

NCAHS are measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized. The criteria for NCAHS classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

If the Bank decides to use an asset as property and equipment, the related asset ceases to qualify as NCAHS and is reclassified to property and equipment.

Upon reclassification, the Bank measures a non-current asset that ceases to be classified as held for sale at the lower of:

- its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent reclassification.

Property and Equipment
Land is stated at cost less any impairment in value while depreciable properties including buildings and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance costs. Leasehold rights and improvements are stated at cost less accumulated amortization, and any impairment in value.

Depreciation and amortization are calculated using the straight-line method over the estimated useful life (EUL) of the depreciable assets as follows:

Condominium properties, buildings and improvements	20 to 40 years
Furniture, fixtures and equipment	2 to 10 years
Leasehold improvements	5 to 10 years or the related lease terms, whichever is shorter

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

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

Investment Properties

Investment properties include real properties acquired in settlement of loans and receivables and investments in real estate.

Real properties acquired in settlement of loans and receivables

Real properties acquired in settlement of loans and receivables are booked under ROPA account as follows:

- upon the date of entry of judgment in case of judicial foreclosure; or
- upon the date of Sheriff's Certificate of Sale in case of extrajudicial foreclosure; or
- upon the date of notarization of the Deed of Dacion in case of dation in payment.

These properties are carried at cost, which is the fair value at acquisition date including certain transaction costs, less accumulated depreciation and impairment in value. Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying values of the cost of the real properties acquired. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, where the net carrying value of the related loans and receivables is used. The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain (loss) on asset exchange' account in the statement of comprehensive income. Subsequent to initial recognition, real properties acquired in settlement of loans and receivables are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is computed on a straight-line basis over the EUL from the time of acquisition of the investment properties but not to exceed 10 years.

Investments in real estate

Investments in real estate consist of investments in land and building. The Bank applies the cost model in accounting for investments in real estate. Investment in land is carried at cost less impairment in value. Building is carried at cost less accumulated depreciation and impairment in value. All costs that are directly attributable to the acquisition and development of property are capitalized, including borrowing costs incurred to finance the property development. Depreciation is computed on a straight-line basis between 20 to 40 years.

Subsequent measurement of investment properties
The EUL of investment properties and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The carrying values of the investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any of such indication exists and where the carrying values exceed the estimated recoverable amount, the investment property or Cash Generating Unit (CGU) it is related to are written down to their recoverable amounts.

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

Transfers are made to investment property 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 property 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 consist of software costs and branch licenses.

Software costs
Costs related to software purchased by the Bank for use in operations are recognized as 'Software costs' in the statement of financial position. Capitalized computer software costs are amortized on a straight-line basis over 3 to 7 years.

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

Impairment is determined by assessing the recoverable amount of the individual asset or CGU (or group of CGUs) to which the intangible asset relates. Recoverable amount is the higher of the individual asset's or CGU's fair value less cost to sell and its value in use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the statement of income under 'Depreciation and amortization' account.

Investment in a Subsidiary and an Associate

Investment in a subsidiary

A subsidiary pertains to an entity over which the Bank has control. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investment in a subsidiary is carried at acquisition cost, less any impairment in value.

This policy relates to the Bank's investment in a 100% owned subsidiary recorded in 'Other equity investments' under 'Other assets'.

Investment in an associate

An associate pertains to an entity over which the Bank has 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 an associate is accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Bank's share of the net assets of the associates. Goodwill, if any, relating to an associate is included in the carrying value of the investment and is not amortized. When the Bank increases its ownership interest in an associate that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate and the existing interest in the associate is not remeasured.

The Bank's share of its associate's post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the interest in the associate. Dividends received, if any, are treated as a reduction in the carrying value of the investment.

In cases where an associate is in a net liability position, the equity method requires the Bank to discontinue recognizing its share of further losses when its cumulative share in the losses of the associate equals or exceeds its interest in the associate, unless the Bank has incurred legal or constructive obligations or made payments on behalf of the associate, in which case a liability is recognized.

This policy relates to the Bank's investment in a 49%-owned investee company recorded in 'Other equity investments' under 'Other assets'.

As of December 31, 2022 and 2021, the investment in an associate, which was acquired as a result of merger with PDB, is fully impaired (Note 13).

Impairment of Nonfinancial Assets

At each reporting date, the Bank assesses whether there is any indication that its nonfinancial assets (i.e., property and equipment, investment properties, investment in a subsidiary and an associate, software cost) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises.

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

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

Leases
The Bank 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.

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

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

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets. Right-of-use assets are presented under Property and Equipment in the statement of financial position.

b. *Lease liabilities*
At the commencement date of the lease, the Bank 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 Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

c. *Short-term leases and leases of low-value assets*
The Bank applies the short-term lease recognition exemption to its short-term leases of branch sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of branch sites that are considered to be low value. (i.e., those with value of less than ₱250,000). 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.

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

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If the 'Additional paid-in capital' is not sufficient, the excess is charged against the 'Surplus (deficit)'. The effect of positive (negative) equity adjustments arising from business combination under common control is included under 'Additional paid-in capital' ('Other equity reserves').

When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Surplus
Surplus represents cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policy and other capital adjustments, if any.

Revenue Recognition
Revenues within the scope of PFRS 15, Revenue from Contracts with Customers
Revenue from contract with customers is recognized upon transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

The following specific recognition criteria must be met before revenue is recognized for contracts within the scope of PFRS 15:

Service fees and commission income
Fees earned for the provision of services are recognized once services are rendered. Service fees and commission income are measured at the amount of consideration which the Bank expects to be entitled in exchange for transferring promised services to the customers. These fees include charges from usage of ATM, charges for returned checks, charges for below minimum maintaining balance, bancassurance and commission income.

Income (loss) from sale or disposal of nonfinancial assets
Gain (loss) from sale or disposal of nonfinancial assets which pertains to the difference between the consideration from the sale or disposal and the carrying amount of the asset is recognized completion of the earnings process, the transfer of control over the property to the buyer, and the collectability on the sales price is reasonably assured. This is presented as part of "Gain (loss) on asset exchange" in the statement of income.

Other income
Income from sale of properties is recognized when control has been transferred to the counterparty and when the collectability of the sales price is reasonably assured.

Revenues outside the scope of PFRS 15

Interest income
For all interest-bearing financial assets, interest income is recorded at either EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability, or at rate stated in the contract. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, as applicable, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. If the commitment expires without the Bank making the loan, the commitment fees are recognized as other income on expiry.

Once the recorded value of the financial asset or group of financial assets has been reduced due to impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Gain (loss) on asset exchange
Gain (loss) on asset exchange transaction is recognized upon foreclosure of loan collaterals (see accounting policy on investment properties and NCAHS). The gain or loss on foreclosure represents the difference between the fair value of the asset received and book value of the asset given up.

Gain on disposal of financial assets at amortized cost
This represents results arising from sale of investment securities measured at amortized cost.

Rental income
Rental income arising from leased properties under operating leases is accounted from on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Income from property rentals'.

Trading and securities gains - net
This represents results arising from trading activities and sale of FVOCI debt assets.

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

Expense Recognition
Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has occurred and the decrease in economic benefits can be measured reliably. Expenses are recognized when incurred.

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

Operating expenses
Operating expenses constitute costs which arise in the normal business operation and are recognized when incurred.

Taxes and licenses
These include all other taxes, local and national, including gross receipts tax (GRT), real estate taxes and licenses and permit fees which are recognized when incurred.

Retirement Benefits
The net defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement asset or liability. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:
a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

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

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

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

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

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Share-based Payments (Stock Grants)
Employees (including senior executives) of the Bank received remuneration in the form of share-based payments (stock grants), whereby employees rendered services as consideration for equity instruments (equity-settled transactions) of the Parent Bank. The Parent Bank has the obligation to settle the transaction with the Bank's employees by providing its own equity instruments.

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Bank's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met.

An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Bank or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

When the equity-settled transactions vest immediately but the grant date is not yet determined as of reporting date, the Group recognizes the expense and the corresponding increase in equity using the estimated grant date fair value as of reporting date. Subsequently, once the grant date is determined, the Bank revises the estimate based on the actual grant date fair value.

Provisions and Contingencies

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

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

Income Taxes

Current tax

Current tax assets and current tax liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date. Effective January 1, 2019, management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

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

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

Events after the Reporting Date
Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) is reflected in the financial statements. Any post-year-end event that is not an adjusting event is disclosed in the notes to the financial statements when material.

Standards Issued but Not Yet Effective
These are new PFRSs and amendments, interpretation and annual improvements to existing standards that are effective for annual periods subsequent to 2022. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

a. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using discounted cash flow model, incorporating inputs such as current market rates of comparable instruments. The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 4.

b. *Classification of NCAHS*
The Bank classifies assets as NCAHS if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

The criteria for NCAHS classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

c. *Contingencies*
The Bank is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential results. The Bank currently does not believe that these proceedings will have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 24).

d. *Evaluation of business model in managing financial instruments*
The Bank manages its financial assets based on business models that maintain an 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.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at the 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 Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). In determining the classification of a financial instrument, the Bank evaluates in which business model a financial asset or a portfolio of financial assets belong to taking into consideration the objectives of each business model established by the Bank, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them. The Bank also considers the frequency, value, reasons and timing of past sales and expectation of future sales activity in this evaluation.

In addition, if more than an infrequent and more than an insignificant sale is made of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances 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 Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

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 Bank's original expectations, the Bank 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.

e. *Testing the cash flow characteristics of financial assets*
In determining the classification of financial assets, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated.

Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts in the statement of financial position within the next financial year are described below:

a. *Expected credit losses on financial assets*
The Bank reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the statement of financial position and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining:
- whether a financial asset has a significant increase in credit risk since initial recognition.
- whether a default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Bank's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Bank's expected credit loss models;
- the measurement of the exposure at default for unused commitments on which an expected credit loss should be recognized and the applicable loss rate.

The gross carrying amounts and the related allowance for credit losses of financial assets are disclosed in Note 14.

b. *Impairment of non-financial assets*
Investment properties
The Bank assesses impairment on investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

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

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value less cost to sell for real properties. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Bank's investment properties are disclosed in Note 11.

Branch licenses
The Bank conducts an annual review for any impairment in the value of branch licenses. Branch licenses are written down for impairment where the recoverable value is insufficient to support their carrying value (see Note 12).

c. *Recognition of deferred income taxes*
Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred tax assets and unrecognized deferred tax assets are disclosed in Note 22.

d. *Net retirement asset (liability) and retirement expense*
The determination of the Bank's net retirement asset (liability) and annual retirement expense is dependent on the selection of certain assumptions used in calculating such amounts. These assumptions include, among others, discount rates and salary increase rates.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. The salary projection rate was based on the historical trend of salary increase rate of the Company. Refer to Note 20 for the details on the assumptions used in calculating the defined benefit asset (liability).

4. Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of its assets and liabilities are:

Cash and cash equivalents and financial assets recorded under 'Other assets' - The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

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

Equity securities – for quoted equity instruments, fair value is based on published quotation rates. For unquoted equity securities, remeasurement to their fair values is determined to be not material to the financial statements.

Loans and receivables and unquoted debt securities - Fair values are estimated using the discounted cash flow methodology, applying the Bank's current incremental lending rates for similar types of receivables or securities. The discount rates used in estimating the fair value of loans and receivables are the incremental lending rates ranging from 2.00% to 35.70% in 2022 and from 2.25% to 28.43% in 2021.

Deposit liabilities - Fair values of time deposits are estimated using the discounted cash flow methodology, using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable. The discount rates used in estimating the fair value of time deposits as of December 31, 2022 and 2021 range from 0.13% to 6.75% and from 0.13% to 6.50%, respectively.

Manager's checks accrued interest and other expenses and other liabilities - Carrying amounts approximate fair values due to the short-term nature of the accounts.

Investment properties - The fair values of the Bank's investment properties have been determined based on valuations made by accredited independent or in-house appraisers on the basis of recent sales of similar properties in the same areas and taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2022 and 2021, the classification under the fair value hierarchy of the Bank's assets and liabilities measured at fair value or with disclosure of fair values, except for those financial assets and liabilities at amortized cost with carrying values that approximates fair values, are presented below:

	December 31, 2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements					
Financial assets at FVOCI					
Government debt securities	**₱1,933,457,664**	**₱1,933,457,664**	**₱–**	**₱–**	**₱1,933,457,664**
Quoted equity securities	**16,055,816**	**–**	**16,055,816**	**–**	**16,055,816**
	₱1,949,513,480	**₱1,933,457,664**	**₱16,055,816**	**₱–**	**₱1,949,513,480**
Fair values of assets carried at amortized cost					
Investment securities at amortized cost					
Government debt securities	**₱5,206,292,029**	**₱4,948,756,371**	**₱–**	**₱–**	**₱4,948,756,371**
Private debt securities	**691,123,601**	**648,991,727**	**–**	**–**	**648,991,727**
Loans and receivables					
Loans and discounts					
Consumer lending	**71,343,683,999**	**–**	**–**	**80,563,703,701**	**80,563,703,701**
Corporate and commercial lending	**15,139,991,621**	**–**	**–**	**17,285,290,530**	**17,285,290,530**
Others	**8,533,315**	**–**	**–**	**13,364,708**	**13,364,708**
Sales contracts receivable	**1,218,621,310**	**–**	**–**	**1,338,516,270**	**1,338,516,270**
	₱93,608,245,875	**₱5,597,748,098**	**₱–**	**₱99,200,875,209**	**₱104,798,623,307**
Fair values of assets carried at cost					
Investment properties					
Land	**₱1,523,862,865**	**₱–**	**₱–**	**₱2,412,470,353**	**₱2,412,470,353**
Condominium properties, buildings and improvements	**640,174,071**	**–**	**–**	**1,529,538,265**	**1,529,538,265**
	₱2,164,036,936	**₱–**	**₱–**	**₱3,942,008,618**	**₱3,942,008,618**
Fair values of liabilities carried at amortized cost					
Deposit liabilities – Time	**₱61,418,964,928**	**₱–**	**₱–**	**₱61,847,625,080**	**₱61,847,625,080**

	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
Recurring fair value measurements					
Financial assets at FVOCI					
Government debt securities	₱1,874,074,072	₱1,874,074,072	₱–	₱–	₱1,874,074,072
Quoted equity securities	11,372,188	–	11,372,188	–	11,372,188
	₱1,885,446,260	₱1,874,074,072	₱11,372,188	₱–	₱1,885,446,260
Fair values of assets carried at amortized cost					
Investment securities at amortized cost					
Government debt securities	₱4,438,572,541	₱4,506,624,538	₱–	₱–	₱4,506,624,538
Private debt securities	859,372,179	731,146,907	–	118,948,842	850,095,749
Loans and receivables					
Loans and discounts					
Consumer lending	49,535,935,366	–	–	56,012,265,706	56,012,265,706
Corporate and commercial lending	14,942,618,743	–	–	16,866,871,417	16,866,871,417
Others	9,566,602	–	–	11,754,776	11,754,776
Sales contracts receivable	888,491,908	–	–	982,365,223	982,365,223
	₱70,674,557,339	₱5,237,771,445	₱–	₱73,992,205,964	₱79,229,977,409

(Forward)

	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
Fair values of assets carried at cost					
Investment properties					
Land	₱1,621,696,116	₱–	₱–	₱2,523,029,698	₱2,523,029,698
Condominium properties, buildings and improvements	716,694,732	–	–	1,487,968,814	1,487,968,814
	₱2,338,390,848	₱–	₱–	₱4,010,998,512	₱4,010,998,512
Fair values of liabilities carried at amortized cost					
Deposit liabilities – Time	₱37,380,174,149	₱–	₱–	₱37,764,371,424	₱37,764,371,424

As of December 31, 2022 and 2021, there were no transfers into and out of Level 3 fair value measurement.

Inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

Description of the valuation techniques used in the valuation of the Bank's investment properties are as follows:

Valuation Techniques	
Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the land and adding the depreciated cost of the improvement.

Significant unobservable inputs used in the valuation of the Bank's investment properties are as follows:

	Valuation Techniques	**Significant Unobservable Inputs**
Land	Market Data Approach	Price per square meter, size, location, shape, time, element and corner influence
Land and Building	Market Data Approach and Cost Approach	Reproduction cost new - the cost to create a virtual replica of the existing structure, employing the same design and similar building materials

5. Financial Risk Management Objectives and Policies

The Bank's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Bank through a rigorous, comprehensive and continuous process of identification, measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls. As reflected in its corporate actions and organizational improvements, the Bank has placed due importance to expanding and strengthening its risk management process and considers it as a vital component to the Bank's continuing profitability and financial stability.

Central to the Bank's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business viability and good financial position in the market.

The key financial risks that the Bank faces are: credit risk, market risk (i.e., interest rate risk), and liquidity risk. The Bank's risk management objective is primarily focused on controlling and mitigating these risks. The gravity of the risks, the magnitude of the financial instruments involved, and the regulatory requirements are the primary considerations to the scope and extent of the risk management processes put in place for the Bank.

Risk Management Structure
The BOD of the Bank has the primary responsibility for the establishment of a risk management system and is ultimately accountable for all risks taken within the Bank. The BOD has established, among others, the following committees to directly handle the Bank's risk management framework, policies and implementation in their respective risk management areas: the Executive Committee (ExeCom), Audit Committee (AudCom), Credit Committee (CreCom), Corporate Governance Committee (CGC) and the Risk Management Committee (RMC).

All Board committees report regularly to the BOD on their activities as follows:

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's RMC shall be responsible for the oversight and development of all risk management functions within the Bank. The RMC develops appropriate strategies through a written practical risk management plan for managing the major categories of risk events and minimizing the magnitude of expected losses, giving priority to the risk events with the largest expected losses. The Risk Management Unit assists the RMC with all of its responsibilities.

The Bank's AudCom, on the other hand, focuses on checking whether adequate process and operational controls are in place and functioning as designed, as well as monitoring compliance thereto by the business and support units. The role of the AudCom is very critical in the proper corporate governance and effective risk management because of its independence from the Bank's top and middle level management. The AudCom is comprised of independent directors who neither participate in the Bank's daily activities nor take decision-making responsibilities. The AudCom delegates its daily control and monitoring functions to the Internal Audit Department (IAD).

The IAD is likewise independent from the business and support units and reports exclusively to the AudCom. The IAD undertakes its control function through regular process, operational and financial audits which it conducts all throughout the year. The audit covers all processes and controls in the Head Office and the branches. The audit results and exceptions, including recommendations for their resolution or improvement, are discussed initially with the business units concerned before these are presented to the AudCom on a quarterly basis.

Risk Management Reporting
The RMC discusses risk management issues on a quarterly basis. The RMC discusses key risk indicators and specific risk management issues that would need resolution from top management. The key risk indicators were formulated on the basis of the financial risks faced by the Bank. The key risk indicators contain information from all business units that provide measurements on the level of the risks taken by the Bank with its transactions, products and financial structure. Among others, the report on key risk indicators includes information on the Bank's aggregate credit exposure, credit metric forecasts, market risk analysis, utilization of market and credit limits, liquidity ratios, overall loan loss provisioning and risk profile changes.

The CreCom reviews and resolves credit-related issues such as credit facility approval, credit and collection strategies on a particular account, and credit monitoring. Loan loss provisioning and credit limit utilization are also discussed in more detail in the CreCom. On a weekly basis, the CreCom discusses detailed reporting of industry, customer and geographic risks arising from the Bank's existing loan portfolio. A comprehensive risk report is submitted to the BOD every quarter for an overall assessment of the level of risks taken by the Bank.

Risk Mitigation
The Bank uses financial instruments to manage exposures resulting from changes in interest rates, foreign currencies, credit risks and exposures arising from forecast transactions. However, the nature and extent of use of these financial instruments to mitigate risks are limited to those allowed by the BSP for a thrift bank.

To further mitigate risk throughout its different business and supporting units, the Bank is in the continuous process of improving its existing risk management policies. These policies further serve as the framework and set the guidelines in the creation or revisions of operating policies and manuals for each business unit. In the process design and implementation, process controls are preferred over detection controls. Clear delineation of responsibilities and separation of incompatible duties among officers and staff as well as among business units are reiterated in these policies.

To the extent possible, reporting and accounting responsibilities are segregated from units directly involved in operations and front line activities (i.e., players must not be scorers). This is to improve the credibility and accuracy of management information. Any inconsistencies in the operating policies and manuals with the risk framework established by risk management policies are taken up and resolved in the RMC and ExeCom.

Monitoring and controlling risks are primarily performed based on various limits established by the top management covering the Bank's transactions and dealings. These limits reflect the Bank's business strategies and market environment as well as the levels of risks that the Bank is willing to tolerate, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Business Continuity Management
In the aftermath of the pandemic in the past three years, the China Bank Group has built its business resilience around policies that would ensure that the Group is able to service and respond to the requirements of its clients and to continue to fulfill the transaction cycle in its operations.

The Group implemented "The New Normal Work Force and Work Management Plan for the COVID-19 Pandemic" to provide general direction and guidance in sustaining the operations of the Group through the pandemic. The plan put in place health and safety protocols which along with the implementation of the buddy branch system ensured the uninterrupted delivery of services. Changes in the processes of business units arising from the implementation of the plan and the establishment of the extension office are continuously updated and incorporated in the risk and control self-assessment and business impact analysis tools to reflect the changes in the risk profile. Appropriate measures are also updated and implemented in light of these changes.

Excessive Risk Concentration
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 that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. 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 specific guidelines focusing on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The Bank's AudCom is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's AudCom is assisted in these functions by IAD. The IAD undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AudCom.

Credit Risk
Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items
Credit risk is the risk of financial loss due to one party to a financial product failing to discharge an obligation. The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (i.e., investment securities issued by either sovereign or corporate entities) and through implied or actual contractual agreements (i.e., on or off-balance sheet exposures). The Bank manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction).

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented with regard to the acceptability of types of collateral and valuation parameters.

The Bank has risk limits setting for purposes of monitoring and managing credit risk from individual counterparties and groups of counterparties. It also conducts periodic assessment of the creditworthiness of its counterparties. In addition, the Bank obtains collateral where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures. The Bank adopted an internal credit scoring system for the purpose of measuring credit risk for retail borrowers in a consistent manner, as accurately as possible, and thereafter uses the risk information for business and financial decision making.

The details of the composition of the loans and receivable and investment securities portfolios (net of allowance for impairment and credit losses) and the corresponding information on credit concentration as to industry are disclosed below (in thousands):

	2022						
	Loans and receivables	**%**	**Other financial assets***	**%**	**Off-balance sheet exposures**	**%**	**Total**
Consumer	**₱50,405,827**	**55.44**	**₱674,509**	**2.34**	**₱–**	**–**	**₱51,080,336**
Real estate, renting and business services	**27,300,322**	**30.03**	**365,321**	**1.27**	**–**	**–**	**27,665,643**
Government	**–**	**–**	**23,850,699**	**82.79**	**–**	**–**	**23,850,699**
Wholesale and retail trade	**2,472,410**	**2.72**	**33,085**	**0.11**	**1,540,983**	**99.69**	**4,046,478**
Financial intermediaries	**685,466**	**0.75**	**2,242,626**	**7.78**	**–**	**–**	**2,928,092**
Agriculture	**1,958,625**	**2.15**	**26,209**	**0.09**	**–**	**–**	**1,984,834**
Manufacturing	**1,764,437**	**1.94**	**23,611**	**0.08**	**–**	**–**	**1,788,048**
Electricity, gas, steam and air-conditioning supply	**1,643,305**	**1.81**	**21,990**	**0.08**	**–**	**–**	**1,665,295**
Transportation, storage and communication	**1,414,343**	**1.56**	**18,926**	**0.07**	**–**	**–**	**1,433,269**
Construction	**1,052,964**	**1.16**	**14,090**	**0.05**	**–**	**–**	**1,067,054**
Health and social work	**610,115**	**0.67**	**8,164**	**0.03**	**–**	**–**	**618,279**
Hotels and restaurant	**568,947**	**0.63**	**7,613**	**0.03**	**–**	**–**	**576,560**
Education	**393,729**	**0.43**	**5,269**	**0.02**	**–**	**–**	**398,998**
Other community, social and personal services	**272,094**	**0.30**	**3,641**	**0.01**	**–**	**–**	**275,735**
Others	**375,989**	**0.41**	**1,512,919**	**5.25**	**4,739**	**0.31**	**1,893,647**
Total	**90,918,573**	**100.00**	**28,808,672**	**100.00**	**1,545,722**	**100.00**	**121,272,967**
Allowance for impairment and credit losses	**(3,207,743)**		**(794,701)**		**–**		**(4,002,444)**
Net	**₱87,710,830**		**₱28,013,971**		**₱1,545,722**		**₱117,270,523**

* *Other financial assets include the following: due from BSP, due from other banks, SPURA, financial assets at FVOCI, investments securities at amortized cost and other financial assets.*

	2021						
	Loans and receivables	%	Other financial assets*	%	Off-balance sheet exposures	%	Total
Consumer	₱31,683,677	46.16	₱682,402	2.98	₱–	–	₱32,366,079
Real estate, renting and business services	23,170,315	33.76	499,041	2.18	–	–	23,669,356
Government	–	–	18,523,398	80.98	–	–	18,523,398
Wholesale and retail trade	2,827,062	4.12	60,889	0.27	635,231	100.00	3,523,182
Financial intermediaries	583,566	0.85	1,773,137	7.75	–	–	2,356,703
Agriculture	1,422,046	2.07	30,628	0.13	–	–	1,452,674
Manufacturing	1,804,183	2.63	38,858	0.17	–	–	1,843,041
Electricity, gas, steam and air-conditioning supply	1,730,411	2.52	37,270	0.16	–	–	1,767,681
Transportation, storage and communication	2,010,145	2.93	43,294	0.19	–	–	2,053,439
Construction	845,917	1.23	18,219	0.08	–	–	864,136
Health and social work	654,671	0.95	14,100	0.06	–	–	668,771
Hotels and restaurant	642,039	0.94	13,828	0.06	–	–	655,867
Education	425,340	0.62	9,161	0.04	–	–	434,501
Other community, social and personal services	384,992	0.56	8,292	0.04	–	–	393,284
Others	447,239	0.65	1,121,024	4.90	104	0.00	1,568,367
Total	68,631,603	100.00	22,873,541	100.00	635,335	100.00	92,140,479
Allowance for impairment and credit losses	(3,254,990)		(810,680)		–		(4,065,670)
Net	₱65,376,613		₱22,062,861		₱635,335		₱88,074,809

* *Other financial assets include the following: due from BSP, due from other banks, SPURA, financial assets at FVOCI, investments securities at amortized cost and other financial assets.*

Real estate, renting and business services include exposure to consumer housing loans, which are mostly covered with loan guaranty from Home Guaranty Corporation (HGC) amounting to ₱10.72 billion and ₱8.11 billion as of December 31, 2022 and 2021, respectively. HGC guaranteed loans are considered as non-risk item for regulatory reporting purposes.

Maximum exposure to credit risk
The tables below provide the analysis of the maximum exposure to credit risk of the Bank's financial instruments.

	December 31, 2022		
	Gross maximum exposure	**Net exposure**	**Financial effect of collateral or credit enhancement**
Credit risk exposure relating to on-balance sheet items are as follows:			
SPURA	**₱1,967,021,889**	**₱–**	**₱1,967,021,889**
Loans and receivables			
Loans and discounts			
Consumer lending	**71,343,683,999**	**36,584,762,182**	**34,758,921,817**
Corporate and commercial lending	**15,139,991,621**	**3,881,887,195**	**11,258,104,426**
Others	**8,533,315**	**–**	**8,533,315**
Sales contract receivable	**1,218,621,310**	**–**	**1,218,621,310**
	₱89,677,852,134	**₱40,466,649,377**	**₱49,211,202,757**

	December 31, 2021		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
SPURA	₱1,528,227,408	₱–	₱1,528,227,408
Loans and receivables			
Loans and discounts			
Consumer lending	49,535,935,366	18,073,357,213	31,462,578,153
Corporate and commercial lending	14,942,618,743	3,540,914,567	11,401,704,176
Others	9,566,602	–	9,566,602
Sales contract receivable	888,491,908	–	888,491,908
	₱66,904,840,027	₱21,614,271,781	₱45,290,568,246

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of December 31, 2022 and 2021. The fair values of financial assets at FVOCI represent the credit risk exposure as of the reporting date but not the maximum risk exposure that could arise in the future as a result of changes in fair value of the said instruments.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions - cash or securities
- For consumer lending - real estate and chattel over vehicle
- For corporate and commercial lending - real estate, chattel over properties, assignment of deposits, shares of stocks, bonds, and guarantees

Foreclosed collateral
The Bank's policy is to determine whether a foreclosed collateral is best used for its internal operations or should be sold. Foreclosed collaterals that pertain to real estate properties are accounted for as investment properties.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The Bank collateral comes in various forms such as cash, securities, letter of credits/guarantees, real estate, receivables and other non-financial assets and credit enhancements. The fair value of collateral is generally assessed, at a minimum, at inception. To the extent possible, the Bank use active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate and chattel, is valued based on data provided by internal appraiser and third parties such as independent appraisers.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment and credit losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In most cases, the Bank does not occupy repossessed properties for business use. Collaterals (i.e., NCAHS and ROPA) foreclosed in 2022 and 2021 that are still held by the Bank as of December 31, 2022 and 2021 amounted to ₱703.75 million and ₱869.70 million, respectively. These collaterals consist of real properties and vehicles.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using the BSP guidelines in identifying and monitoring problematic loans and other risk assets particularly Appendix 15 of the Manual of Regulations for Banks.

For corporate and commercial loans, including SME loans with approved credits of ₱10.00 million and above, the Bank adopts an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk in a consistent manner as accurately as possible. For corporate and commercial, SME loans with approved credits below ₱10.00 million, including SmallBiz accounts, these are covered by borrower credit scoring (BCS). For consumer/retail auto and housing loans, these are covered by application scorecards which provide either a pass/fail score based on cut-off score rank.

It is the Bank’s policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank’s rating policy. The attributable risk ratings are assessed and updated regularly. The standard credit rating equivalent grades are relevant only for certain of the exposures in each risk rating class.

The rating categories are further described below.

<u>Loans and receivable</u>

High Grade
This includes all borrowers whose ratings are considered as Low Risk and/or those where the exposures are fully covered by Government Guarantee or cash collateral/deposit hold-out. Thus, these borrowers have a very low probability of going into default in the coming year.

In terms of borrower credit ratings, these include the following:

Unclassified
A. ICRRS - Covered
   - Excellent (BRR AAA-equivalent grade)
   - Strong (BRR AA-equivalent grade)
   - Good (BRR A-equivalent grade)
   - Satisfactory (BRR BBB-equivalent grade)

   'BBB' or higher grades are considered as Low Risk similar to risk profile of investment-grades rated by international credit rating agencies (Standard and Poor's, Moody's or Fitch)

B. Application Scorecard-Covered (for consumer/retail loans)
   - Score ranks 1-4 (pass/within cut-off score of "7" qualified for system approval) for retail auto and housing loans provided current/unclassified status as of reporting date.

Generally, a Low Risk (High Grade) rating is indicative of a high capacity to fulfill its obligations supported by robust financials (i.e., profitable, with returns considerably higher than the industry, elevated capacities to service its liabilities), gainful positioning in growing industries (i.e., participation in industries where conditions are very favorable and in which they are able to get a good share of the market), and very strong leadership providing clear strategic direction and/or excellent training and development programs.

Standard Grade
This includes all borrowers whose ratings are considered as Moderate Risk and are seen to withstand typical swings in the economic cycle without going into default. However, any prolonged unfavorable economic period would create deterioration that may already be beyond acceptable levels. Standard grade may also include matured loans subject to renewal.

In terms of borrower credit ratings, these include the following:

Unclassified
A. ICRRS - Covered
   - Acceptable (BRR BB-equivalent grade)
   - Watchlist (BRR B-equivalent grade)- these accounts remain unclassified but require closer monitoring for any signs of further deterioration, warranting adverse classification

B. Application Scorecard-Covered (for consumer/retail loans)
   - Score ranks 5-7 (pass/within cut-off score of "7") for retail auto and housing loans provided current/unclassified status as of reporting date.

For unsecured consumer/retail loan products, i.e., Automatic Payroll Deduction (APD) loans, personal and salary loans, and other employee loans as well as corporate and commercial, SME loans with approved credits below ₱10.00 million, including SmallBiz accounts that are covered by BCS, the basis for credit quality rating is the BSP classification for those that are booked as Current (i.e., Standard Grade if Unclassified and Sub-Standard Grade if Classified as either Especially Mentioned or Substandard) and impairment status for those that are booked as Past Due / Items in Litigation.

Generally, a Moderate Risk (Standard Grade) rating signifies a borrower whose financial performance is sufficient to service obligations and is at par with competitors in the industry. In terms of management, it is run by executives with adequate personal and professional qualifications and sufficient experience in similar companies. In terms of growth potential, it is engaged in an industry with stable outlook, supportive of continuing operations.

Substandard Grade
Adversely Classified accounts are automatically considered as high-risk and generally includes past due accounts. However, in some cases, even accounts that are neither past due nor impaired, qualifies for adverse classification as either Especially Mentioned or Substandard. Those accounts have the tendency to turn past due or non-performing. Reasons for this include among others the following: consecutive net losses, emerging weaknesses in terms of cash flow, negative equity, and/or breach in the covenants per term loan agreement.

In terms of borrower credit ratings, these include the following:

Adversely Classified
A. ICRRS - Covered
   - Especially Mentioned (or BRR CCC-equivalent grade)
   - Substandard (or BRR CC-equivalent grade)

B. BCS-Covered
   - Corporate and commercial, SME loans with approved credits below Php 10 million, including SmallBiz accounts that are covered by BCS, which are neither past due nor impaired but classified as either Especially Mentioned or Substandard as of reporting date.

Past due but not impaired
Loans that are more than 30 days past due but do not demonstrate objective evidence of impairment as of reporting date.

In terms of borrower credit ratings, these include the following:

Adversely Classified
A. ICRRS-Covered
   - Especially Mentioned (or BRR CCC-equivalent grade)
   - Substandard (or BRR CC-equivalent grade)

B. BCS-Covered and Consumer/retail Loans
   - Especially Mentioned
   - Substandard

Impaired
Loans considered in default (more than 90 days past due) or demonstrate objective evidence of impairment as of reporting date. Loans with classification of doubtful and loss are included under past-due or individually impaired. Impaired accounts also include those booked as Items in Litigation.

In terms of borrower credit ratings, these include the following:

Adversely Classified
A. ICRRS-Covered
   - Substandard (or BRR CC equivalent-grade)

- Doubtful (or BRR C equivalent-grade)
- Loss (or BBR D equivalent-grade)

B. BCS-Covered and Consumer/retail Loans
- Substandard
- Doubtful
- Loss

The financial assets are also grouped according to stage whose description is explained 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, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The following tables illustrate the Bank's credit exposures.

Loans and receivables

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
High grade	**₱18,553,157,846**	**₱–**	**₱–**	**₱18,553,157,846**
Standard grade	**50,442,357,924**	**–**	**–**	**50,442,357,924**
Substandard grade	**–**	**–**	**–**	**–**
Past due but not impaired	**–**	**1,978,339,758**	**–**	**1,978,339,758**
Past due and impaired	**–**	**–**	**1,794,581,346**	**1,794,581,346**
Gross carrying amount	**₱68,995,515,770**	**₱1,978,339,758**	**₱1,794,581,346**	**₱72,768,436,874**

	2022			
	ECL Staging			
Corporate and commercial lending	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
High grade	**₱1,064,665,319**	**₱–**	**₱–**	**₱1,064,665,319**
Standard grade	**6,648,231,967**	**3,958,668,192**	**–**	**10,606,900,159**
Substandard grade	**–**	**1,988,272,467**	**–**	**1,988,272,467**
Past due but not impaired	**–**	**187,711,852**	**–**	**187,711,852**
Past due and impaired	**–**	**–**	**2,866,014,125**	**2,866,014,125**
Gross carrying amount	**₱7,712,897,286**	**₱6,134,652,511**	**₱2,866,014,125**	**₱16,713,563,922**

	2022			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Others	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱–	₱–	₱–	₱–
Standard grade	6,666,768	–	–	6,666,768
Substandard grade	–	–	–	–
Past due but not impaired	–	87,883	–	87,883
Past due and impaired	–	–	3,142,775	3,142,775
Gross carrying amount	₱6,666,768	₱87,883	₱3,142,775	₱9,897,426

	2022			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Unquoted debt securities	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱–	₱–	₱–	₱–
Standard grade	–	–	–	–
Substandard grade	–	–	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	151,836,309	151,836,309
Gross carrying amount	₱–	₱–	₱151,836,309	₱151,836,309

	2022			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Sales contract receivable	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱–	₱–	₱–	₱–
Standard grade	1,160,814,380	–	–	1,160,814,380
Substandard grade	–	–	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	114,024,502	114,024,502
Gross carrying amount	₱1,160,814,380	₱–	₱114,024,502	₱1,274,838,882

Other financial assets

	2022			
	ECL Staging			
Accounts receivable and	Stage 1	Stage 2	Stage 3	
accrued interest receivable	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱178,421,249	₱–	₱–	₱178,421,249
Standard grade	1,216,835,761	223,558,942	–	1,440,394,703
Substandard grade	–	36,858,156	–	36,858,156
Past due but not impaired	–	40,155,416	–	40,155,416
Past due and impaired	–	–	905,640,605	905,640,605
Gross carrying amount	₱1,395,257,010	₱300,572,514	₱905,640,605	₱2,601,470,129

Loans and receivables

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱12,112,863,161	₱–	₱–	₱12,112,863,161
Standard grade	34,381,092,412	–	–	34,381,092,412
Substandard grade	6,060,884	–	–	6,060,884
Past due but not impaired	–	1,950,090,219	–	1,950,090,219
Past due and impaired	–	–	2,169,242,768	2,204,371,869
Gross carrying amount	₱46,500,016,457	₱1,950,090,219	₱2,169,242,768	₱50,619,349,444

Corporate and commercial lending	2021 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱1,890,030,733	₱–	₱–	₱1,890,030,733
Standard grade	5,337,618,328	4,855,810,125	–	10,193,428,453
Substandard grade	–	1,242,199,186	–	1,242,199,186
Past due but not impaired	–	419,248,176	–	419,248,176
Past due and impaired	–	–	3,160,575,618	3,160,575,618
Gross carrying amount	₱7,227,649,061	₱6,517,257,487	₱3,160,575,618	₱16,905,482,166

Others	2021 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱–	₱–	₱–	₱–
Standard grade	7,899,374	–	–	7,899,374
Substandard grade	–	–	–	–
Past due but not impaired	–	42,508	–	42,508
Past due and impaired	–	–	3,260,224	3,260,224
Gross carrying amount	₱7,899,374	₱42,508	₱3,260,224	₱11,202,106

Unquoted debt securities	2021 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱–	₱–	₱–	₱–
Standard grade	–	–	–	–
Substandard grade	–	–	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	151,836,309	151,836,309
Gross carrying amount	₱–	₱–	₱151,836,309	₱151,836,309

Sales contract receivable	2021 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱–	₱–	₱–	₱–
Standard grade	870,933,271	–	–	870,933,271
Substandard grade	–	22,795	–	22,795
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	72,777,218	72,777,218
Gross carrying amount	₱870,933,271	₱22,795	₱72,777,218	₱943,733,284

Other financial assets

Accounts receivable and accrued interest receivable	2021 ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱221,628,382	₱–	₱–	₱221,628,382
Standard grade	1,105,878,471	458,389,635	–	1,564,268,106
Substandard grade	92,650	33,530,648	–	33,623,298
Past due but not impaired	–	63,956,634	–	63,956,634
Past due and impaired	–	–	681,642,146	681,642,146
Gross carrying amount	₱1,327,599,503	₱555,876,917	₱681,642,146	₱2,565,118,566

Depository accounts with the BSP and counterparty banks and investment securities
For these financial assets, outstanding exposure is rated primarily based on external risk rating (i.e., Standard and Poor's (S&P), otherwise, rating is based on risk grades by a local rating agency or included under "Unrated", when the counterparty has no available risk grade).

The external risk rating of the Bank's depository accounts with the BSP and counterparty banks and investment securities, is grouped as follows:

Credit Quality Rating	External Credit Risk Rating	Credit Rating Agency
High grade	AAA, AA+, AA, AA−	S&P
	Aaa, Aa1, Aa2, Aa3	Moody's
	AAA, AA+, AA, AA−	Fitch
Standard grade	A+, A, A−, BBB+, BBB, BBB−	S&P
	A1, A2, A3, Baa1, Baa2, Baa3	Moody's
	A+, A, A−, BBB+, BBB, BBB−	Fitch
Substandard grade	BB+, BB, BB−, B/B+, CCC, R, SD & D	S&P
	Ba1, Ba2, Ba3, B1, B2, R, SD & D	Moody's
	BB+, BB, BB−, B/B+, CCC, R, SD & D	Fitch

Following is the credit rating scale applicable for foreign banks, and government securities (aligned with S&P ratings):

AAA - An obligor has extremely strong capacity to meet its financial commitments.

AA - An obligor has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors at a minimal degree.

A - An obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB and below:

BBB - An obligor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB - An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

B - An obligor is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

CCC - An obligor is currently vulnerable and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments.

CC - An obligor is currently vulnerable. The rating is used when a default has not yet occurred, but expects default to be a virtual certainty, regardless of the anticipated time to default.

R - An obligor is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

SD and D - An obligor is in default on one or more of its financial obligations including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in non-payment according to terms.

In case of PHP-denominated securities which are not rated by S&P, Moody's or Fitch, but have an external ratings by Philratings, the following groupings were applied.

Credit Quality Rating	External Credit Risk Rating
High grade	PRSAAA, PRSAa+, PRSAa, PRSAa−
Standard grade	PRSA+, PRSA, PRSA−, PRSBaa+, PRSBaa, PRSBaa−
Substandard grade	PRSBa+, PRSBa, PRSBa−, PRSB+, PRSB, PRSB−, PRSCaa+, PRSCaa, PRSCaa−, PRSCa+, PRSCa, PRSCa−, PRSC+, PRSC, PRSC−

PRSAaa - The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

PRSAa - The obligor's capacity to meet its financial commitment on the obligation is very strong.

PRSA - With favorable investment attributes and are considered as upper-medium grade obligations. Although obligations rated 'PRSA' are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitments on the obligation is still strong.

PRSBaa - An obligation rated 'PRS Baa' exhibits adequate protection parameters. However, adverse economic conditions and changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. PRSBaa-rated issues may possess certain speculative characteristics.

PRSBa - An obligation rated 'PRSBa' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties relating to business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

PRSB - An obligation rated 'PRSB' is more vulnerable to nonpayment than obligations rated 'PRSBa', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse economic conditions will likely impair the obligor's capacity to meet its financial commitment on the obligation. The issue is characterized by high credit risk.

PRSCaa - An obligation rated 'PRSCaa' is presently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The issue is considered to be of poor standing and is subject to very high credit risk.

PRSCa - An obligation rated "PRSCa" is presently highly vulnerable to nonpayment. Likely already in or very near default with some prospect for partial recovery of principal or interest.

PRSC - An obligation is already in default with very little prospect for any recovery of principal or interest.

The succeeding tables show the credit exposure of the Bank related to these financial assets.

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
Financial assets at FVOCI - debt	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
High grade	**₱1,933,457,664**	**₱–**	**₱–**	**₱1,933,457,664**

	2022			
	ECL Staging			
Investment securities at	**Stage 1**	**Stage 2**	**Stage 3**	
amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
High grade	**₱5,909,130,216**	**₱–**	**₱–**	**₱5,909,130,216**

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at FVOCI - debt	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱1,874,074,072	₱–	₱–	₱1,874,074,072

	2021			
	ECL Staging			
Investment securities at	Stage 1	Stage 2	Stage 3	
amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
High grade	₱5,190,044,597	₱–	₱–	₱5,190,044,597
Past due and impaired	–	–	315,375,110	315,375,110
Gross carrying amount	₱5,190,044,597	₱–	₱315,375,110	₱5,505,419,707

	2022				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Due from BSP	**₱14,041,089,169**	**₱–**	**₱–**	**₱–**	**₱14,041,089,169**
Due from other banks	**2,233,452,981**	**–**	**–**	**–**	**2,233,452,981**
SPURA	**1,967,021,889**	**–**	**–**	**–**	**1,967,021,889**
	₱18,241,564,039	**₱–**	**₱–**	**₱–**	**₱18,241,564,039**

	2021				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Due from BSP	₱9,615,676,558	₱–	₱–	₱–	₱9,615,676,558
Due from other banks	1,760,568,266	–	–	–	1,760,568,266
SPURA	1,528,227,408	–	–	–	1,528,227,408
	₱12,904,472,232	₱–	₱–	₱–	₱12,904,472,232

Impairment assessment

The Bank measures a credit loss allowance on a financial asset based on whether it has had a significant increase in credit risk since initial recognition. Accordingly, the Bank categorizes its financial assets into three categories:

- stage 1 - financial asset that has not had a significant increase in credit risk;
- stage 2 - financial asset that has had a significant increase in credit risk; and
- stage 3 - financial asset in default.

The Bank 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 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 Bank's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold (i.e., 30 days), the credit risk is deemed to have increased significantly since initial recognition. 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 Bank shall revert to recognizing a 12-month ECL.

Default and Cure
As a part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. The Bank's definition of default is aligned with the non-performing loan criteria as prescribed in BSP Circular No. 941. Defaults refer to loans, investments, receivables, or any financial asset, even without missed contractual payments, that satisfy any of the following conditions (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are (5) unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. (6) 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. (7) Restructured loans shall be considered nonperforming. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3 ECL treatment.

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 above and there is sufficient evidence to support full collection through payments received for at least 6 months. Cured accounts are classified under Stage 1 ECL treatment.

Restructuring
In certain circumstances, the Bank 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, changes in maturity date, principal amount from capitalization of accrued interest, terms and conditions from conversion/consolidation or interest rates/repricing cycle that results in an extension in the loan maturity. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

The Bank implements a curing policy for restructured accounts compliant with the BSP Circular No. 1011. Restructured accounts that have exhibited improvements in creditworthiness may be moved from Stage 3 after a total of one-year probation period. These accounts are transferred to Stage 2 after six months of full payments and consequently transferred to Stage 1 after making the next six months full payments.

In view of the government moratorium on loan payments, the Bank considered how the availment of the borrowers and counterparties will affect the stage classification of the financial assets. In particular, the Bank assessed how the availment of the mandatory grace period, together with other relevant information about the borrower (e.g., impact of the pandemic to its industry and operations, potential cash flow pressures affecting the borrower's capacity to pay amounts becoming due), will affect SICR and default assessments. Based on these assessments, in the absence of indicators of impairment or SICR since initial recognition, exposures to borrowers and counterparties who availed of the mandatory grace period as provided for by law are classified as stage 1.

The Bank then measures the credit loss allowance on a financial instrument at an amount equal to 12-month expected credit losses for items categorized as stage 1 and lifetime credit losses to items categorized as stage 2 and stage 3.

The Bank modeled the following inputs to the expected credit loss formula separately. The formula is applied to each financial asset, with certain exceptions wherein a collective or other general approach is applied:

Exposure at Default (EAD)
The Bank defines EAD as the principal and interests that would not be collected assuming the borrower's defaults during a future point in time. The Bank computes for a financial asset's EAD using the expected contractual cash flows during the contractual life of the financial instrument. A financial asset's EAD is defined as the sum of EAD from principal and EAD from interest.

In relation to the modification of loans and receivables (see Note 8), the Bank utilized the revised or modified cash flows of financial assets as EAD in calculating allowance for credit losses.

Probability of default (PD)
The Bank uses forward-looking PD estimates that are unbiased and probability-weighted using a range of possible outcomes. 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 Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio. The Bank's PDs are mainly categorized into the following: (a) corporate and commercial loans; (b) small and medium-size enterprise financing; (c) auto and housing loans; and (d) personal and consumption loans.

The PDs used in calculating allowance for credit losses have been updated with information after considering the impact of the pandemic to current market conditions as well as expectations about future economic conditions (i.e., forward-looking information).

Loss given default (LGD)
The Bank's LGD model considers certain factors such as the historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. Generally, the model utilizes the Bank's existing loan exposure rating system which is designed to capture these factors as well as the characteristics of collaterals related to an exposure. In cases wherein this does not apply, the Bank looks into the standard characteristics of collaterals (e.g., auto and housing loans) in order to estimate an LGD factor.

Starting 2020, the Bank has considered current and forward-looking information related to the COVID-19 pandemic in assessing the aforementioned factors – i.e., significant increase in credit risk, default, EAD, PD, and LGD. The Group will continue to assess the impact of the pandemic and the ongoing economic recovery in measuring ECL in the upcoming reporting periods.

Economic Overlays
The Bank's incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to the expected future macroeconomic atmosphere. A broad range of economic indicators were considered for the economic inputs. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements.

To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The Bank's loans and receivables consist of different portfolios, such as corporate and commercial loans and consumer loans, as well as other receivables (e.g., sales contract receivables). In compliance with PFRS 9, the Bank developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

The Bank will continue to assess the current market conditions and forecasts of future economic conditions, and its impact to the aforementioned items, in order to update the ECL on a timely basis in the upcoming reporting periods, as the country continues to deal with this public health crisis.

Credit Review
In accordance with BSP Circular No. 855, credit reviews are conducted on loan accounts to evaluate whether loans are granted in accordance with the Bank's policies, to assess loan quality and appropriateness of classification and adequacy of loan loss provisioning. Results of credit reviews are promptly reported to management to apprise them of any significant findings for proper corrective actions.

Market Risk
Market risk is the risk of loss that may result from changes in the price of a financial product. The value of a financial product may change as a result of changes in interest rates, foreign exchange rates, equity prices and other market changes. The Bank's market risk originates from its holdings of foreign exchange instruments, debt securities, and loans and receivables.

a. *Interest rate risk*
   The Bank's interest rate risk originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. The Bank follows prudent policies in managing its exposures to interest rate fluctuations and constantly monitors its assets and liabilities.

The table below presents the interest rate sensitive loans' composition as to maturity as of December 31, 2022 and 2021:

	2022	2021
Long-term retail loans with monthly amortization	**83.27%**	76.84%
Commercial loans with monthly or quarterly amortization	**9.78%**	15.32%
Commercial loans payable at maturity (mostly maturing for less than 6 months)	**6.95%**	7.83%
	100.00%	100.00%

The table below represents the percentage of interest-bearing demand, savings and time deposit accounts over total deposit liabilities as of December 31, 2022 and 2021:

	2022	2021
Demand	**22.42%**	28.63%
Savings	**20.82%**	25.24%
Time	**56.77%**	46.13%
	100.00%	100.00%

Interest rates on savings accounts are set by reference to prevailing market rates, while interest rates on time deposits and special savings accounts are usually priced by reference to prevailing rates of short-term government bonds and other money market instruments or, in the case of foreign currency deposits, inter-bank deposit rates and other benchmark deposit rates in international money markets with similar maturities.

The Bank is likewise exposed to fair value interest rate risk due to its holdings of fixed rate government bonds as part of its financial assets at FVOCI portfolio. Market values of these investments are sensitive to fluctuations in interest rates.

The asset-liability gap analysis method is used by the Bank to measure the sensitivity of its assets and liabilities to interest rate fluctuations. This analysis measures the Bank's susceptibility to changes in interest rates. The repricing gap is calculated by first distributing the assets and liabilities contained in the Bank's statement of financial position into tenor buckets according to the time remaining to the next repricing date (or the time remaining to maturity if there is no repricing), and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and the total of repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, restraining the growth of its net income or resulting in a decline in net interest income.

The following table sets forth the repricing gap position of the Bank as of December 31, 2022 and 2021, (in millions):

	December 31, 2022					
	Up to 1 Month	**>1 to 3 Months**	**>3 to 6 Months**	**>6 to 12 Months**	**>12 Months**	**Total**
Financial Assets						
Loans and receivables	**₱4,109**	**₱7,943**	**₱10,380**	**₱17,532**	**₱46,038**	**₱86,002**
Investment securities	**–**	**350**	**310**	**348**	**6,858**	**7,866**
Total financial assets	**4,109**	**8,293**	**10,690**	**17,880**	**52,896**	**93,868**
Financial Liabilities						
Deposit liabilities	**30,189**	**16,600**	**1,959**	**2,923**	**56,526**	**108,197**
Repricing gap	**(₱26,080)**	**(₱8,307)**	**₱8,731**	**₱14,957**	**(₱3,630)**	**(₱14,329)**

	December 31, 2021					
	Up to 1 Month	>1 to 3 Months	>3 to 6 Months	>6 to 12 Months	>12 Months	Total
Financial Assets						
Loans and receivables	₱4,679	₱6,970	₱8,332	₱15,147	₱29,683	₱64,811
Investment securities	167	–	50	1,855	5,119	7,191
Total financial assets	4,846	6,970	8,382	17,002	34,802	72,002
Financial Liabilities						
Deposit liabilities	19,140	7,336	448	517	54,354	81,795
Repricing gap	(₱14,294)	(₱366)	₱7,934	₱16,485	(₱19,552)	(₱9,793)

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

The following table sets forth the estimated change in the Bank's annualized net interest income due to a parallel change in the interest rate curve as of December 31, 2022 and 2021 (amounts in thousands):

	December 31, 2022			
	Change in interest rates (in basis points)			
	100bp rise	**50bp rise**	**50bp fall**	**100bp fall**
Change in annualized net interest income	**(₱88,237)**	**(₱44,119)**	**₱44,119**	**₱88,237**
As a percentage of the Bank's net interest income as reported to the BSP	**(1.34%)**	**(0.67%)**	**0.67%**	**1.34%**

	December 31, 2021			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱58,433	₱29,216	(₱29,216)	(₱58,433)
As a percentage of the Bank's net interest income as reported to the BSP	1.28%	0.64%	(0.64%)	(1.28%)

The table below demonstrates the sensitivity, to a reasonably possible change in interest rates with all other variables held constant, of the Bank's equity through the impact on unrealized gain/loss on fixed-rate financial assets at FVOCI (amounts in thousands).

	December 31, 2022			
	Change in interest rates (in basis points)			
	25bp rise	**10bp rise**	**10bp fall**	**25bp fall**
Change in equity	**(₱18,654)**	**(₱11,667)**	**(₱2,272)**	**₱4,834**

	December 31, 2021			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in equity	(₱29,363)	(₱19,578)	(₱6,405)	₱3,571

b. *Foreign currency risk*
The Bank's foreign exchange risk originates from its holdings of foreign currency-denominated assets and liabilities (foreign exchange assets and liabilities). Foreign currency risk is the risk to earnings or capital arising from changes in the foreign exchange rates.

The Bank's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Bank believes in ensuring its foreign currency is at all times within limits prescribed for financial institutions who are engaged in the same types of businesses in which the Bank is engaged.

The monetary assets and liabilities carried in the RBU and FCDU books are all denominated in their respective functional currencies, except for small non-recurring other monetary items. Thus, foreign currency risk is minimal.

Liquidity Risk and Funding Management
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The Bank's s management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations or unanticipated events created by customer behavior or capital market conditions. The Bank seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow report, as well as an analysis of available liquid assets. Furthermore, monthly internal liquidity ratio equivalent to the ratio of volatile deposits has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is managed by the Bank on a daily basis, while scenario stress tests are conducted monthly. The tables below show the maturity profile of the Bank's financial assets and financial liabilities, based on contractual undiscounted cash flows:

	December 31, 2022			
	On demand	**Within 1 year**	**Over 1 year**	**Total**
Financial Assets				
Cash and cash equivalents				
Cash and other cash items	**₱2,374,255,848**	**₱–**	**₱–**	**₱2,374,255,848**
Due from BSP	**14,041,089,169**	–	–	**14,041,089,169**
Due from other banks	**2,233,452,981**	–	–	**2,233,452,981**
SPURA	–	**1,968,223,958**	–	**1,968,223,958**
Financial assets at FVOCI based on expected disposal dates	–	**503,443,711**	**2,312,637,958**	**2,816,081,669**
Investment securities at amortized cost	–	**794,242,048**	**5,907,511,465**	**6,701,753,513**
Loans and receivables	–	**17,701,687,107**	**88,672,980,580**	**106,374,667,687**
Other assets				
Accounts receivable	–	**1,216,633,030**	–	**1,216,633,030**
Accrued interest receivable	–	**1,384,837,099**	–	**1,384,837,099**
Advance rental deposits	–	**71,053,380**	–	**71,053,380**
Returned checks and other cash items	**51,996,348**	–	–	**51,996,348**
Other equity investments	–	**21,792,208**	–	**21,792,208**
Total financial assets	**₱18,700,794,346**	**₱23,661,912,541**	**₱96,893,130,003**	**₱139,255,836,890**
Financial Liabilities				
Deposit liabilities				
Demand	**₱24,253,375,850**	**₱–**	**₱–**	**₱24,253,375,850**
Savings	**22,524,549,072**	–	–	**22,524,549,072**
Time	–	**52,744,980,626**	**10,229,330,919**	**62,974,311,545**
Manager's checks	**254,559,553**	–	–	**254,559,553**
Accrued interest and other expenses	–	**642,707,097**	–	**642,707,097**
Other liabilities				
Accounts payable	–	**1,301,389,057**	–	**1,301,389,057**
Lease liabilities	–	**176,241,668**	**470,676,424**	**646,918,092**
Other credits - dormant	–	–	**46,871,546**	**46,871,546**
Security deposit	–	–	**11,577,699**	**11,577,699**
Bills purchased	–	**216,909**	–	**216,909**
Total financial liabilities	**₱47,032,484,475**	**₱ 54,865,535,357**	**₱ 10,758,456,588**	**₱112,656,476,420**

	December 31, 2021			
	On demand	Within 1 year	Over 1 year	Total
Financial Assets				
Cash and cash equivalents				
Cash and other cash items	₱2,107,301,270	₱–	₱–	₱2,107,301,270
Due from BSP	2,405,463,793	7,210,212,765	–	9,615,676,558
Due from other banks	1,760,568,266	–	–	1,760,568,266
SPURA	–	1,528,431,173	–	1,528,431,173
Financial assets at FVOCI based on expected disposal dates	–	62,854,748	2,113,306,142	2,176,160,890
Investment securities at amortized cost	–	2,254,976,606	5,757,812,008	8,012,788,614
Loans and receivables	–	27,796,750,898	43,624,664,892	71,421,415,790
Other assets				
Accounts receivable	–	1,086,941,788	–	1,086,941,788
Accrued interest receivable	–	1,478,184,592	–	1,478,184,592
Advance rental deposits	–	68,136,942	–	68,136,942
Returned checks and other cash items	24,456,168	–	–	24,456,168
Other equity investments based on expected disposal dates	–	21,792,208	–	21,792,208
Total financial assets	₱6,297,789,497	₱41,508,281,720	₱51,495,783,042	₱99,301,854,259

(Forward)

	December 31, 2021			
	On demand	Within 1 year	Over 1 year	Total
Financial Liabilities				
Deposit liabilities				
Demand	₱23,768,918,860	₱–	₱–	₱23,768,918,860
Savings	20,646,073,006	–	–	20,646,073,006
Time	–	23,598,616,878	15,692,824,082	39,291,440,960
Manager's checks	388,246,464	–	–	388,246,464
Accrued interest and other expenses	–	343,030,744	–	343,030,744
Other liabilities				
Accounts payable	–	1,111,012,369	–	1,111,012,369
Lease liabilities	–	212,443,681.	521,449,590	733,893,271
Security deposit	–	–	11,542,481	11,542,481
Bills purchased	–	1,110,931	–	1,110,931
Total financial liabilities	₱44,803,238,330	₱ 25,266,214,603	₱ 16,225,816,153	₱ 86,295,269,086

The Bank started monitoring and reporting to the BSP the Liquidity Coverage Ratio and the Net Stable Funding Ratio in 2018. Liquidity is managed by the Bank on a daily basis, while scenario stress tests and sensitivity analysis are conducted periodically.

6. Cash and Cash Equivalents

	2022	2021
Cash and other cash items	**₱2,374,255,848**	₱2,107,301,270
Due from BSP (Note 15)	**14,041,089,169**	9,615,676,558
Due from other banks (Notes 23)	**2,233,452,981**	1,760,568,266
SPURA (Note 26)	**1,967,021,889**	1,528,227,408
	₱20,615,819,887	₱15,011,773,502

Due from BSP
Due from BSP represents the Bank's placements in the term deposit facilities (TDF) of the BSP that have original maturity of seven (7) to twenty-eight (28) days and the demand deposits maintained by the Bank in compliance with the BSP's reserve requirement (Note 15).

As of December 31, 2022 and 2021, the Bank's demand deposits with the BSP amounted to ₱3.09 billion and ₱2.38 billion, respectively. TDF deposit accounts earn annual interest rates ranging from 6.24% to 6.34% in 2022, from 1.68% to 1.88% in 2021 and from 3.78% to 4.27% in 2020.

Due from other banks
Due from other banks represent savings and demand deposits. USD-denominated deposits amounted to USD12.12 million (₱675.82 million) and USD8.70 million (₱443.60 million) as of December 31, 2022 and 2021, respectively.

Peso denominated deposits earn interest at annual rates ranging from 0.05% to 0.13% in 2022 and from 0.50% to 1.00% in 2021 and 2020. USD-denominated deposits earn interest at annual rates ranging from 0.05% to 4.00% in 2022 and 0.10% in 2021 and 2020.

SPURA
Deposits in reverse repurchase facility, classified as SPURA, earn interest at annual rates ranging from 2.00% to 5.50% in 2022, 2.00% in 2021 and from 2.00% to 4.00% in 2020 with tenor ranging from one (1) to six (6) days.

7. Investment Securities

Financial Assets at FVOCI
This account consists of:

	2022	2021
Quoted government debt securities	**₱1,933,457,664**	₱1,874,074,072
Equity securities		
Quoted equity securities	**16,055,816**	11,372,188
Unquoted equity securities	**8,188,816**	8,188,816
	24,244,632	19,561,004
Total	**₱1,957,702,296**	₱1,893,635,076

Unquoted equity securities
This account comprises of shares of stocks of various unlisted private corporations. The Bank has designated these equity securities as at FVOCI because they are not intended to be sold in the foreseeable future.

Net unrealized losses
The movements in net unrealized losses on FVOCI of the Bank follows:

	2022	2021
Balance at the beginning of the year	**(₱31,783,083)**	₱4,299,021
Movements in fair value during the year	**(128,766,030)**	(22,036,062)
Net gain realized in profit or loss	**–**	(15,123,373)
Expected credit losses	**109,998**	1,077,331
Balance at the end of the year	**(₱160,439,115)**	(₱31,783,083)

Effective interest rates for peso-denominated financial assets at FVOCI range from 1.90% to 4.40% in 2022, from 1.80% to 2.66% in 2021 and from 1.71% to 2.98% in 2020. Effective interest rates for foreign currency-denominated financial assets at FVOCI range from 1.38% to 9.50% in 2022, from 1.38% to 7.02% in 2021 and from 1.76% to 7.02% in 2020.

Trading and securities gains - net
Trading and securities gains - net of the Bank amounted to nil, ₱15.12 million and ₱26.70 million in 2022, 2021 and 2020, respectively.

Investment Securities at Amortized Cost
This account consists of:

	2022	2021
Quoted		
Government debt securities (Note 23)	**₱5,215,330,216**	₱4,446,244,597
Private debt securities	**693,800,000**	1,059,175,110
	5,909,130,216	5,505,419,707
Allowance for credit losses (Note 14)	**(11,714,586)**	(207,474,987)
	₱5,897,415,630	₱5,297,944,720

Peso-denominated government securities and private bonds carry a yield-to-maturity ranging from 2.10% to 6.90% in 2022, from 3.25% to 5.97% in 2021 and from 3.25% to 6.71% in 2020, with maturities ranging from 1 to 9 years in 2022, from 1 to 10 years in 2021 and from 1 to 11 years in 2020.

USD-denominated government securities and private bonds carry a yield-to-maturity ranging from 3.00% to 10.63% in 2022, from 1.36% to 3.01% in 2021 and from 0.72% to 3.01% in 2020, with maturities ranging from 1 to 12 years in 2022, from 2 to 13 years in 2021 and from 1 to 14 years in 2020.

Interest Income on Investment Securities
Interest income on investment securities follows:

	2022	2021	2020
Investment securities at amortized cost	**₱224,325,861**	₱202,595,273	₱218,623,285
Financial assets at FVOCI	**48,742,713**	40,205,814	33,574,917
	₱273,068,574	₱242,801,087	₱252,198,202

8. Loans and Receivables

This account consists of:

	2022	2021
Loans and discounts		
Consumer lending	**₱72,768,436,874**	₱50,619,349,444
Corporate and commercial lending	**16,713,563,922**	16,905,482,166
Others	**9,897,426**	11,202,106
	89,491,898,222	67,536,033,716
Unquoted debt securities	**151,836,309**	151,836,309
Sales contracts receivable	**1,274,838,882**	943,733,284
	90,918,573,413	68,631,603,309
Allowance for credit losses (Note 14)	**(3,207,743,168)**	(3,254,990,690)
	₱87,710,830,245	₱65,376,612,619

As of December 31, 2022 and 2021, 62.33% and 49.42% of the total loans and receivables, respectively, are subject to periodic interest repricing. The loans and receivables bear annual fixed interest rates ranging from 2.00% to 39.42% in 2022 and 2021 and from 2.25% to 39.42% in 2020, respectively.

Unquoted debt securities
Included in unquoted debt securities are notes issued by First Sovereign Asset Management Inc. (FSAMI) as part of the payment it made to the Bank in exchange for selected investment properties, non-performing loans, investment securities and other assets as identified in the Omnibus Agreement. As of December 31, 2022 and 2021, these securities amounting to ₱151.84 million are fully provided with allowance for credit losses.

Modification of Loans and Receivables
On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the enhanced community quarantine (ECQ) period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted.

Under Bayanihan 2 Act, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

The total modification losses resulting from Bayanihan 1 Act and Bayanihan 2 Act amounted to ₱203.75 million. The net impact of the loan modification after subsequent accretion in 2020 of the modified loans amounted to ₱141.79 million. In 2021 and 2022, the accretion on the modified loans amounted to ₱69.57 million and ₱44.09 million, respectively.

The Bank's loans and receivables that had loss allowances measured at an amount equal to lifetime ECL and whose cash flows were modified in 2020 but have not resulted in derecognition had an amortized cost before modification amounting to ₱1.51 billion. Modification loss recognized for these loans and receivables amounted to ₱5.9 million.

Interest Income on Loans and Receivables
Interest income on loans and receivables consist of interest income on:

	2022	2021	2020
Loans and discounts			
Consumer lending	**₱6,300,788,241**	₱4,677,316,834	₱3,972,437,377
Corporate and commercial lending	**1,108,669,232**	1,204,641,401	1,330,817,276
Others	**402,320**	528,059	509,433
Sales contract receivable	**84,453,681**	73,464,821	67,334,806
	₱7,494,313,474	₱5,955,951,115	₱5,371,098,892

9. **Non-Current Assets Held for Sale**

Non-current assets held for sale consist of vehicles foreclosed in settlement of loans receivable which are expected to be sold within one year from the reporting date.

	2022	2021
Balance at beginning of year	**₱252,798,022**	₱428,293,981
Additions	**378,017,211**	578,460,178
Disposals	**(464,043,426)**	(753,956,137)
Balance at end of year	**₱166,771,807**	₱252,798,022

Gain (Loss) on Asset Exchange
Loss on foreclosure of NCAHS amounted to ₱123.88 million, ₱222.86 million and ₱51.69 million in 2022, 2021 and 2020, respectively.

The Bank realized gain on sale of NCAHS amounting to ₱40.62 million in 2022, and loss amounting to ₱41.50 million and ₱23.66 million in 2021 and 2020, respectively.

10. Property and Equipment

The composition of and movements in this account follow:

	December 31, 2022					
	Land	**Condominium Properties, Buildings and Improvements**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-use Assets – Buildings**	**Total**
Cost						
Balances at beginning of year	**₱443,395,334**	**₱1,033,513,095**	**₱1,277,066,970**	**₱504,297,084**	**₱997,077,103**	**₱4,255,349,586**
Additions	**–**	**128,560,077**	**140,122,393**	**120,028,963**	**122,355,434**	**511,066,867**
Disposals/expirations	**–**	**(126,963,992)**	**(74,744,621)**	**–**	**(147,009,021)**	**(348,717,634)**
Balances at end of year	**443,395,334**	**1,035,109,180**	**1,342,444,742**	**624,326,047**	**972,423,516**	**4,417,698,819**
Accumulated Depreciation						
Balances at beginning of year	**–**	**659,665,036**	**1,102,570,715**	**405,777,957**	**440,132,384**	**2,608,146,092**
Depreciation and amortization	**–**	**22,603,708**	**93,556,006**	**54,647,626**	**188,606,656**	**359,413,996**
Disposals/expiration	**–**	**(872,257)**	**(63,851,549)**	**–**	**(146,099,899)**	**(210,823,705)**
Balances at end of year	**–**	**681,396,487**	**1,132,275,172**	**460,425,583**	**482,639,141**	**2,756,736,383**
Net Book Values at End of Year	**₱443,395,334**	**₱353,712,693**	**₱210,169,570**	**₱163,900,464**	**₱489,784,375**	**₱1,660,962,436**

	December 31, 2021					
	Land	Condominium Properties, Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets – Buildings	Total
Cost						
Balances at beginning of year	₱443,395,334	₱942,891,616	₱1,248,348,588	₱501,239,424	₱819,318,331	₱3,955,193,293
Additions	–	90,621,479	101,291,601	3,057,660	242,046,775	437,017,515
Disposals/expirations	–	–	(72,573,219)	–	(64,288,003)	(136,861,222)
Balances at end of year	443,395,334	1,033,513,095	1,277,066,970	504,297,084	997,077,103	4,255,349,586
Accumulated Depreciation						
Balances at beginning of year	–	636,992,130	1,061,961,729	355,194,194	314,731,189	2,368,879,242
Depreciation and amortization	–	22,672,906	98,866,527	50,583,763	189,689,198	361,812,394
Disposals/expiration	–	–	(58,257,541)	–	(64,288,003)	(122,545,544)
Balances at end of year	–	659,665,036	1,102,570,715	405,777,957	440,132,384	2,608,146,092
Net Book Values at End of Year	₱443,395,334	₱373,848,059	₱174,496,255	₱98,519,127	₱556,944,719	₱1,647,203,494

The details of depreciation and amortization presented in the statements of income follow:

	2022	2021	2020
Property and equipment	**₱359,413,996**	₱361,812,394	₱370,175,169
Investment properties (Note 11)	**57,766,813**	57,674,374	61,544,063
Software costs (Note 12)	**12,473,604**	16,160,043	21,406,529
	₱429,654,413	₱435,646,811	₱453,125,761

As of December 31, 2022 and 2021, the gross carrying amount of fully depreciated building and furniture, fixtures and equipment still in use amounted to ₱915.87 million and ₱911.16 million, respectively.

There are no restrictions on titles on property and equipment and the Bank does not have any contractual commitments for acquisition of property and equipment as of December 31, 2022 and 2021.

11. Investment Properties

The composition of and movements in this account follow:

	December 31, 2022		
	Land	**Condominium Properties, Buildings and Improvements**	**Total**
Cost			
Balances at beginning of year	**₱1,726,958,577**	**₱1,439,246,020**	**₱3,166,204,597**
Additions	**265,463,533**	**250,222,971**	**515,686,504**
Disposals	**(363,296,784)**	**(232,828,581)**	**(596,125,365)**
Balances at end of year	**1,629,125,326**	**1,456,640,410**	**3,085,765,736**
Accumulated Depreciation			
Balances at beginning of year	**–**	**469,479,362**	**469,479,362**
Depreciation (Note 10)	**–**	**57,766,813**	**57,766,813**
Disposals	**–**	**(69,640,206)**	**(69,640,206)**
Balances at end of year	**–**	**457,605,969**	**457,605,969**
Accumulated Impairment Losses (Note 14)			
Balances at beginning of year	**105,262,461**	**253,071,926**	**358,334,387**
Provisions charged to operations	**–**	**105,788,444**	**105,788,444**
Balances at end of year	**105,262,461**	**358,860,370**	**464,122,831**
Net Book Values at End of Year	**₱1,523,862,865**	**₱640,174,071**	**₱2,164,036,936**

	December 31, 2021		
	Land	Condominium Properties, Buildings and Improvements	Total
Cost			
Balances at beginning of year	₱1,691,870,919	₱1,362,407,817	₱3,054,278,736
Additions	379,396,078	290,245,026	669,641,104
Disposals	(344,308,420)	(213,406,823)	(557,715,243)
Balances at end of year	1,726,958,577	1,439,246,020	3,166,204,597
Accumulated Depreciation			
Balances at beginning of year	–	463,751,366	463,751,366
Depreciation (Note 10)	–	57,674,374	57,674,374
Disposals	–	(51,946,378)	(51,946,378)
Balances at end of year	–	469,479,362	469,479,362
Accumulated Impairment Losses (Note 14)			
Balances at beginning of year	145,775,067	121,414,925	267,189,992
Provisions charged to operations	–	156,767,242	156,767,242
Accounts charged off and others	(40,512,606)	(25,110,241)	(65,622,847)
Balances at end of year	105,262,461	253,071,926	358,334,387
Net Book Values at End of Year	₱1,621,696,116	₱716,694,732	₱2,338,390,848

Gain on Asset Exchange

Gain on foreclosure of investment properties amounted to ₱87.99 million, ₱265.22 million and ₱1.75 million in 2022, 2021 and 2020, respectively.

The Bank realized gain on sale of investment properties amounting to ₱371.45 million, ₱202.10 million and ₱149.51 million in 2022, 2021 and 2020, respectively.

Details of rent income earned and direct operating expense incurred on investment properties of the Bank follow:

	2022	2021	2020
Rent income on investment properties (included under income from property rentals)	**₱49,157,087**	₱58,804,838	₱19,283,808
Direct operating expenses on investment properties not generating rent income (included under miscellaneous expenses)	**69,571,257**	41,528,268	34,986,776

Expenses on investment properties generating rent income are shouldered by the lessee.

12. Intangible Assets

Branch Licenses
This pertains to branch licenses recognized by the Bank in connection with its merger with PDB (Note 27). The recoverable amounts of these branch licenses have been determined using value in use in 2022 and 2021. The fair market value is based on special licensing fee of BSP for branches operating in restricted areas. As of December 31, 2022 and 2021, the carrying amount of branch license amounted to ₱74.48 million. The branch licenses are not impaired.

Software Costs
Movements in software costs are as follows:

	2022	2021
Cost		
Balance at beginning of year	**₱193,480,342**	₱186,972,501
Additions	**35,863,358**	6,507,841
Balance at end of year	**229,343,700**	193,480,342
Accumulated amortization		
Balance at beginning of year	**158,389,926**	142,229,883
Amortization (Note 10)	**12,473,604**	16,160,043
Balance at end of year	**170,863,530**	158,389,926
Net Book Value at End of Year	**₱58,480,170**	₱35,090,416

13. **Other Assets**

This account consists of:

	2022	2021
Financial		
Accounts receivable (Note 23)	**₱1,216,633,030**	₱1,086,933,974
Accrued interest receivable	**1,384,837,099**	1,478,184,592
Advance rental deposits	**71,053,380**	68,136,942
Returned checks and other cash items (RCOCI)	**51,996,348**	24,456,168
Other equity investments	**21,792,208**	21,792,208
	2,746,312,065	2,679,503,884
Nonfinancial		
Non-performing Asset Pool (NPAP)	**1,228,844,018**	1,228,989,079
Retirement asset (Note 20)	**113,296,239**	179,729,300
Documentary stamp tax	**74,944,411**	61,480,839
Creditable withholding taxes (CWT)	**45,575,184**	201,120,781
Stationery and supplies	**32,057,524**	30,802,304
Prepaid expenses	**28,123,391**	30,376,284
Miscellaneous	**140,187,150**	140,927,381
	1,663,027,917	1,873,425,968
	4,409,339,982	4,552,929,852
Allowance for impairment and credit losses (Note 14)	**(2,070,327,280)**	(1,892,851,865)
	₱2,339,012,702	₱2,660,077,987

Accounts receivable
Accounts receivable includes non-interest bearing advances to officers and employees, with terms ranging from 1 to 30 days and receivables of the Bank from automated teller machine (ATM) transactions of clients of other banks that transacted through any of the Bank's ATM terminals.

Non-Performing Asset Pool (NPAP)
As of December 31, 2022 and 2021, miscellaneous assets include NPAP which was acquired as a result of the merger with PDB. The NPAP represents the non-performing assets of PDB which were purchased from PDIC under a buy-back arrangement following the terms and conditions of the Financial Assistance Agreement dated June 28, 2002 between PDIC and PDB. This consists of the following (in thousands):

	2022	2021
Loans and receivables	**₱979,005**	₱979,150
Investment properties	**175,763**	175,763
Other assets*	**74,076**	74,076
	₱1,228,844	₱1,228,989

* *Other assets include various property and equipment, various rental deposits of PDB's branches and other miscellaneous assets.*

As of December 31, 2022 and 2021, the above NPAP are fully provided with allowance for impairment losses.

Other Equity Investments
This account comprises of investments acquired by the Bank from its merger with PDB. The investments include the 100% owned subsidiary, Filrice Inc. (Filrice), with investment cost of ₱2.19 million, and 49% owned investee, PDB SME Solutions, Inc. (PDB SME), with investment cost of ₱19.60 million. Filrice was established for the business of rice milling and warehousing but ceased operations in 2011 and has not begun formal winding up process. Its principal place of business is in Bulacan, Philippines. Investment in Filrice is classified under prudential regulations as a nonfinancial allied undertaking. Accordingly, for prudential reporting purposes, such investments are accounted for under the equity method of accounting instead of consolidated on a line-by-line basis.

PDB SME (SME.com.ph) provides web-based solutions to help SME-entrepreneurs to manage businesses better and to expand to new markets. Its principal place of business is in Makati City, Philippines. In 2013, PDB SME was dissolved and is currently under liquidation.

Filrice and PDB SME are non-operating private companies and as such, have no available quoted market prices. As of December 31, 2022 and 2021, investment in PDB SME is fully provided with ₱19.60 million allowance for impairment losses while investment in Filrice is carried at original acquisition cost of ₱2.19 million where majority of its assets represent cash that is deposited with the Bank.

Miscellaneous Assets
As of December 31, 2022 and 2021, miscellaneous assets include prepayments to contractors for construction of leasehold improvements, security deposits and postage stamps.

Allowance for Impairment and Credit Losses
Allowance for impairment and credit losses includes provision against impaired accrued interest receivable (AIR) and long-outstanding advances amounting to ₱782.99 million and ₱603.21 million as of December 31, 2022 and 2021, respectively (Note 14).

14. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses are as follows:

	2022	2021
Balance at beginning of year		
Loans and receivables (Note 8)	**₱3,254,990,690**	₱3,004,162,759
Investment properties (Note 11)	**358,334,387**	267,189,992
Investment securities at amortized cost (Note 7)	**207,474,987**	10,208,501
Financial assets at FVOCI (Note 7)	**3,236,802**	2,159,471
Other assets (Note 13)	**1,892,851,865**	1,897,415,959
	5,716,888,731	5,181,136,682
Provisions charged to operations	**1,507,585,488**	1,246,979,955
Accounts charged off and others	**(1,467,219,554)**	(711,227,906)
	40,365,934	535,752,049

(Forward)

	2022	2021
Balance at end of year		
Loans and receivables (Note 8)	**₱3,207,743,168**	₱3,254,990,690
Investment properties (Note 11)	**464,122,831**	358,334,387
Investment securities at amortized cost (Note 7)	**11,714,586**	207,474,987
Financial assets at FVOCI (Note 7)	**3,346,800**	3,236,802
Other assets (Note 13)	**2,070,327,280**	1,892,851,865
	₱5,757,254,665	₱5,716,888,731

At the current level of allowance for impairment and credit losses, management believes that the Bank has sufficient allowance to cover any losses that may be incurred from the non-collection or non-realization of its loans and receivables and other risk assets.

Below is the breakdown of provision for (reversal of) impairment and credit losses:

	2022	2021	2020
Loans and receivables	**₱1,041,595,669**	₱1,045,819,302	₱862,854,279
Investment securities at amortized cost	**119,614,709**	20,681,049	4,915,583
Investment properties	**105,788,444**	156,767,242	(30,979,004)
Financial assets at FVOCI (Note 7)	**109,998**	1,077,331	1,191,893
Other assets	**240,476,668**	22,635,031	67,521,493
	₱1,507,585,488	₱1,246,979,955	₱905,504,244

The tables below illustrate the movements of the allowance for impairment and credit losses of the financial assets for the years ended December 31, 2022 and 2021 (effect of movements in ECL due to transfers between stages are shown in the total column):

Loans and receivables

	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
Loss allowance at January 1, 2022	**₱92,236,640**	**₱20,726,260**	**₱970,451,178**	**₱1,083,414,078**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	**(1,113,561)**	**6,030,216**	**–**	**4,916,655**
Transfer from Stage 1 to Stage 3	**(534,842)**	**–**	**121,911,326**	**121,376,484**
Transfer from Stage 2 to Stage 1	**1,362,189**	**(7,376,601)**	**–**	**(6,014,412)**
Transfer from Stage 2 to Stage 3	**–**	**(2,637,834)**	**111,031,658**	**108,393,824**
Transfer from Stage 3 to Stage 1	**239,536**	**–**	**(54,599,565)**	**(54,360,029)**
Transfer from Stage 3 to Stage 2	**–**	**461,362**	**(19,419,638)**	**(18,958,276)**
New financial assets originated or purchased	**212,002,870**	**46,127,011**	**234,892,887**	**493,022,768**
Changes in PDs/LGDs/EADs	**72,966,955**	**31,438,147**	**735,011,686**	**839,416,788**
Financial assets derecognized during the period	**(22,090,168)**	**(5,109,097)**	**(475,915,188)**	**(503,114,453)**
Total net P&L charge during the period	**262,832,979**	**68,933,204**	**652,913,166**	**984,679,349**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	**–**	**(6,811,126)**	**(636,529,425)**	**(643,340,551)**
Loss allowance at December 31, 2022	**₱355,069,619**	**₱82,848,338**	**₱986,834,919**	**₱1,424,752,876**

Corporate and commercial lending	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	**₱60,331,339**	**₱52,646,261**	**₱1,849,885,824**	**₱1,962,863,424**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	**(6,275,423)**	**6,072,950**	**–**	**(202,473)**
Transfer from Stage 1 to Stage 3	**(273,168)**	**–**	**19,154,121**	**18,880,953**
Transfer from Stage 2 to Stage 1	**1,115,674**	**(1,079,677)**	**–**	**35,997**
Transfer from Stage 2 to Stage 3	**–**	**(5,268,569)**	**381,740,967**	**376,472,398**
Transfer from Stage 3 to Stage 1	**118,521**	**–**	**(8,310,546)**	**(8,192,025)**
Transfer from Stage 3 to Stage 2	**–**	**112,851**	**(8,176,783)**	**(8,063,932)**
New financial assets originated or purchased	**26,274,989**	**25,944,011**	**25,855,916**	**78,074,916**
Changes in PDs/LGDs/EADs	**(10,223,619)**	**5,651,761**	**255,653,480**	**251,081,622**
Financial assets derecognized during the period	**(21,381,397)**	**(17,929,978)**	**(612,564,563)**	**(651,875,938)**
Total net P&L charge during the period	**(10,644,423)**	**13,503,349**	**53,352,592**	**56,211,518**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	**–**	**(2,992,324)**	**(442,510,316)**	**(445,502,640)**
Loss allowance at December 31, 2022	**₱49,686,916**	**₱63,157,286**	**₱1,460,728,100**	**₱1,573,572,302**

Others	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	**₱3,030**	**₱92**	**₱1,632,381**	**₱1,635,503**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	**(34)**	**190**	**–**	**156**
Transfer from Stage 1 to Stage 3	**(83)**	**–**	**108,127**	**108,044**
Transfer from Stage 2 to Stage 3	**–**	**(64)**	**14,747**	**14,683**
New financial assets originated or purchased	**35**	**–**	**–**	**35**
Changes in PDs/LGDs/EADs	**(2,442)**	**(113)**	**(210,618)**	**(213,173)**
Financial assets derecognized during the period	**(150)**	**–**	**(180,989)**	**(181,139)**
Total net P&L charge during the period	**(2,674)**	**13**	**(268,733)**	**(271,394)**
Loss allowance at December 31, 2022	**₱356**	**₱105**	**₱1,363,648**	**₱1,364,109**

Unquoted debt securities	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	**₱–**	**₱–**	**₱151,836,309**	**₱151,836,309**
Total net P&L charge during the period	**–**	**–**	**–**	**–**
Loss allowance at December 31, 2022	**₱–**	**₱–**	**₱151,836,309**	**₱151,836,309**

Sales contracts receivable	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	**₱8,709,333**	**₱1,140**	**₱46,530,903**	**₱55,241,376**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	**(661,071)**	**–**	**42,266,270**	**41,605,199**
Transfer from Stage 3 to Stage 1	**182,626**	**–**	**(11,676,377)**	**(11,493,751)**
New financial assets originated or purchased	**5,300,467**	**–**	**5,142,213**	**10,442,680**
Changes in PDs/LGDs/EADs	**(1,002,911)**	**–**	**(28,112,631)**	**(29,115,542)**
Financial assets derecognized during the period	**(920,300)**	**(1,140)**	**(9,540,950)**	**(10,462,390)**
Total net P&L charge during the period	**2,898,811**	**(1,140)**	**(1,921,475)**	**976,196**
Loss allowance at December 31, 2022	**₱11,608,144**	**₱–**	**₱44,609,428**	**₱56,217,572**

Investment securities at amortized cost

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Debt securities	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
Loss allowance at January 1, 2022	**₱11,048,719**	**₱–**	**₱196,426,268**	**₱207,474,987**
Movements with P&L impact				
New financial assets originated or purchased	**5,302,293**	–	–	**5,302,293**
Changes in PDs/LGDs/EADs	**(236,136)**	–	**118,948,842**	**118,712,706**
Financial assets derecognized during the period	**(4,400,290)**	–	–	**(4,400,290)**
Total net P&L charge during the period	**665,867**	–	**118,948,842**	**119,614,709**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	**(315,375,110)**	**(315,375,110)**
Loss allowance at December 31, 2022	**₱11,714,586**	**₱–**	**₱–**	**₱11,714,586**

Financial assets at FVOCI

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Debt securities	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
Loss allowance at January 1, 2022	**₱3,236,802**	**₱–**	**₱–**	**₱3,236,802**
Movements with P&L impact				
New financial assets originated or purchased	**259,166**	–	–	**259,166**
Changes in PDs/LGDs/EADs	**(149,168)**	–	–	**(149,168)**
Financial assets derecognized during the period	–	–	–	–
Total net P&L charge during the period	**109,998**	–	–	**109,998**
Loss allowance at December 31, 2022	**₱3,346,800**	**₱–**	**₱–**	**₱3,346,800**

Other financial assets

	ECL Staging			
Accounts receivable and accrued interest receivable	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
Loss allowance at January 1, 2022	**₱12,634,535**	**₱82,398,344**	**₱508,172,181**	**₱603,205,060**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	**(203,839)**	**3,174,937**	–	**2,971,098**
Transfer from Stage 1 to Stage 3	**(40,930)**	–	**3,206,320**	**3,165,390**
Transfer from Stage 2 to Stage 1	**112,974**	**(1,759,654)**	–	**(1,646,680)**
Transfer from Stage 2 to Stage 3	–	**(2,262,706)**	**11,380,011**	**9,117,305**
Transfer from Stage 3 to Stage 1	**18,252**	–	**(1,429,771)**	**(1,411,519)**
Transfer from Stage 3 to Stage 2	–	**125,219**	**(629,775)**	**(504,556)**
New financial assets originated or purchased	**3,747,321**	**6,681,528**	**6,730,284**	**17,159,133**
Changes in PDs/LGDs/EADs	**(6,125,336)**	**(47,309,709)**	**307,863,761**	**254,428,716**
Financial assets derecognized during the period	**(1,900,430)**	**(6,967,151)**	**(25,005,572)**	**(33,873,153)**
Total net P&L charge during the period	**(4,391,988)**	**(48,317,536)**	**302,115,258**	**249,405,734**
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	**(1,113,211)**	**(61,888,042)**	**(63,001,253)**
Reclassification to other nonfinancial assets	–	–	**(6,623,435)**	**(6,623,435)**
Loss allowance at December 31, 2022	**₱8,242,547**	**₱32,967,597**	**₱741,775,962**	**₱782,986,106**

Loans and receivables

Consumer lending	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Loss allowance at January 1, 2021	₱143,429,309	₱47,504,654	₱873,288,172	₱1,064,222,135
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(3,997,357)	19,809,579	–	15,812,222
Transfer from Stage 1 to Stage 3	(1,776,173)	–	179,215,638	177,439,465
Transfer from Stage 2 to Stage 1	3,021,365	(14,972,887)	–	(11,951,522)
Transfer from Stage 2 to Stage 3	–	(4,866,712)	99,088,653	94,221,941
Transfer from Stage 3 to Stage 1	637,528	–	(64,326,460)	(63,688,932)
Transfer from Stage 3 to Stage 2	–	2,170,621	(44,194,924)	(42,024,303)
New financial assets originated or purchased	41,410,829	4,167,419	106,327,375	151,905,623
Changes in PDs/LGDs/EADs	(62,419,972)	(20,905,510)	586,499,413	503,173,931
Financial assets derecognized during the period	(28,068,889)	(8,806,091)	(309,816,101)	(346,691,081)
Total net P&L charge during the period	(51,192,669)	(23,403,581)	552,793,594	478,197,344
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	(3,374,813)	(455,630,588)	(459,005,401)
Loss allowance at December 31, 2021	₱92,236,640	₱20,726,260	₱970,451,178	₱1,083,414,078

Corporate and commercial lending	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Loss allowance at January 1, 2021	₱96,139,550	₱54,167,054	₱1,599,955,629	₱1,750,262,233
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(5,602,213)	4,952,234	–	(649,979)
Transfer from Stage 1 to Stage 3	(842,896)	–	38,413,934	37,571,038
Transfer from Stage 2 to Stage 1	2,094,993	(1,851,928)	–	243,065
Transfer from Stage 2 to Stage 3	–	(915,259)	47,186,426	46,271,167
Transfer from Stage 3 to Stage 1	7,554	–	(344,271)	(336,717)
Transfer from Stage 3 to Stage 2	–	1,230,772	(63,452,787)	(62,222,015)
New financial assets originated or purchased	24,277,512	18,379,665	49,738,075	92,395,252
Changes in PDs/LGDs/EADs	(8,739,729)	(1,537,264)	853,359,561	843,082,568
Financial assets derecognized during the period	(47,003,432)	(19,056,587)	(341,707,199)	(407,767,218)
Total net P&L charge during the period	(35,808,211)	1,201,633	583,193,739	548,587,161
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	(2,722,426)	(333,263,544)	(335,985,970)
Loss allowance at December 31, 2021	₱60,331,339	₱52,646,261	₱1,849,885,824	₱1,962,863,424

Others	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Loss allowance at January 1, 2021	₱1,077	₱47,192	₱2,840,266	₱2,888,535
Movements with P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 1	1,217	(30,887)	–	(29,670)
Transfer from Stage 2 to Stage 3	–	(278)	8,523	8,245
Transfer from Stage 3 to Stage 1	271	–	(211,097)	(210,826)
Transfer from Stage 3 to Stage 2	–	187	(5,741)	(5,554)
New financial assets originated or purchased	1,416	–	–	1,416
Changes in PDs/LGDs/EADs	(859)	(7,775)	226,620	217,986
Financial assets derecognized during the period	(92)	(8,347)	(1,226,190)	(1,234,629)
Total net P&L charge during the period	1,953	(47,100)	(1,207,885)	(1,253,032)
Loss allowance at December 31, 2021	₱3,030	₱92	₱1,632,381	₱1,635,503

Unquoted debt securities	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2021	₱–	₱–	₱151,836,309	₱151,836,309
Total net P&L charge during the period	–	–	–	–
Loss allowance at December 31, 2021	₱–	₱–	₱151,836,309	₱151,836,309

Sales contracts receivable	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2021	₱7,000,281	₱490,415	₱27,462,851	₱34,953,547
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	(60,119)	–	541,549	481,430
Transfer from Stage 2 to Stage 1	34,361	(133,684)	–	(99,323)
Transfer from Stage 2 to Stage 3	–	(286,229)	662,717	376,488
Transfer from Stage 3 to Stage 1	1,316,166	–	(11,855,989)	(10,539,823)
New financial assets originated or purchased	2,878,527	–	1,706,663	4,585,190
Changes in PDs/LGDs/EADs	(869,187)	(36,453)	37,101,803	36,196,163
Financial assets derecognized during the period	(1,590,696)	(32,909)	(9,088,691)	(10,712,296)
Total net P&L charge during the period	1,709,052	(489,275)	19,068,052	20,287,829
Loss allowance at December 31, 2021	₱8,709,333	₱1,140	₱46,530,903	₱55,241,376

Investment securities at amortized cost

Debt securities	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2021	₱10,208,501	₱–	₱–	₱10,208,501
Movements with P&L impact				
New financial assets originated or purchased	144,548	–	–	144,548
Changes in PDs/LGDs/EADs	1,082,060	–	19,840,831	20,922,891
Financial assets derecognized during the period	(386,390)	–	–	(386,390)
Total net P&L charge during the period	840,218	–	19,840,831	20,681,049
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	–	176,585,437	176,585,437
Loss allowance at December 31, 2021	₱11,048,719	₱–	₱196,426,268	₱207,474,987

Financial assets at FVOCI

Debt securities	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2021	₱2,159,471	₱–	₱–	₱2,159,471
Movements with P&L impact				
New financial assets originated or purchased	2,132,292	–	–	2,132,292
Changes in PDs/LGDs/EADs	121,612	–	–	121,612
Financial assets derecognized during the period	(1,176,573)	–	–	(1,176,573)
Total net P&L charge during the period	1,077,331	–	–	1,077,331
Loss allowance at December 31, 2021	₱3,236,802	₱–	₱–	₱3,236,802

Other financial assets

Accounts receivable and accrued interest receivable	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2021	₱10,804,523	₱13,267,686	₱573,863,035	₱597,935,244
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(369,957)	6,240,995	–	5,871,038
Transfer from Stage 1 to Stage 3	(134,000)	–	13,962,456	13,828,456
Transfer from Stage 2 to Stage 1	240,143	(4,051,100)	–	(3,810,957)
Transfer from Stage 2 to Stage 3	–	(1,427,104)	8,814,788	7,387,684
Transfer from Stage 3 to Stage 1	42,652	–	(4,444,292)	(4,401,640)
Transfer from Stage 3 to Stage 2	–	926,224	(5,721,003)	(4,794,779)
New financial assets originated or purchased	5,720,638	7,970,432	6,853,549	20,544,619
Changes in PDs/LGDs/EADs	(930,198)	70,367,778	(34,222,292)	35,215,288
Financial assets derecognized during the period	(2,739,266)	(8,710,980)	(35,754,432)	(47,204,678)
Total net P&L charge during the period	1,830,012	71,316,245	(50,511,226)	22,635,031
Other movements without P&L impact				
Write-offs, foreclosures and other movements	–	(2,185,587)	(15,179,628)	(17,365,215)
Loss allowance at December 31, 2021	₱12,634,535	₱82,398,344	₱508,172,181	₱603,205,060

The corresponding movement of the gross carrying amount of the financial asset are shown below:

Loans and receivables

Consumer lending	**ECL Staging** **Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Gross carrying amount as at January 1, 2022	**₱46,995,482,359**	**₱1,950,090,219**	**₱2,169,242,768**	**₱51,114,815,346**
Transfers:				
Transfer from Stage 1 to Stage 2	**(567,370,355)**	**567,370,355**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(272,507,538)**	**–**	**272,507,538**	**–**
Transfer from Stage 2 to Stage 1	**694,048,849**	**(694,048,849)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(248,188,292)**	**248,188,292**	**–**
Transfer from Stage 3 to Stage 1	**122,046,027**	**–**	**(122,046,027)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**43,408,581**	**(43,408,581)**	**–**
New financial assets purchased or originated	**41,195,434,814**	**1,101,469,298**	**427,157,963**	**42,724,062,075**
Movements in outstanding balance	**(7,916,458,822)**	**(98,414,108)**	**266,682,645**	**(7,748,190,285)**
Financial assets derecognized during the period	**(11,255,159,564)**	**(480,704,219)**	**(1,063,809,909)**	**(12,799,673,692)**
Foreclosures	**–**	**(162,643,227)**	**(359,933,343)**	**(522,576,570)**
Gross carrying amount as at December 31, 2022	**₱68,995,515,770**	**₱1,978,339,758**	**₱1,794,581,346**	**₱72,768,436,874**

Corporate and commercial lending	**ECL Staging** **Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Gross carrying amount as at January 1, 2022	**₱7,227,649,061**	**₱6,517,257,487**	**₱3,160,575,618**	**₱16,905,482,166**
Transfers:				
Transfer from Stage 1 to Stage 2	**(751,790,924)**	**751,790,924**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(32,725,288)**	**–**	**32,725,288**	**–**
Transfer from Stage 2 to Stage 1	**133,656,878**	**(133,656,878)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(652,213,871)**	**652,213,871**	**–**
Transfer from Stage 3 to Stage 1	**14,198,773**	**–**	**(14,198,773)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**13,970,236**	**(13,970,236)**	**–**
New financial assets purchased or originated	**4,078,665,065**	**2,520,017,923**	**132,225,190**	**6,730,908,178**
Movements in outstanding balance	**(395,280,963)**	**(372,247,870)**	**100,072,378**	**(667,456,455)**
Financial assets derecognized during the period	**(2,561,475,316)**	**(2,219,612,197)**	**(1,046,581,685)**	**(5,827,669,198)**
Foreclosures	**–**	**(290,653,243)**	**(137,047,526)**	**(427,700,769)**
Gross carrying amount as at December 31, 2022	**₱7,712,897,286**	**₱6,134,652,511**	**₱2,866,014,125**	**₱16,713,563,922**

Others	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Gross carrying amount as at January 1, 2022	**₱7,899,374**	**₱42,508**	**₱3,260,224**	**₱11,202,106**
Transfers:				
Transfer from Stage 1 to Stage 2	**(87,883)**	**87,883**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(215,953)**	**–**	**215,953**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(29,453)**	**29,453**	**–**
New financial assets purchased or originated	**647,311**	**–**	**–**	**647,311**
Movements in outstanding balance	**(1,184,820)**	**(13,055)**	**(1,380)**	**(1,199,255)**
Financial assets derecognized during the period	**(391,261)**	**–**	**(361,475)**	**(752,736)**
Gross carrying amount as at December 31, 2022	**₱6,666,768**	**₱87,883**	**₱3,142,775**	**₱9,897,426**

Unquoted debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Gross carrying amount as at January 1, 2022	**₱–**	**₱–**	**₱151,836,309**	**₱151,836,309**
Financial assets derecognized during the period	–	–	–	–
Gross carrying amount as at December 31, 2022	**₱–**	**₱–**	**₱151,836,309**	**₱151,836,309**

Sales contract receivable	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Gross carrying amount as at January 1, 2022	**₱870,933,271**	**₱22,795**	**₱72,777,218**	**₱943,733,284**
Transfers:				
Transfer from Stage 1 to Stage 3	**(66,107,067)**	**–**	**66,107,067**	**–**
Transfer from Stage 3 to Stage 1	**18,262,577**	**–**	**(18,262,577)**	**–**
New financial assets purchased or originated	**530,046,737**	**–**	**13,143,819**	**543,190,556**
Movements in outstanding balance	**(100,291,165)**	**–**	**(4,818,387)**	**(105,109,552)**
Financial assets derecognized during the period	**(92,029,973)**	**(22,795)**	**(14,922,638)**	**(106,975,406)**
Gross carrying amount as at December 31, 2022	**₱1,160,814,380**	**₱–**	**₱114,024,502**	**₱1,274,838,882**

Investment securities at amortized cost

Debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Gross carrying amount as at January 1, 2022	**₱5,190,044,597**	**₱–**	**₱315,375,110**	**₱5,505,419,707**
New financial assets purchased or originated	**2,674,609,330**	**–**	**–**	**2,674,609,330**
Movements in outstanding balance	**111,476,289**	**–**	**–**	**111,476,289**
Financial assets derecognized during the period	**(2,067,000,000)**	**–**	**(315,375,110)**	**(2,382,375,110)**
Gross carrying amount as at December 31, 2022	**₱5,909,130,216**	**₱–**	**₱–**	**₱5,909,130,216**

Financial assets at FVOCI

Debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	ECL Staging			
Gross carrying amount as at January 1, 2022	**₱1,874,074,072**	**₱–**	**₱–**	**₱1,874,074,072**
New financial assets purchased or originated	**149,720,981**	**–**	**–**	**149,720,981**
Movements in outstanding balance	**(90,337,389)**	**–**	**–**	**(90,337,389)**
Financial assets derecognized during the period	–	–	–	–
Gross carrying amount as at December 31, 2022	**₱1,933,457,664**	**₱–**	**₱–**	**₱1,933,457,664**

Other financial assets

	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
Accounts receivable and accrued interest receivable	12-month ECL	Lifetime ECL	Lifetime ECL	**Total**
Gross carrying amount as at January 1, 2022	**₱1,327,599,503**	**₱555,876,917**	**₱681,642,146**	**₱2,565,118,566**
Transfers:				
Transfer from Stage 1 to Stage 2	**(21,418,809)**	**21,418,809**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(4,300,831)**	**–**	**4,300,831**	**–**
Transfer from Stage 2 to Stage 1	**11,871,005**	**(11,871,005)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(15,264,699)**	**15,264,699**	**–**
Transfer from Stage 3 to Stage 1	**1,917,839**	**–**	**(1,917,839)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**844,756**	**(844,756)**	**–**
New financial assets purchased or originated	**634,330,245**	**60,916,897**	**8,217,061**	**703,464,203**
Movements in outstanding balance	**(355,050,337)**	**(256,837,308)**	**239,911,150**	**(371,976,495)**
Financial assets derecognized during the period	**(199,691,605)**	**(47,001,894)**	**(33,541,489)**	**(280,234,988)**
Foreclosures	**–**	**(7,509,959)**	**(7,391,198)**	**(14,901,157)**
Gross carrying amount as at December 31, 2022	**₱1,395,257,010**	**₱300,572,514**	**₱905,640,605**	**₱2,601,470,129**

Loans and receivables

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱41,656,930,082	₱2,784,089,697	₱2,513,716,776	₱46,954,736,555
Transfers:				
Transfer from Stage 1 to Stage 2	(1,160,973,526)	1,160,973,526	–	–
Transfer from Stage 1 to Stage 3	(515,863,342)	–	515,863,342	–
Transfer from Stage 2 to Stage 1	877,511,072	(877,511,072)	–	–
Transfer from Stage 2 to Stage 3	–	(285,221,783)	285,221,783	–
Transfer from Stage 3 to Stage 1	185,160,532	–	(185,160,532)	–
Transfer from Stage 3 to Stage 2	–	127,212,901	(127,212,901)	–
New financial assets purchased or originated	20,876,782,073	392,103,646	237,672,841	21,506,558,560
Movements in outstanding balance	(7,267,335,142)	(517,931,978)	369,607,785	(7,415,659,335)
Financial assets derecognized during the period	(8,152,195,292)	(516,095,679)	(891,790,311)	(9,560,081,282)
Foreclosures	–	(317,529,039)	(548,676,015)	(866,205,054)
Gross carrying amount as at December 31, 2021	₱46,500,016,457	₱1,950,090,219	₱2,169,242,768	₱50,619,349,444

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Corporate and commercial lending	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱10,555,423,344	₱6,727,709,795	₱3,854,490,334	₱21,137,623,473
Transfers:				
Transfer from Stage 1 to Stage 2	(615,082,203)	615,082,203	–	–
Transfer from Stage 1 to Stage 3	(92,543,902)	–	92,543,902	–
Transfer from Stage 2 to Stage 1	230,014,999	(230,014,999)	–	–
Transfer from Stage 2 to Stage 3	–	(113,677,918)	113,677,918	–
Transfer from Stage 3 to Stage 1	829,392	–	(829,392)	–
Transfer from Stage 3 to Stage 2	–	152,865,586	(152,865,586)	–
New financial assets purchased or originated	2,908,427,644	2,275,280,499	155,943,337	5,339,651,480
Movements in outstanding balance	(598,785,192)	(206,084,477)	38,046,544	(766,823,125)
Financial assets derecognized during the period	(5,160,635,021)	(2,366,884,964)	(823,214,763)	(8,350,734,748)
Foreclosures	–	(337,018,238)	(117,216,676)	(454,234,914)
Gross carrying amount as at December 31, 2021	₱7,227,649,061	₱6,517,257,487	₱3,160,575,618	₱16,905,482,166

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Others	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱2,025,175	₱3,496,433	₱6,861,027	₱12,382,635
Transfers:				
Transfer from Stage 2 to Stage 1	2,288,383	(2,288,383)	–	–
Transfer from Stage 2 to Stage 3	–	(20,589)	20,589	–
Transfer from Stage 3 to Stage 1	509,932	–	(509,932)	–
Transfer from Stage 3 to Stage 2	–	13,868	(13,868)	–
New financial assets purchased or originated	3,692,812	–	–	3,692,812
Movements in outstanding balance	(444,753)	(540,366)	(135,573)	(1,120,692)
Financial assets derecognized during the period	(172,175)	(618,455)	(2,962,019)	(3,752,649)
Gross carrying amount as at December 31, 2021	₱7,899,374	₱42,508	₱3,260,224	₱11,202,106

Unquoted debt securities	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱–	₱–	₱151,836,309	₱151,836,309
Financial assets derecognized during the period	–	–	–	–
Gross carrying amount as at December 31, 2021	₱–	₱–	₱151,836,309	₱151,836,309

Sales contract receivable	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱700,028,095	₱12,605,248	₱304,872,758	₱1,017,506,101
Transfers:				
Transfer from Stage 1 to Stage 3	(6,011,881)	–	6,011,881	–
Transfer from Stage 2 to Stage 1	3,436,117	(3,436,117)	–	–
Transfer from Stage 2 to Stage 3	–	(7,357,006)	7,357,006	–
Transfer from Stage 3 to Stage 1	131,616,635	–	(131,616,635)	–
New financial assets purchased or originated	287,852,684	–	2,669,326	290,522,010
Movements in outstanding balance	(86,918,776)	(943,460)	(15,621,027)	(103,483,263)
Financial assets derecognized during the period	(159,069,603)	(845,870)	(100,896,091)	(260,811,564)
Gross carrying amount as at December 31, 2021	₱870,933,271	₱22,795	₱72,777,218	₱943,733,284

Investment securities at amortized cost

Debt securities	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱5,272,102,763	₱–	₱–	₱5,272,102,763
New financial assets purchased or originated	67,900,069	–	315,375,110	383,275,179
Movements in outstanding balance	49,589,765	–	–	49,589,765
Financial assets derecognized during the period	(199,548,000)	–	–	(199,548,000)
Gross carrying amount as at December 31, 2021	₱5,190,044,597	₱–	₱315,375,110	₱5,505,419,707

Financial assets at FVOCI

Debt securities	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱1,410,959,938	₱–	₱–	₱1,410,959,938
New financial assets purchased or originated	1,234,574,317	–	–	1,234,574,317
Movements in outstanding balance	(2,708,383)	–	–	(2,708,383)
Financial assets derecognized during the period	(768,751,800)	–	–	(768,751,800)
Gross carrying amount as at December 31, 2021	₱1,874,074,072	₱–	₱–	₱1,874,074,072

Other financial assets

Accounts receivable and accrued interest receivable	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2021	₱1,229,531,081	₱89,500,782	₱626,734,695	₱1,945,766,558
Transfers:				
Transfer from Stage 1 to Stage 2	(42,100,331)	42,100,331	–	–
Transfer from Stage 1 to Stage 3	(15,248,857)	–	15,248,857	–
Transfer from Stage 2 to Stage 1	27,327,796	(27,327,796)	–	–
Transfer from Stage 2 to Stage 3	–	(9,626,920)	9,626,920	–
Transfer from Stage 3 to Stage 1	4,853,757	–	(4,853,757)	–
Transfer from Stage 3 to Stage 2	–	6,248,096	(6,248,096)	–
New financial assets purchased or originated	601,107,678	53,770,246	9,193,080	664,071,004
Movements in outstanding balance	(166,149,163)	474,717,930	87,567,209	396,135,976
Financial assets derecognized during the period	(311,722,458)	(58,762,282)	(39,048,591)	(409,533,331)
Foreclosures	–	(14,743,470)	(16,578,171)	(31,321,641)
Gross carrying amount as at December 31, 2021	₱1,327,599,503	₱555,876,917	₱681,642,146	₱2,565,118,566

15. **Deposit Liabilities**

BSP Circular No. 832 provides for an 8.00% reserve requirement for deposit liabilities of thrift banks. On July 27, 2020, the BSP issued Circular No. 1092 reducing the reserve requirement for deposit liabilities of thrift banks to 3.00%. As of December 31, 2022 and 2021, due from BSP amounting to ₱14.04 billion and ₱9.62 billion, respectively, was set aside as reserves for deposit liabilities to comply with the reserve requirement (Note 6).

Foreign currency-denominated deposit liabilities bear annual fixed interest rates ranging from 0.05% to 4.25% in 2022, from 0.05% to 1.38% in 2021 and from 0.13% to 1.50% in 2020, while peso-denominated deposit liabilities bear interest rates ranging from 0.13% to 6.75% in 2022, from 0.13% to 6.50% in 2021 and from 0.25% to 6.50% in 2020.

On May 27, 2020, the BSP issued BSP Circular No. 1087 *Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs),* which provides the following alternative modes of compliance with the required reserves against deposit and deposit liabilities, provided that the following loans were granted, renewed or restructured after March 15, 2020:

a. Peso-denominated loans that are granted to micro, small and medium enterprises (MSMEs)
b. Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs

On September 21, 2022, BSP issued BSP Circular No. 1155 *Amendments to the Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBS).* The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks from April 24, 2020 to June 30, 2023 while the use of loans to a large enterprise as allowable alternative compliance with the reserve requirements shall be available to banks from May 29, 2020 to June 30, 2023.

16. **Accruals and Other Liabilities**

Accrued Interest and Other Expenses

This account consists of:

	2022	2021
Accrued interest payable	**₱238,111,309**	₱40,246,218
Accrued other expenses	**404,595,788**	302,784,526
	₱642,707,097	₱343,030,744

Accrued other expenses include accruals for employee benefits, utilities, janitorial and security services.

Other Liabilities
This account consists of:

	2022	2021
Financial		
Accounts payable (Note 23)	**₱1,301,389,057**	₱1,111,012,369
Lease liabilities (Note 21)	**561,976,219**	633,650,390
Other credits - dormant	**46,871,546**	49,518,662
Due to the Treasurer of the Philippines	**32,343,042**	32,375,673
Security deposit (Note 23)	**11,577,699**	11,542,481
Bills purchased	**216,909**	1,110,931
	1,954,374,472	1,839,210,506
Nonfinancial		
Taxes payable	**48,023,646**	16,162,634
Miscellaneous	**76,425,729**	41,369,385
	124,449,375	57,532,019
	₱2,078,823,847	₱1,896,742,525

Accounts payable consists mainly of mortgage and vehicle registration fees held for the account of loan borrowers which will be remitted to various government agencies, liability to automated teller machine interbank network service provider, registration fees, insurance premium, documentary stamps and notarial fee.

Bills purchased pertains to credit accommodation where check payments in the form of manager's check, demand draft and cashier's check are purchased by the Bank and will be paid after the credit period. Other payable consists of SSS, medicare and employee compensation premium.

Miscellaneous includes sundry credits, inter-office float items, dormant deposit accounts and deposit for keys on safety deposit boxes.

17. Maturity Analysis of Assets and Liabilities

The table below presents the Bank's assets and liabilities as of December 31, 2022 and 2021 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the respective reporting dates (in thousands):

	December 31, 2022			December 31, 2021		
	Within twelve months	**Over twelve months**	**Total**	Within twelve months	Over twelve months	Total
Financial assets						
Cash and cash equivalents	**₱20,615,820**	**₱–**	**₱20,615,820**	₱15,011,774	₱–	₱15,011,774
Financial assets at FVOCI	**448,600**	**1,509,102**	**1,957,702**	–	1,893,635	1,893,635
Investment securities at amortized cost	**559,879**	**5,349,251**	**5,909,130**	2,284,560	3,220,860	5,505,420
Loans and receivables	**10,070,525**	**80,848,048**	**90,918,573**	10,513,902	58,117,701	68,631,603
Other assets						
Accounts receivable	**1,216,633**	**–**	**1,216,633**	1,086,934	–	1,086,934
AIR	**1,384,837**	**–**	**1,384,837**	1,478,185	–	1,478,185
Advance rental deposits	**–**	**71,053**	**71,053**	68,137	–	68,137
RCOCI	**51,996**	**–**	**51,996**	24,456	–	24,456
Other equity investments	**21,792**	**–**	**21,792**	21,792	–	21,792
	34,370,082	**87,777,454**	**122,147,536**	30,489,740	63,232,196	93,721,936

(Forward)

	December 31, 2022			December 31, 2021		
	Within twelve months	**Over twelve months**	**Total**	Within twelve months	Over twelve months	Total
Nonfinancial assets						
NCAHS	**₱166,772**	**₱–**	**₱ 166,772**	₱252,798	₱–	₱ 252,798
Property and equipment	**–**	**4,417,699**	**4,417,699**	–	4,255,350	4,255,350
Investment properties	**–**	**3,085,766**	**3,085,766**	–	3,166,205	3,166,205
Branch licenses	**–**	**74,480**	**74,480**	–	74,480	74,480
Software costs	**–**	**229,344**	**229,344**	–	193,480	193,480
Deferred tax asset	**–**	**1,341,911**	**1,341,911**	–	1,164,473	1,164,473
Other assets						
NPAP	**–**	**1,228,844**	**1,228,844**	–	1,228,989	1,228,989
Retirement asset	**–**	**113,296**	**113,296**	179,729	–	179,729
Documentary stamp tax	**74,944**	**–**	**74,944**	61,481	–	61,481
CWT	**45,575**	**–**	**45,575**	201,121	–	201,121
Stationery and supplies	**–**	**32,058**	**32,058**	–	30,802	30,802
Prepaid expenses	**28,123**	**–**	**28,123**	30,376	–	30,376
Miscellaneous	**140,187**	**–**	**140,187**	140,927	–	140,927
	455,601	**10,523,398**	**10,978,999**	866,432	10,113,779	10,980,211
	34,825,683	**98,300,852**	**133,126,535**	31,356,172	73,345,975	104,702,147
Allowances for impairment and credit losses (Note 14)			**(5,753,907)**			(5,713,652)
Accumulated depreciation and amortization (Notes 10, 11 and 12)			**(3,385,205)**			(3,236,015)
			(9,139,112)			(8,949,667)
			₱123,987,423			₱95,752,480
Financial liabilities						
Deposit liabilities	**₱98,446,034**	**₱9,750,856**	**₱108,196,890**	₱66,608,865	₱15,186,301	₱81,795,166
Manager's checks	**254,560**	**–**	**254,560**	388,246	–	388,246
Accrued interest and other expenses	**642,707**	**–**	**642,707**	343,031	–	343,031
Other liabilities						
Accounts payable	**1,301,389**	**–**	**1,301,389**	1,111,012	–	1,111,012
Lease liabilities	**146,241**	**415,735**	**561,976**	177,898	455,752	633,650
Other credits - dormant	**–**	**46,872**	**46,872**	–	49,519	49,519
Due to the Treasurer of the Philippines	**32,343**	**–**	**32,343**	32,376	–	32,376
Security deposits	**–**	**11,578**	**11,578**	–	11,542	11,542
Bills purchased	**217**	**–**	**217**	1,111	–	1,111
	100,823,491	**10,225,040**	**111,048,531**	68,662,539	15,703,115	84,365,654
Nonfinancial liabilities						
Taxes payable	**48,024**	**–**	**48,024**	16,163	–	16,163
Income tax payable	**161**	**–**	**161**	146	–	146
Other liabilities	**76,426**	**–**	**76,426**	41,369	–	41,369
	124,461	**–**	**124,461**	57,678	–	57,678
	₱100,947,952	**₱10,225,040**	**₱111,172,992**	₱68,720,217	₱15,703,115	₱84,423,332

18. Equity

As of December 31, 2022 and 2021, the Bank has 134 million authorized common shares and 6 million authorized preferred shares.

As of December 31, 2022, 2021 and 2020, the Bank's capital stock consists of:

	Shares	Amount
Preferred stock – ₱100 par value		
Balance at beginning and end of year	21,642	₱2,164,200
Common stock – ₱100 par value		
Balance at beginning and end of year	105,414,149	10,541,414,900
	105,435,791	₱10,543,579,100

The Bank's Amended Articles of Incorporation disclosed the following features of its preferred stock:

a. Non-voting and non-participating;
b. Preference at liquidation, including declared dividends which have not been distributed;
c. Non-cumulative dividend rate as determined by the BOD, provided not to exceed twice the current ninety-day Treasury bill rate at date of approval by the BOD;
d. Convertible to common shares, at the option of the stockholder, if no dividends are declared for three consecutive years, at book value of common shares at the time of the conversion; and
e. Re-issuable.

The summarized information on the Bank's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type/Class	Authorized Shares	Par Value
December 7, 2017	Common	134,000,000	₱100
	Preferred	6,000,000	100
December 17, 2015	Common	74,000,000	100
	Preferred	6,000,000	100
March 1, 1973	Common	24,000,000	100
	Preferred	6,000,000	100

As of December 31, 2022 and 2021, the total number of stockholders is 1,545.

Centennial Stock Grant
In light of the Parent Bank's 100th anniversary, the Parent Bank's Board of Directors approved on August 5, 2020 a Centennial Stock Grant Plan to issue common shares to eligible grantees.

The Centennial Stock Grant Plan was approved and ratified by the Parent Bank's stockholders on October 1, 2020, subject to the approval of the relevant regulatory agencies. New shares will be issued from the Parent Bank's authorized but unissued shares in favor of China Bank Group's regular employees and certain other officers and contractual employees as of August 16, 2020, numbering around 8,400. The stock grant will involve the issuance of around 5 million shares.

The stock grant awarded by the Parent Bank to the Bank's employees amounting to ₱18.29 million as of December 31, 2020 is recognized under 'Other equity – stock grants' in the Bank's statement of financial position.

On August 9, 2021, the Philippine Stock Exchange (PSE) approved the Parent Bank's application to list the 5 million shares with a par value of ₱10.00 per share, to cover the Centennial Stock Grant Plan. The Parent Bank issued the corresponding shares on September 1, 2021. The difference in the fair value of the stock grants upon issuance of shares is recognized in profit or loss.

Capital Infusions
Details of the Parent Bank's capital infusions to the Bank in support of the Bank's planned business growth and expansion follow:

Date	Amount
June 6, 2018	₱500,000,000
December 31, 2016	1,500,000,000
September 29, 2016	1,000,000,000
December 16, 2015	2,000,000,000

Surplus and Surplus Reserves

Surplus

In compliance with BSP Circular 1011 under Section 11 I, in cases when the computed allowance for credit losses on Stage 1 accounts is less than the required one percent (1%) general provision, the deficiency shall be recognized by appropriating the surplus reserves. As of December 31, 2022 and 2021, the Bank appropriated ₱493.51 million and ₱452.73 million, respectively, from its free surplus to comply with the general loan loss provision required BSP.

Capital Management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made to the Bank's capital management objectives, policies and processes as of December 31, 2022 and 2021.

Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risks associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken by the ExeCom.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Also taken into account are synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the BOD.

The issuance of BSP Circular No. 639 covering the ICAAP in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this Circular, the Parent Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Parent Bank. The level and structure of capital are assessed and determined in light of the Parent Bank's business environment, plans, performance, risks and budget, as well as regulatory edicts.

The Parent Bank submitted its annually updated ICAAP document, in compliance with BSP requirements on June 30, 2022. The document disclosed that the Parent Bank has an appropriate level of internal capital relative to the Group's risk profile.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00%. Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by deposit hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On August 4, 2006, the BSP, under Circular No. 538, issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II capital adequacy framework. The new BSP guidelines took effect on July 1, 2007. Thereafter, banks were required to compute their capital adequacy ratio (CAR) using these guidelines.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard & Poor's, Moody's and Fitch, while PhilRatings were used on peso-denominated exposures to Sovereigns, MDBs, Banks, Local Government Units, Government Corporations and Corporates.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular took effect on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and this ratio shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the Circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On April 28, 2020, the BSP issued BSP Memorandum No. M-2020-34 *Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk –Based Capital Adequacy Framework,* which provides temporary relaxation in the assigned credit risk weight for loans to micro, small and medium enterprises (MSMEs) for purposes of computing compliance with the BSP's Risk-Based Capital Adequacy Frameworks.

The following exposures to MSMEs, as defined under Basel III shall be assigned a credit risk weight of 50 percent:

a. MSME exposures that meet the criteria of qualified MSME portfolio, and
b. Current MSME exposures that do not qualify as a highly diversified MSME portfolio

The foregoing provision under BSP Memorandum No. M-2020-34 shall apply until December 31, 2021. However, it was extended until December 31, 2022 by the subsequent issuance of BSP Memorandum No. M-2022-004 *Extension of BSP Prudential Relief Measures* and further extended until June 30, 2023 by the subsequent issuance of BSP Memorandum No. M-2022-041 *Extension of BSP Prudential Relief Measure on the Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk-Based Capital Adequacy Frameworks*.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

The CAR of the Bank as reported to the BSP as of December 31, 2022 and 2021 are shown in the tables below (amounts in thousands).

	2022	2021
CET 1 capital	**₱10,687,274**	₱9,397,056
Additional Tier 1 capital	**2,164**	2,164
Tier 1 capital	**10,689,438**	9,399,220
Tier 2 capital	**851,463**	649,636
Total qualifying capital	**11,540,901**	₱10,048,856
Risk weighted assets	**₱91,012,766**	₱71,311,764
CET 1 capital ratio	**11.74%**	13.18%
Tier 1 capital ratio	**11.74%**	13.18%
Capital adequacy ratio	**12.68%**	14.09%

The regulatory qualifying capital of the Bank consists of Tier 1 (core) capital, which comprises of paid-up common stock, DFFS, hybrid capital securities, deficit including results of current year operations, surplus reserves and non-controlling interest less required deductions such as unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI), deferred income tax, and goodwill. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes general loan loss provision and appraisal increment authorized by the MB.

On October 9, 2014, the BSP issued BSP Circular No. 854 which amends the provisions of the Manual of Regulations for Banks on the minimum capitalization of banks and on the prerequisites for the grant of authority to establish a branch. Based on this Circular, the Bank is required to maintain a minimum capitalization of ₱2.00 billion.

Leverage Ratio
On June 9, 2015, BSP issued circular No. 881, which approved the guidelines for the implementation of the Basel 3 Leverage Ratio (BLR) in the Philippines. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based

"backstop" measure. The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator). The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on July 1, 2018.

The BLR of the Bank as of December 31, 2022 and 2021 as reported to the BSP are shown in the table below (amounts in thousands).

	2022	2021
Tier 1 Capital	**₱10,689,439**	₱9,399,220
Exposure Measure	**122,636,190**	94,814,988
Leverage Ratio	**8.72%**	9.91%

Liquidity Coverage Ratio
On February 18, 2016, the BSP issued Circular No. 905 approving the liquidity standards, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. Banks are required to adopt Basel 'II's Liquidity Coverage Ratio (LCR) aimed at strengthening the short-term liquidity position of banks. This requires banks to have available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflow for a 30-day period under stress conditions. The standard prescribes that, under a normal situation, the value of the liquidity ratio be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress. As of December 31, 2022 and 2021, the LCR of the Bank as reported to the BSP, in single currency is 123.80% and 132.10%, respectively.

Net Stable Funding Ratio
On May 24, 2018, the BSP issued Circular No. 1007 which approved the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR). Banks are required to adopt Basel 'II's NSFR aimed to promote long-term resilience of banks against liquidity risk. Banks shall maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. The NSFR complements the LCR, which promotes short-term resilience of a Bank's liquidity profile. As of December 31, 2022 and 2021, the NSFR of the Bank as reported to the BSP is 124.00% and 120.00%, respectively.

19. Miscellaneous Income and Expenses

Miscellaneous income comprises the following:

	2022	2021	2020
Recovery on charged off assets	**₱48,569,818**	₱15,552,421	₱11,565,402
Bancassurance activities (Note 23)	**48,543,831**	58,222,444	40,928,253
Net foreign exchange gain	**2,241,834**	2,737,327	1,439,642
Dividends	**–**	2,269,715	8,203,000
Others (Note 23)	**15,517,597**	6,786,480	11,945,194
	₱114,873,080	₱85,568,387	₱74,081,491

Others include income from the issuance of letters of credits and various non-recurring income transactions.

Miscellaneous expenses consist of:

	2022	2021	2020
Supervision and administrative expenses	**₱51,764,839**	₱46,541,710	₱43,184,516
Repairs and maintenance fees	**28,550,148**	31,796,706	38,997,245
Advertising	**27,866,395**	1,271,301	3,565,486
Clearing and processing fees	**3,432,902**	3,430,604	3,630,290
Others	**279,721,392**	173,823,092	132,784,094
	₱391,335,676	₱256,863,413	₱222,161,631

Supervision and administrative fees include BSP supervision and PDIC fees, and support operation service expenses.

Others pertain mainly to membership fees and dues, internal meeting expenses, printing and various non-recurring expenses.

20. Retirement Plan

The Bank has two separate funded noncontributory defined benefit retirement plans, which are being managed by the trust department of CBC (Note 23). These retirement plans cover all the Bank's officers and regular employees who are entitled to cash benefits after satisfying certain age and service requirements.

The Bank’s annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability.

The latest actuarial valuation study of the retirement plans was made as of December 31, 2022. The principal actuarial assumptions as of December 31, 2022 and 2021 used in determining the retirement obligation for the Bank’s retirement plans are shown below:

	2022	2021
Discount rate	**6.52%**	4.14%
Salary increase rate	**6.00%**	6.00%

As of December 31, 2022 and 2021, retirement asset is comprised of the following:

	2022	2021
Fair value of plan assets	**₱564,907,419**	₱596,144,664
Present value of defined benefit obligation	**451,611,180**	416,415,364
Net defined benefit asset (Note 13)	**₱113,296,239**	₱179,729,300

The movements in the defined retirement asset, present value of defined benefit obligation and fair value of plan assets follow:

	2022												
		Net benefit cost					**Remeasurements in other comprehensive income**						
	January 1, 2022	**Current service cost**	**Net interest**	**Gain/Loss due to settlement**	**Net pension expense***	**Benefits paid/Transferred to Parent Bank**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in demographic assumptions**	**Changes in remeasurement gains**	**Contribution by employer**	**December 31, 2022**
	(a)	**(b)**	**(c)**	**(d)**	**(e) = b + c + d**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**	**(k) = g + h + i + j**	**(l)**	**(m) = a + e + f + k + l**
Fair value of plan assets	**₱596,144,664**	**₱–**	**₱24,680,390**	**₱–**	**₱24,680,390**	**(₱22,773,573)**	**(₱33,492,088)**	**₱–**	**₱–**	**₱–**	**(₱33,492,088)**	**₱348,026**	**₱564,907,419**
Present value of defined benefit obligation	**416,415,364**	**70,431,766**	**17,202,129**	**–**	**87,633,895**	**(23,678,565)**	**–**	**11,458,786**	**(54,808,000)**	**14,589,700**	**(28,759,514)**		**451,611,180**
Net defined benefit asset	**₱179,729,300**	**(₱70,431,766)**	**₱7,478,261**	**₱–**	**(₱62,953,505)**	**(₱904,992)**	**(₱33,492,088)**	**(₱11,458,786)**	**₱54,808,000**	**(₱14,589,700)**	**(₱4,732,574)**	**₱348,026**	**₱113,296,239**

	2021												
		Net benefit cost					Remeasurements in other comprehensive income						
	January 1, 2021	Current service cost	Net interest	Gain/Loss due to settlement	Net pension expense*	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Changes in remeasurement gains	Contribution by employer	December 31, 2021
	(a)	(b)	(c)	(d)	(e) = b + c + d	(f)	(g)	(h)	(i)	(j)	(k) = g + h + i + j	(l)	(m) = a + e + f + k + l
Fair value of plan assets	₱514,926,897	₱–	₱13,079,143	₱–	₱13,079,143	(₱12,238,084)	₱3,771,400	₱–	₱–	₱–	₱3,771,400	₱76,605,308	₱596,144,664
Present value of defined benefit obligation	423,888,502	78,917,683	10,766,768	–	89,684,451	(12,238,084)	–	(14,346,391)	(59,233,915)	(11,339,199)	(84,919,505)	–	416,415,364
Net defined benefit asset	₱91,038,395	(₱78,917,683)	₱2,312,375	₱–	(₱76,605,308)	₱–	₱3,771,400	₱14,346,391	₱59,233,915	₱11,339,199	₱88,690,905	₱76,605,308	₱179,729,300

**Presented under Compensation and fringe benefits in the statements of income.*

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Bank expects to contribute ₱70.25 million to its defined retirement plan in 2023.

The carrying values of total plan assets which approximate their fair values as of the end of the reporting periods are as follows (in thousands):

	2022	2021
Cash and cash equivalents (Note 24)	**₱37**	₱27
Government and corporate debt instruments	**345,280**	364,521
Equity securities	**133,217**	125,891
Investment in Unit Investment Trust Fund (UITF)	**84,621**	104,999
Accrued interest receivable	**3,383**	2,565
Other accountabilities	**(1,631)**	(1,859)
	₱564,907	₱596,145

The sensitivity analysis below has been determined based on the impact of reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2022 and 2021, assuming all other assumptions were held constant (in thousands):

	2022	2021
Discount rate		
1.00%	**(₱19,719)**	(₱24,926)
(1.00%)	**23,555**	31,463
Salary increase rate		
1.00%	**22,861**	28,909
(1.00%)	**(19,627)**	(23,610)

Shown below is the maturity analysis of the undiscounted benefit payments (in thousands):

	2022	2021
Less than five years	**₱127,952**	₱103,277
More than five years to ten years	**538,013**	438,804
More than ten years to fifteen years	**751,224**	786,406
More than fifteen years to twenty years	**935,257**	835,852
More than twenty years	**9,734,299**	8,797,118

The average duration of the defined benefit obligation as at December 31, 2022 and 2021 is 6 years and 5 years, respectively.

21. Lease Contracts

Bank as lessee

The Bank leases the premises occupied by its branches. The lease contracts are for periods ranging from one (1) to forty (40) years from the dates of contracts and are renewable under certain terms and conditions. Various lease contracts include escalation clauses, which generally bear an annual rent increase ranging from 5.00% to 15.00%.

The rollforward analysis of lease liabilities follows:

	2022	2021
Balance at beginning of year	**₱633,650,390**	₱584,141,586
Additions	**122,355,434**	242,046,775
Interest expense	**39,109,419**	43,017,890
Payments	**(233,139,024)**	(235,555,861)
Balance at end of year	**₱561,976,219**	₱633,650,390

Expenses related to short-term leases amounting to ₱145.3 million in 2022, ₱105.4 million in 2021 and ₱122.2 million in 2020, respectively, are included in the 'Occupancy costs'.

Shown below is the maturity analysis of the undiscounted lease payments:

	2022	2021
Within one year	**₱176,241,668**	₱212,443,681
After one year but not more than five years	**414,173,357**	433,890,320
After more than five years	**56,503,067**	87,559,269
	₱646,918,092	₱733,893,271

Bank as lessor
The Bank has also entered into commercial property leases on its investment properties, most of which are with related parties (Note 23). These non-cancelable leases have remaining lease terms of between one to ten years.

Future minimum rentals receivable under non-cancelable operating leases follows:

	2022	2021
Within one year	**₱12,719,513**	₱291,807
After one year but not more than five years	**62,795,700**	109,169,975
After more than five years	**–**	–
	₱75,515,213	₱109,461,782

22. **Income and Other Taxes**

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for (benefit from) income tax' in the statements of income.

Republic Act (RA) No. 9337, *An Act Amending National Internal Revenue Code*, as amended by RA 10963 otherwise known as the Tax Reform For Accelaration and Inclusion (TRAIN) and RA 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE), provides that regular corporate income tax (RCIT) shall be 25.00% while interest expense allowed as a deductible expense is reduced to 20.00% of interest income subject to final tax

A minimum corporate income tax (MCIT) of 1.00% until June 30, 2023, under CREATE on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception. In addition, under RA 11494, also known as the Bayanihan to Recover as One Act, the net operating loss of the business or enterprise for taxable years 2020 and 2021 shall be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBUs, local commercial banks including branches of foreign banks is tax−exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% gross income tax.

Interest income on deposit placements with other FCDUs and OBUs is taxed at 15.00% effective January 1, 2018, while all other income of the FCDU is subject to the 30.00% corporate tax.

Relevant Tax Updates

TRAIN Law
RA No. 10963, the Tax Reform for Acceleration and Inclusion (TRAIN), is the first package of the comprehensive tax reform program of the government. The bill was signed into law on December 19, 2017 and took effect on January 1, 2018, amending some provisions of the old Philippine tax system.

Except for resident foreign corporations, which is still subject to the existing rate of 7.5%, tax on interest income of foreign currency deposit was increased to 15% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds and others are now subjected to a higher rate.

CREATE Law
RA 11534 otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) was signed into law by President Rodrigo Duterte last March 26, 2021. The law became effective on April 11, 2021, fifteen (15) days after its publication in a newspaper of general circulation on March 27, 2021.

The key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Bank are the following:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Interest income of foreign currency remittance transaction deposit received by resident foreign corporations are now subject to 15% final tax.

The Bank applied the provisions of the CREATE Act on its income tax payable, deferred tax assets and deferred tax liabilities as of December 31, 2020 in 2021.

Impact of CREATE Law
Applying the provisions of the CREATE Law, the Bank is subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Bank:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates applicable to the Bank for the taxable year 2020 is 27.5% and 1.50%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱17.28 million. The reduced amounts were reflected in the 2020 Annual Income Tax Returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.
- The deferred tax assets as of December 31, 2021 were also remeasured using the lower RCIT rate of 25.00%. The net decrease in the deferred tax balances amounted to ₱204.48 million.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

<u>RR 4-2011</u>
On March 15, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 4−2011 which prescribed the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU and within RBU.

On April 6, 2015, the Bank and other member banks of the Bankers Association of the Philippines (BAP), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati (Makati Trial Court). Further, in Civil Case No. 15-287, the Bank and other BAP member banks assailed the validity of RR 4-2011 on the ground, among others, that (a) the RR violates the petitioner-banks substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribes method of allocation and (e) it violates the equal protection clause of the Constitution.

On April 8, 2015, the Makati Trial Court issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 25, 2015, the Makati Trial Court issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 4-2011 against the Bank and other BAP member banks, including issuing Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the Makati Trial Court issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Bank and other BAP member banks are concerned.

On May 25, 2019, the Makati Trial Court issued a decision annulling RR 4-2011 and making the Writ of Preliminary Injunction permanent.

On May 10, 2022, the Supreme Court Decision promulgated on December 1, 2021 ruled that RR No. 4-2011 is invalid and void.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Bank's net revenue.

Provision for (benefit from) income tax consists of:

	2022	2021	2020
Current			
RCIT	**₱210,882,263**	₱248,561,274	₱40,638,922
Final tax	**112,617,769**	74,727,638	93,302,650
	323,500,032	323,288,912	133,941,572
Deferred	**(177,507,906)**	40,234,587	(382,944,290)
	₱145,992,126	₱363,523,499	(₱249,002,718)

Components of net deferred tax asset are as follows:

	2022	2021
Deferred tax asset on		
Allowance for impairment and credit losses of financial and other assets	**₱1,090,918,534**	₱1,098,686,151
Accumulated depreciation and allowance for impairment of investment properties	**183,900,520**	164,804,330
Unamortized service fee income	**241,412,087**	103,052,989
	1,516,231,141	1,366,543,470
Deferred tax liability on		
Fair value adjustment on investment property	**(144,274,758)**	(155,523,468)
Accrued lease receivable	**(1,721,089)**	(1,614,474)
Retirement asset	**(28,324,060)**	(44,932,325)
	(174,319,907)	(202,070,267)
	₱1,341,911,234	₱1,164,473,203

Provision for deferred tax charged directly to OCI amounted to ₱0.07 million and ₱22.17 million in 2022 and 2021, respectively.

The Bank did not set up deferred tax assets on the following temporary differences as it believes that it is highly probable that these temporary differences will not be realized in the near foreseeable future:

	2022	2021
Allowance for impairment and credit losses	**₱1,046,632,622**	₱930,088,108
Lease liabilities net of ROU assets	**72,191,844**	76,705,671
Unamortized past service cost	**774,620**	1,672,013
	₱1,119,599,086	₱1,008,465,792

Details of the Bank's excess MCIT over RCIT are as follows:

Inception year	Original Amount	Used Amount	Remaining Balance	Expiry year
2019	₱25,704,214	₱25,704,214	₱–	2022

The reconciliation between the statutory income tax and effective income tax follows:

	2022	2021	2020
Income tax expense computed at statutory rate of 25% in 2022 and 2021 and 30% in 2020	**₱430,736,347**	₱337,590,275	₱77,213,210
Tax effects of			
Movement in unrecognized deferred tax assets	**(44,359,508)**	(61,687,272)	(207,298,555)
Nontaxable and tax-paid income	**(294,723,686)**	(152,778,809)	(181,352,040)
Nondeductible expenses	**59,057,536**	59,538,041	58,003,114
CREATE adjustment	**–**	187,195,214	–
FCDU loss (income)	**(4,718,563)**	(6,333,950)	4,431,553
Effective income tax	**₱145,992,126**	₱363,523,499	(₱249,002,718)

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors;
- associates; and
- post-employment benefit plans for the benefit of the Bank's employees.

Generally, the related party transactions are settled in cash. There are no provisions for credit losses in 2022 and 2021 in relation to amounts due from related parties.

Transactions with Retirement Plans

The Trust Department of the Parent Bank manages the retirement plans of the Bank. The total fair value of the retirement fund as of December 31, 2022 and 2021 amounted to ₱564.91 million and ₱596.15 million, respectively. The details of the assets of the fund as of December 31, 2022 and 2021 are disclosed in Note 20.

Significant transactions of the retirement fund, particularly with related parties, are approved by the Retirement Committee (RC) of the Bank. The members of the RC are directors and key management personnel of the Bank.

As of December 31, 2022, cash and cash equivalents of the retirement plan amounting to ₱0.04 million are held by the Bank and earn an annual interest rate of 0.13%. As of December 31, 2021, cash and cash equivalents of the retirement plan amounting to ₱0.03 million are held by the Bank and earn an annual interest rate of 0.25%.

Interest income on the retirement plan's cash and cash equivalents amounted to ₱0.01 million and ₱0.01 million in 2022 and 2021, respectively.

Remunerations of Directors and other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee as key management personnel for purposes of PAS 24 – Related Party Disclosure.

The compensation of key management personnel included under 'Compensation and benefits' in the statement of income are as follows (in thousands):

	2022	2021	2020
Short-term employee benefits	**₱46,702**	₱46,313	₱47,091
Post-employment benefits	**1,537**	1,524	1,549
	₱48,239	₱47,837	₱48,640

In 2022, 2021 and 2020, no remunerations were given to the directors of the Bank who are also occupying key management positions with the ultimate parent bank.

The Bank also provides banking services to key management personnel and persons connected to them. These transactions are presented in the tables below.

	December 31, 2022		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Loans and receivables		**₱3,065,153**	These are loans with an average interest rate of 5.00% and unimpaired.
Issuances	**₱–**		
Repayments	**(368,535)**		
Deposit liabilities		**93,951,654**	These are savings and time deposit accounts with average annual interest rates of 0.19% and 4.32%, respectively.
Deposits	**45,331,262**		
Withdrawals	**(19,298,615)**		
Other Related Party			
Deposit liabilities		**269,206,906**	These are savings and time deposit accounts with average annual interest rate of 0.12% and 3.00%, respectively.
Deposits	**855,233**		
Withdrawals	**(67,132,363)**		

	December 31, 2021		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Loans and receivables		₱3,433,688	These are loans with an average interest rate of 5.00% and unimpaired.
Issuances	₱3,617,550		
Repayments	(183,862)		
Deposit liabilities		67,919,007	These are savings and time deposit accounts with average annual interest rates of 0.16% and 2.30%, respectively.
Deposits	44,259,380		
Withdrawals	(40,616,548)		
Other Related Party			
Deposit liabilities		335,484,036	These are savings and time deposit accounts with average annual interest rate of 0.21% and 1.05%, respectively.
Deposits	59,841,544		
Withdrawals	(58,526,738)		

As of December 31, 2022 and 2021, all loans to related parties are secured and no provision for credit losses was recorded.

Interest income earned and interest expense incurred from the above loans and deposit liabilities, respectively, for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Interest income	**₱162,471**	₱88,865	₱–
Interest expense	**4,810,311**	1,819,800	2,605,024

Related party transactions of the Bank with the Parent Bank and affiliates are as follows:

	Parent Bank		
	2022	2021	**Nature, Terms and Conditions**
Statements of Financial Position			
Due from other banks	**₱707,205,724**	₱613,948,507	This pertains to cash in bank deposited with CBC that bears annual interest rates ranging from 0.10% to 0.25%.
Net movements	**93,257,217**	(39,745,533)	
Accounts receivable	**2,083,957**	–	This pertains to receivable from CBC for unpaid rental.
Security deposit	**8,232,767**	8,232,767	This pertains to the rental deposits for office space leased out to CBC.

	Parent Bank			
	2022	2021	2020	**Nature, Terms and Conditions**
Statements of Income				
Interest income	**₱621,038**	₱616,477	₱1,119,283	This pertains to interest income earned from cash in bank deposited with CBC and loans and receivable
Income from property rentals	**₱37,267,241**	41,481,216	17,412,875	Certain units of the condominium owned by the Bank are being leased to CBC for a term ranging from 5 to 10 years, with an annual escalation rate of 5%.
Occupancy costs	**–**	1,414,098	3,770,028	Certain properties owned by CBC are being leased by the Bank.

	Other Related Party		
	2022	2021	**Nature, Terms and Conditions**
Statements of Financial Position			
Accounts payable	**₱53,349,147**	₱64,820,185	These are non-interest-bearing insurance premiums held on behalf of loan borrowers to be subsequently remitted to CIBI.
Security deposit	**2,159,801**	2,159,801	These pertain to rental deposits for office space leased out to CIBI.

	Other Related Parties			
	2022	2021	2020	**Nature, Terms and Conditions**
Statements of Income				
Income from property rentals	**₱7,995,026**	₱8,208,960	₱–	Certain units of the condominium owned by the Bank are being leased to CIBI for a term of 5 years, with 10.00% annual escalation clause.
Miscellaneous income	**48,543,831**	58,222,444	40,928,253	Bancassurance fees earned based on successful referrals.
Data processing and information technology	**17,847,329**	10,228,605	14,909,135	This pertains to the computer and general banking services provided by CBC−PCCI to the Bank to support its reporting requirements.

Outright purchases and outright sale of debt securities of the Bank with CBC are as follows:

	2022	2021	2020
Outright purchase	**₱2,839,425,949**	₱1,517,202,796	₱3,193,162,819
Outright sale	**–**	671,808,009	563,178,534

As of December 31, 2022, government securities with par value of ₱260.00 million and carrying value of ₱255.89 million are pledged to CBC in compliance with DOSRI rules.

As of December 31, 2021, government securities with par value of ₱260.00 million and carrying value of ₱257.47 million are pledged to CBC in compliance with DOSRI rules.

As of December 31, 2022 and 2021, the number of common shares held by the Parent Bank is 105.00 million. The Parent Bank does not hold preferred shares of the Bank in 2022 and 2021.

24. Commitments and Contingencies

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. Management does not anticipate any material losses as a result of these transactions.

The Bank has several suits and claims that remain unsettled. It is not practicable to estimate the potential financial statement impact of these contingencies. However, in the opinion of management, the suits, and claims, if decided adversely, will not involve sums having a material effect on the financial statements.

25. Notes to Statements of Cash Flows

The following is a summary of non-cash activities:

	2022	2021	2020
Non-cash operating activities			
Recognition of investment properties from foreclosure of real estate mortgage on loans and receivables (Note 11)	**₱515,686,504**	₱669,641,104	₱267,858,201
Recognition of NCAHS arising from foreclosure of chattel mortgage on loans and receivables (Note 9)	**378,017,211**	578,460,178	482,212,373
Remeasurement losses (gains) on retirement plan (Note 20)	**(4,732,575)**	88,690,905	66,467,536
Non-cash investing activities			
Fair value gains (losses) on financial assets at FVOCI	**(128,766,030)**	(22,036,062)	42,368,412
Non-cash financing activities			
Additions of right-of-use assets and lease liabilities	**(122,355,434)**	(242,046,775)	(74,399,262)

26. **Offsetting of Financial Assets and Liabilities**

PFRS 7 requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table (amounts in thousands).

	December 31, 2022				
Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**	**[e]**
Financial assets					
SPURA (Note 6)	**₱1,967,022**	**₱–**	**₱–**	**₱1,967,022**	**₱–**

	December 31, 2021				
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria	Net exposure [c-d]
	[a]	[b]	[c]	[d]	[e]
Financial assets					
SPURA (Note 6)	₱1,528,227	₱–	₱–	₱1,528,227	₱–

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency, or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

27. **Business Combination**

In accordance with PIC Q&A 2012-01, the Bank elected to use the 'pooling of interests' method in accounting for its merger with PDB and Unity Bank in 2015 and 2014, respectively.

Merger with PDB
On June 26, 2014, the BOD approved the merger of the Bank with PDB. The terms of the Plan and Articles of Merger were approved by the Bank's stockholders in their meeting held on August 14, 2014, with the Bank as the surviving entity.

On June 25, 2015, the MB, in its Resolution Nos. 789 and 1559, approved the Plan and Articles of Merger of the Bank and PDB subject to certain conditions. On December 17, 2015, the Bank obtained approval from the SEC for the merger to be effective. The actual merger took place on December 31, 2015. As of the effective date of merger, all common and preferred shares of PDB have been converted into fully paid China Bank Savings common shares totaling to 16,501,093 shares. The Bank recognized 'Other equity reserves' amounting to ₱1.94 billion as a result of the merger with PDB.

Merger with Unity Bank
On June 6, 2013, the BOD approved the merger of the Bank with Unity Bank. The terms of the Plan of Merger were approved by the Bank's stockholders in their meeting held on July 18, 2013 with the Bank as the surviving entity. On November 22, 2013, the MB, in its Resolution No. 1949, approved the Plan of Merger and Articles of Merger of the Bank and Unity Bank subject to certain conditions. On January 20, 2014, the Bank obtained approval from the SEC for the merger to be effective. Under the approved plan of merger, all the issued and outstanding common stocks of Unity Bank ("Unity shares"), as well as shares that have been subscribed but have not been issued or covered by Stock Purchase Agreement, shall be convertible into fully paid and non-assessable common stock of CBS at the approximate ratio of 1.144 Unity Bank common shares for every CBS common share (the "Exchange Ratio"). The actual merger took place on January 31, 2014. The Bank issued 5,173,881 common shares and recognized 'Other equity reserves' amounting to ₱303.96 million as a result of the merger with Unity Bank.

28. **Covid-19 Pandemic**

On March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

Bayanihan to Heal as One Act
On March 25, 2020, President Duterte signed into law the Bayanihan to Heal as One Act (RA 11469). The law provides the President, among others, the power to direct all private and public banks, quasi-banks, financing companies, lending companies and other financial institutions, including the Government Service Insurance System, Social Security System and Pag-ibig Fund to implement a grace period of 30 days minimum, for the payment of all loans falling due within the enhanced community quarantine (ECQ) without interests, penalties, fees or other charges. In a separate Frequently Asked Questions (FAQ) released by BSP on May 18, 2020, it clarified that the modified enhance community quarantine (MECQ) shall have the same effect as the ECQ with respect to the application of the mandatory grace period for the payment of all loans falling due within the period of MECQ.

The Implementing Rules and Regulations (IRR) of the said law provides that borrowers have the option to pay the interest accrued during the mandatory grace period either in lumpsum on the new due date or on staggered basis over the life of the loan. Nonetheless, covered financial institutions are not precluded from offering less onerous payment schemes with the consent of the borrower, such as allowing lump sum payment of accrued interest on the last payment date of the loan, provided that the accrued interest during the mandatory grace period will not be charged with interest on interest, fees and other charges.

On March 14, 2020, the BSP issued BSP Memorandum No. M-2020-008 *Regulatory Relief for BSFIs Affected by the Corona Virus Disease 2019 (COVID-19).* The said memorandum provides for the following temporary regulatory and rediscounting relief measures for financial institutions supervised by the BSP.

- Provide financial assistance to officers affected by the present health emergency subject to submission by the Bank of a request for BSP approval within 30 calendar days from the approval thereof of the Bank's Board of Directors;

- Exclude from the computation of past due ratio, loans by borrowers in affected areas, subject to the following: (i) such loans shall be reported to the BSP; (ii) extension shall be for a period of one year from 08 March 2020; and (iii) BSP documentary requirements for restructuring of loans may be waived provided that the Bank will adopt appropriate and prudent operational control measures;
- Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports to BSP due to be submitted from 08 March 2020 up to six months thereafter;
- Allow staggered booking of allowance for credit losses computed under Section 143 of the Manual of Regulation for Banks (MORB) over a maximum period of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of 08 March 2020, subject to prior approval of the BSP;

  Non-imposition of penalties on legal reserve deficiencies computed under Section 255 of the MORB starting from reserve week following 08 March 2020 up to six months thereafter, subject to prior approval of the BSP;

  Rediscounting relief as follows:
  a. Grant of a 60-day grace period, upon application with BSP, to settle outstanding rediscounting obligations as of 08 March 2020, provided that interest shall be charged but no penalty shall be imposed;
  b. Allowing the Bank to restructure with BSP, the outstanding rediscounted loans as of 08 March 2020 of its end-user borrowers affected by the COVID-19, subject to the terms and conditions stated in Appendix 133 of the MORB; and
  c. relaxation of eligibility requirements by excluding the criteria on reserve requirement for the renewal of rediscounting line and for the availment of rediscounting loans from 08 March 2020 up to six months thereafter.

In 2020, the Bank submitted its letter of intent to avail itself of the regulatory relief on staggered booking of allowance for credit losses for BSP reporting purposes. The BSP approved the request on April 29, 2022.

29. Approval of the Release of Financial Statements

The accompanying financial statements were authorized for issue by the Bank’s BOD on March 16, 2023.

30. Supplementary Information Required Under BSP Circular No. 1074

Presented below is the supplementary information required by BSP under Appendix 55 of BSP Circular No. 1074 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Bank:

	2022	2021	2020
Return on average equity (ROE)	**13.06%**	9.12%	5.06%
Return on average asset (ROA)	**1.44%**	1.02%	0.50%
Net interest margin over average earning assets (NIM)*	**6.61%**	6.33%	4.86%

**Had the Bank excluded the interest expense on lease liabilities, NIM is 6.65%, 6.38% and 4.91% for the years ended December 31, 2022, 2021 and 2020, respectively.*

Description of capital instruments issued
As of December 31, 2022 and 2021, the Bank has two classes of capital stock, 6 million authorized preferred shares and 134 million authorized common shares.

As of December 31, 2022, 2021 and 2020, the Bank's capital stock consists of:

	Shares	Amount
Preferred stock – ₱100 par value		
Balance at beginning and end of year	21,642	₱2,164,200
Common stock – ₱100 par value		
Balance at beginning and end of year	105,414,149	10,541,414,900
	105,435,791	₱10,543,579,100

Significant credit exposures

The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are managed and controlled.

	2022						
	Loans and receivables	**%**	**Other financial assets***	**%**	**Off-balance sheet exposures**	**%**	**Total**
Consumer	**₱50,405,827**	**55.44**	**₱674,509**	**2.34**	**₱–**	**–**	**₱51,080,336**
Real estate, renting and business services	**27,300,322**	**30.03**	**365,321**	**1.27**	**–**	**–**	**27,665,643**
Government	**–**	**–**	**23,850,699**	**82.79**	**–**	**–**	**23,850,699**
Wholesale and retail trade	**2,472,410**	**2.72**	**33,085**	**0.11**	**1,540,983**	**99.69**	**4,046,478**
Financial intermediaries	**685,466**	**0.75**	**2,242,626**	**7.78**	**–**	**–**	**2,928,092**
Agriculture	**1,958,625**	**2.15**	**26,209**	**0.09**	**–**	**–**	**1,984,834**
Manufacturing	**1,764,437**	**1.94**	**23,611**	**0.08**	**–**	**–**	**1,788,048**
Electricity, gas, steam and air-conditioning supply	**1,643,305**	**1.81**	**21,990**	**0.08**	**–**	**–**	**1,665,295**
Transportation, storage and communication	**1,414,343**	**1.56**	**18,926**	**0.07**	**–**	**–**	**1,433,269**
Construction	**1,052,964**	**1.16**	**14,090**	**0.05**	**–**	**–**	**1,067,054**
Health and social work	**610,115**	**0.67**	**8,164**	**0.03**	**–**	**–**	**618,279**
Hotels and restaurant	**568,947**	**0.63**	**7,613**	**0.03**	**–**	**–**	**576,560**
Education	**393,729**	**0.43**	**5,269**	**0.02**	**–**	**–**	**398,998**
Other community, social and personal services	**272,094**	**0.30**	**3,641**	**0.01**	**–**	**–**	**275,735**
Others	**375,989**	**0.41**	**1,512,919**	**5.25**	**4,739**	**0.31**	**1,893,647**
Total	**90,918,573**	**100.00**	**28,808,672**	**100.00**	**1,545,722**	**100.00**	**121,272,967**
Allowance for impairment and credit losses	**(3,207,743)**		**(794,701)**		**–**		**(4,002,444)**
Net	**₱87,710,830**		**₱28,013,971**		**₱1,545,722**		**₱117,270,523**

* *Other financial assets include the following: due from BSP, due from other banks, SPURA, financial assets at FVOCI, investments securities at amortized cost and other financial assets.*

	2021						
	Loans and receivables	%	Other financial assets*	%	Off-balance sheet exposures	%	Total
Consumer	₱31,683,677	46.16	₱682,402	2.98	₱–	–	₱32,366,079
Real estate, renting and business services	23,170,315	33.76	499,041	2.18	–	–	23,669,356
Government	–	–	18,523,398	80.98	–	–	18,523,398
Wholesale and retail trade	2,827,062	4.12	60,889	0.27	635,231	100.00	3,523,182
Financial intermediaries	583,566	0.85	1,773,137	7.75	–	–	2,356,703
Agriculture	1,422,046	2.07	30,628	0.13	–	–	1,452,674
Manufacturing	1,804,183	2.63	38,858	0.17	–	–	1,843,041
Electricity, gas, steam and air-conditioning supply	1,730,411	2.52	37,270	0.16	–	–	1,767,681
Transportation, storage and communication	2,010,145	2.93	43,294	0.19	–	–	2,053,439
Construction	845,917	1.23	18,219	0.08	–	–	864,136
Health and social work	654,671	0.95	14,100	0.06	–	–	668,771
Hotels and restaurant	642,039	0.94	13,828	0.06	–	–	655,867
Education	425,340	0.62	9,161	0.04	–	–	434,501
Other community, social and personal services	384,992	0.56	8,292	0.04	–	–	393,284
Others	447,239	0.65	1,121,024	4.90	104	0.00	1,568,367
Total	68,631,603	100.00	22,873,541	100.00	635,335	100.00	92,140,479
Allowance for impairment and credit losses	(3,254,990)		(810,680)		–		(4,065,670)
Net	₱65,376,613		₱22,062,861		₱635,335		₱88,074,809

* *Other financial assets include the following: due from BSP, due from other banks, SPURA, financial assets at FVOCI, investments securities at amortized cost and other financial assets.*

Status of loans

Information on the amounts of performing and non-performing loans (NPLs) and receivables (gross of allowance for impairment and credit losses) of the Bank are as follows:

	2022			2021		
	Performing	**Non-Performing**	**Total**	Performing	Non-Performing	Total
Loans and discounts						
Consumer lending	**₱71,047,826,568**	**₱1,720,610,306**	**₱72,768,436,874**	₱48,444,896,866	₱2,174,452,578	₱50,619,349,444
Corporate and commercial lending	**14,347,647,483**	**2,365,916,439**	**16,713,563,922**	14,351,261,831	2,554,220,335	16,905,482,166
Others	**6,770,613**	**3,126,813**	**9,897,426**	7,928,015	3,274,091	11,202,106
	₱85,402,244,664	**₱4,089,653,558**	**₱89,491,898,222**	₱62,804,086,712	₱4,731,947,004	₱67,536,033,716

Loans per security

Information on the amounts of secured and unsecured loans and receivables (gross of allowance for credit losses) follows:

	2022		2021	
	Amounts	**%**	Amounts	%
Loans secured by				
Real estate	**₱30,638,669,795**	**33.70**	₱26,480,805,144	38.58
Chattel mortgage	**14,947,797,429**	**16.44**	13,846,681,864	20.18
Deposit hold out and others	**269,809,367**	**0.30**	417,719,952	0.61
	45,856,276,591	**50.44**	40,745,206,960	59.37
Unsecured loans	**45,062,296,822**	**49.56**	27,886,396,349	40.63
	₱90,918,573,413	**100.00**	₱68,631,603,309	100.00

As of December 31, 2022 and 2021, secured and unsecured NPLs of the Bank follow:

	2022	2021
Secured	**₱2,332,152,429**	₱2,882,804,238
Unsecured	**1,757,501,129**	1,849,142,766
	₱4,089,653,558	₱4,731,947,004

Restructured loans as of December 31, 2022 and 2021 amounted to ₱572.03 million and ₱507.34 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱10.91 billion and ₱8.40 billion as of December 31, 2022 and 2021, respectively.

According to BSP Circular 941 *Amendments to the Regulations on Past Due and Non-Performing Loans* effective January 1, 2018, loans shall be considered non−performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non−performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Secured liability and assets pledged as security
As of December 31, 2022 and 2021, the Bank has no liability that is secured by pledged assets.

Related party loans
As required by the BSP, the Bank discloses loan transactions with its and affiliates and investees and with certain DOSRI. Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	2022		2021	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI Loans)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Total outstanding DOSRI loans*	**₱715,511,672**	**₱733,472,013**	₱621,111,200	₱641,708,816
Percent of DOSRI/Related Party loans to total loan portfolio**	**0.78%**	**0.80%**	0.91%	0.94%
Percent of unsecured DOSRI/Related Party loans to total loan portfolio	**0.21%**	**0.20%**	0.06%	0.06%
Percent past due DOSRI/Related Party loans to total loan portfolio	**–**	**–**	–	–
Percent of non−performing DOSRI/Related Party loans to total loan portfolio	**–**	**–**	–	–

** Includes deposits with CBC*
*** Total loan portfolio includes deposits with Parent Bank*

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi−bank; and the subsidiaries and affiliates of the lending bank/quasi−bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

Commitments and contingencies
The following is a summary of contingencies and commitments of the Bank with the equivalent peso contractual amounts:

	2022	2021
Credit lines	**₱1,431,696,797**	₱531,083,989
Standby domestic letters of credit	**84,280,000**	93,960,357
Late deposits/payments received	**22,965,523**	8,320,699
Outward bills for collection	**2,040,344**	1,866,299
Others	**4,738,897**	104,374
	₱1,545,721,561	₱635,335,718

31. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the details of percentage and other taxes paid or accrued by the Bank in 2022.

<u>Taxes and Licenses</u>

Gross receipts tax	₱388,324,850
Local taxes	25,029,817
Others	4,384,099
	₱417,738,766

Withholding Taxes

Details of total remittances of withholding taxes in 2022 and amounts outstanding as of December 31, 2022 are as follows:

	Total Remittances	Amounts Outstanding
Final withholding taxes	₱158,747,683	₱31,597,703
Withholding taxes on compensation and benefits	118,379,742	8,705,513
Expanded withholding taxes	65,304,055	4,643,731
	₱342,431,480	₱44,946,947

Tax assessments

The Bank has no pending tax case as of December 31, 2022.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
China Bank Savings, Inc.
CBS Building, 314 Sen. Gil Puyat Avenue
Makati City

We have audited the accompanying financial statements of China Bank Savings, Inc. (the Bank), a subsidiary of China Banking Corporation, as at and for the year ended December 31, 2022, on which we have rendered the attached report dated March 16, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total of four hundred seventeen (417) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Redgienald G. Radam

Redgienald G. Radam
Partner
CPA Certificate No. 118866
Tax Identification No. 249-000-259
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118866-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. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024
PTR No. 9564682, January 3, 2023, Makati City

March 16, 2023

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

The Stockholders and the Board of Directors
China Bank Savings, Inc.
CBS Building, 314 Sen. Gil Puyat Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing the financial statements of China Bank Savings, Inc. (the Bank), a subsidiary of China Banking Corporation as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 16, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly stated, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Redgienald G. Radam

Redgienald G. Radam
Partner
CPA Certificate No. 118866
Tax Identification No. 249-000-259
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118866-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. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024
PTR No. 9564682, January 3, 2023, Makati City

March 16, 2023

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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
China Bank Savings, Inc.
CBS Building, 314 Sen. Gil Puyat Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of China Bank Savings, Inc. (the Bank), a subsidiary of China Banking Corporation, as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 16, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Bank's financial statements as at and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Redgienald G. Radam

Redgienald G. Radam
Partner
CPA Certificate No. 118866
Tax Identification No. 249-000-259
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118866-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. 08-001998-141-2021, April 27, 2021, valid until April 26, 2024
PTR No. 9564682, January 3, 2023, Makati City

March 16, 2023

CHINA BANK SAVINGS, INC.
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

Schedules Required under Securities Regulation Code Rule 68

CHINA BANK SAVINGS, INC.
Schedule A – Financial Assets
December 31, 2022

Name of issuing entity and association of each issue (i)	Number of shares or principal amount of bonds or notes	Amount shown in the Balance Sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Financial assets at fair value through other comprehensive income				
Government bonds	₱1,922,795,585	₱1,933,457,664	₱1,933,457,664	
Quoted equity securities	28 shares	16,055,816	16,055,816	
Unquoted equity securities	32,102,725 shares	8,188,816	8,188,816	
		₱1,957,702,296	₱1,957,702,296	₱48,742,713
Investment securities at amortized cost				
Government bonds	₱5,065,292,540	₱5,206,292,029	₱4,948,756,371	
Private debt securities	693,800,000	691,123,601	648,991,727	
	₱5,759,092,540	₱5,897,415,630	₱5,597,748,098	₱224,325,861

CHINA BANK SAVINGS, INC.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non-Current	Balance at end of period

None to report.

Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

CHINA BANK SAVINGS, INC.
Schedule C – Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2022

Name of Debtor	Balance at beginning of period	Additions	Amounts Collected (i)	Amounts Written-off (ii)	Current	Non-Current	Balance at end of period

None to Report.

(i) If collected was other than in cash, explain.
(ii) Give reasons to write-off.

CHINA BANK SAVINGS, INC.
Schedule D – Intangible Assets – Other Assets
December 31, 2022

Description [i]	Beginning Balance	Additions at Cost [ii]	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) [iii]	Ending Balance
Branch Licenses	₱74,480,000	₱–	₱–	₱–	₱–	₱74,480,000
Software	35,090,416	35,863,358	12,473,604	–	–	58,480,170

(i) The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.

(ii) For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.

(iii) If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

CHINA BANK SAVINGS, INC.
Schedule E - Long-Term Debt
December 31, 2022

Title of issue and type of obligation [i]	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt' in related balance sheet [ii]	Amount shown under caption "Long-Term Debt" in related balance sheet [iii]	Interest Rate %	Maturity Date

None to Report.

(i) Include in this column each type of obligation authorized.
(ii) This column is to be totaled to correspond to the related balance sheet caption.
(iii) Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

CHINA BANK SAVINGS, INC.
Schedule F - Indebtedness to Related Parties
(Long Term Loans from Related Companies)
December 31, 2022

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

None to Report.

(i) The related parties named shall be grouped as in Schedule C. The information called for shall be stated for any persons whose investments shown separately in such related schedule.
(ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

CHINA BANK SAVINGS, INC.
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2022

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding [i]	Amount owned by person of which statement is filed	Nature of guarantee [ii]

None to Report.

(i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
(ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

CHINA BANK SAVINGS, INC.
Schedule H - Capital Stock
December 31, 2022

Title of Issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
Common stock - ₱100 par value	134,000,000 shares	105,414,149	–	104,995,882	16	418,267
Preferred stock - ₱100 par value	6,000,000 shares	21,642	–	–	–	21,642

(i) Include in this column each type of issue authorized
(ii) Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.
Indicate in a note any significant changes since the date of the last balance sheet filed

CHINA BANK SAVINGS, INC.
Financial Indicators
December 31, 2022

	2022	2020
Profitability ratios		
Net income	**₱1,576,953,263**	₱986,455,862
Total average assets*	**109,869,951,615**	97,173,566,236
Return on average asset	**1.44%**	1.02%

** Average of beginning and ending total assets*

	2022	2020
Net income	**₱1,576,953,263**	₱986,455,862
Total average equity	**12,071,789,846**	10,816,417,602
Return on average equity	**13.06%**	9.12%

** Average of beginning and ending total equity*

	2022	2020
Net interest income	**₱6,581,408,070**	₱5,470,233,970
Interest earning-assets**	**99,616,567,209**	86,424,574,511
Net interest margin*	**6.61%**	6.33%

** Had the Bank excluded the interest expense on lease liabilities, NIM is 6.65% and 6.38% for the years ended December 31, 2022 and 2021, respectively.*

*** Includes due from BSP, due from other banks, SPURA, debt securities under financial assets at FVOCI and investments at amortized costs and loans receivable*

	2022	2020
Operating expense less provision for impairment and credit losses	**₱4,320,329,546**	₱3,707,286,607
Operating income	**7,550,860,423**	6,304,245,923
Cost to income ratio	**57.22%**	58.81%

	2022	2020
Liquidity ratios		
Total liquid assets*	**₱22,573,522,183**	₱16,905,408,578
Total assets	**123,987,261,849**	95,752,479,887
Liquid Assets to Total Assets	**18.21%**	17.66%

** Includes cash and cash equivalents and financial assets at FVOCI*

	2022	2020
Total loans and receivables	**₱87,710,830,245**	₱65,376,612,619
Total deposit liabilities	**108,196,889,850**	81,795,166,015
Loans (net) to Deposit Ratio	**81.07%**	79.93%

	2022	2020
Asset quality ratios		
Total NPL	**₱4,089,653,558**	₱4,731,947,004
Total loans and receivable, net of UID and gross of ECL	**90,918,573,413**	68,631,603,309
Gross Non-Performing Loans Ratio	**4.50%**	6.89%

	2022	2020
Total allowance for credit losses on receivables	**₱3,207,743,168**	₱3,254,990,690
Total NPL	**4,089,653,558**	4,731,947,004
Non-performing Loan (NPL) Cover	**78.44%**	68.79%

CHINA BANK SAVINGS, INC.
Financial Indicators
December 31, 2022

	2022	2021
Solvency ratios		
Total liability	**₱111,172,991,691**	₱84,423,331,847
Total equity	**12,814,431,652**	11,329,148,040
Debt to Equity Ratio	**867.56%**	745.19%
Total assets	**₱123,987,423,343**	₱95,752,479,887
Total equity	**12,814,431,652**	11,329,148,040
Asset to Equity Ratio	**967.56%**	845.19%
Net income before tax and interest expense	**₱3,246,481,642**	₱2,234,416,745
Interest expense	**1,523,536,253**	884,055,645
Interest Rate Coverage Ratio	**213.09%**	252.75%
Capitalization ratios		
CET 1 / Tier 1	**11.74%**	13.18%
Total Capital Adequacy Ratio	**12.68%**	14.09%